Heimbach UK Limited

Directors' report and financial statements

Registered number 00055771

31 December 2014

Contents

Strategic report

Principal activities

The principal activity of the company was the manufacture and sale of woven synthetic forming fabrics for paper machines. All sales are made to group companies.

Business review

During the year the company developed and implemented a 4 year business plan with a focus on operational excellence, people development and new product development. The latest product offerings continue to perform well with above expected volume growth. The increased emphasis in the areas of quality management, continuous improvement and employee learning remained throughout the organisation. Production and sales volumes were again generally flat which reflected to some extent the turbulent market conditions in Europe. The ultimate global sales price continues to weaken, and with unfavourable exchange rate movements, has resulted in a decline in turnover. The results for the financial year are set out in the profit and loss account on page 6.

The financial position of the company remains strong at the current year end with net assets excluding pension liabilities of £11.5m *(2013: £11.7m).*

Performance of the business

During 2014 the company achieved specific organisational targets in the areas of development and quality.

The principal risks are, in our view, our continued reputation for technical and quality excellence and the further deterioration of market conditions – particularly in Europe, and the increasing reliance on non-European business with its associated impact on sales prices. Weakened Euro puts pressure on operating performance.

Key performance indicators

The company has bi-annual board meetings at which performance is measured against detailed budgets. At these meetings the board reviews sales, quality, product development, production, health & safety and financial values.

The company distributes fully reconciled management accounts on a monthly basis to its ultimate holding company, Heimbach GmbH, a company incorporated in Germany.

During 2014, the major KPI's used were:

EBITDA	£865,352 (*2013: £3,243,118*)
EBITDA/ Net sales	12.2% (*2013: 33.0%*)
EBT	-£224,469 (*2013: £1,901,459*)
EBT/ Net sales	-3.2% (*2013: 19.4%*)
Return on Assets	-1.7% (*2013: 14.1%*)

By order of the board

R Martin
Director

Bradnor Road
Wythenshawe
Manchester
M22 4TS

24/3/ 2015

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Dividend

The Directors have paid a final ordinary dividend in the current financial year of £388,018 *(2013: £416,320)* The loss before tax was £(224,469) *(2013: £1,901,459 profit)* and the loss after tax for the year and retained by the company is £(158,046) *(2013: £1,578,653 profit).*

Directors

The directors who held office during the year were as follows:
R Martin
P Michels
G Leigh (Resigned 24 February 2015)

Insurance of directors

The ultimate holding company maintains insurance for the directors in respect of their duties as directors of the company.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

R Martin
Director

Bradnor Road
Wythenshawe
Manchester
M22 4TS

24/3/ 2015

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
1 St Peters Square
Manchester
M2 3AE

Independent auditor's report to the members of Heimbach UK Limited

We have audited the financial statements of Heimbach UK Limited for the year ended 31 December 2014 set out on pages 6 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of the financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year ended;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Heimbach UK Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nick Plumb

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peters Square
Manchester
M2 3AE

25 March 2015

Profit and loss account

for the year ended 31 December 2014

	Note	**2014**	2013
		£	£
Turnover from continuing operations	*2*	**6,972,427**	9,819,351
Cost of sales		**(5,266,105)**	(5,247,055)
Gross profit		**1,706,322**	4,572,296
Distribution costs and selling expenses		**(174,823)**	(164,451)
Administrative expenses		**(1,907,478)**	(2,528,612)
Operating (loss)/profit from continuing operations		**(375,979)**	1,879,233
Interest receivable and similar income	*6*	**28,665**	13,056
Interest payable and similar charges	*7*	**(1,950)**	-
Other finance income/(expense)	*8*	**124,795**	9,170
(Loss)/profit on ordinary activities before taxation	*1-8*	**(224,469)**	1,901,459
Tax on (loss)/profit on ordinary activities	*9*	**66,423**	(322,806)
(Loss)/profit on ordinary activities after taxation and retained for the financial year	*17*	**(158,046)**	1,578,653

All the results are from continuing operations.

Notes on pages 9 to 23 form part of the financial statements.

Balance sheet
at 31 December 2014

	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Intangible assets	10		-		-
Tangible assets	11		7,079,339		7,304,634
			7,079,339		7,304,634
Current assets					
Stocks	12	850,096		967,861	
Debtors	13	4,955,711		4,112,905	
Cash at bank and in hand		162,434		1,141,449	
		5,968,241		6,222,215	
Creditors: amounts falling due within one year	14	(809,718)		(1,012,056)	
Net current assets			5,158,523		5,210,159
Total assets less current liabilities			12,237,862		12,514,793
Provision for liabilities	15		(749,808)		(854,921)
Net assets excluding pension liabilities			11,488,054		11,659,872
Pension liability	19		(3,034,647)		(2,304,979)
Net assets including pension liabilities			8,453,407		9,354,893
Capital and reserves					
Called up share capital	16		500,000		500,000
Share premium account	17		20,000		20,000
Revaluation reserve	17		1,820,945		1,213,682
Profit and loss account	17		6,112,462		7,621,211
Equity shareholder's funds			8,453,407		9,354,893

These financial statements were approved by the Board of directors on 24/3/15 and were signed on its behalf by:

R Martin
Director

Registered number 00055771

Notes on pages 9 to 23 form part of the financial statements.

Statement of total recognised gains and losses
for the year ended 31 December 2014

	2014	2013
	£	£
(Loss)/profit for the financial year	**(158,046)**	1,578,653
Actuarial (loss)/gain recognised in the pension scheme	**(1,506,777)**	1,846,375
Deferred tax arising on (gains)/losses in the pension scheme	**301,355**	(429,283)
Total recognised (losses)/gains relating to the year	**(1,363,468)**	2,995,745

Note of historical cost profits and losses
for the year ended 31 December 2014

	2014	2013
	£	£
Reported (loss)/profit on ordinary activities before taxation	**(224,469)**	1,901,459
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**242,737**	245,592
Historical cost profit on ordinary activities before taxation	**18,268**	2,147,051
Historical cost profit for the year retained after taxation	**84,691**	1,824,245

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2014

	2014	2013
	£	£
(Loss)/profit for the financial year	**(158,046)**	1,578,653
Dividends paid to parent company	**(388,018)**	(416,320)
Other recognised (losses)/gains relating to the pension scheme in the year (net)	**(1,205,422)**	1,417,092
Other recognised gains relating to the revaluation in the year	**850,000**	-
Net (reduction)/addition to shareholder's funds	**(901,486)**	2,579,425
Opening shareholder's funds	**9,354,893**	6,775,468
Closing shareholder's funds	**8,453,407**	9,354,893

Notes on pages 9 to 23 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Going concern

The company has considerable financial resources and the directors believe that the company is well placed to manage its business risks successfully in the current economic conditions.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Intangible fixed assets and amortisation

Concessions, patents, licenses and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful lives, generally the respective unexpired period of six years.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Long leasehold land and buildings	-	5% straight line
Plant, equipment and vehicles	-	5% - 33% straight line

Assets under construction are held on the balance sheet at cost and are not depreciated until the point when the asset comes into use.

The company has departed from the historical cost accounting rules in respect of the carrying value of long leasehold land and buildings. These are now carried at valuation in accordance with Financial Reporting Standard 15 as in the opinion of the directors this shows these fixed assets at their current value as at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss on a straight line basis over period of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Post-retirement benefits

Employees were entitled to become members of the UK company pension scheme which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. On 1 December 2001, the UK group took the decision to cease future service benefit accrual under the plan and the Trustees will continue to run it on a closed basis.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The company also operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. For raw materials, work in progress and finished goods, cost is taken as a standard cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

Turnover

Turnover and profit on ordinary activities before taxation are derived from the company's principal activity.

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. Revenue is recognised when the risk and rewards of ownership of stock is transferred.

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied to the technical, commercial and financial viability of an individual project.

Cash

Cash, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes *(continued)*

2 Turnover

No analysis of turnover by geographical market has been presented as the directors feel this would be prejudicial to the interests of the company.

3 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	2014	2013
	£	£
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**39,920**	37,172
Other audit related services	**5,640**	-
Other services relating to taxation	**18,475**	6,633
Amortisation	**-**	222,282
Depreciation and other amounts written off owned tangible fixed assets	**1,116,537**	1,132,432
(Profit)/loss on disposal of fixed assets	**(1)**	27,873
Research & Development	**239,437**	429,358
Exchange loss on trading	**132,186**	12,308
Exchange loss on retranslation of intercompany loan	**219,620**	21,363
Hire of plant and machinery – rentals payable under operating leases	**66,944**	63,286

4 Remuneration of directors

	2014	2013
	£	£
Directors' emoluments	**161,442**	143,401
Pension contributions	**7,270**	30,686
	168,712	174,087

	Number of directors	
	2014	2013
The following directors participate in pensions schemes operated by the company:		
Defined benefit scheme	**1**	1
Defined contribution scheme	**2**	2

As disclosed in note 19, the defined benefit scheme is closed and future service benefit accrual ceased with effect from 1 December 2001.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year analysed by category, was as follows:

	Number of employees	
	2014	2013
Production	**75**	72
Selling	**8**	15
Administration	**10**	10
	93	97

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**3,193,297**	3,160,218
Social security costs	**340,216**	348,449
Other pension costs (see note 19)	**291,128**	137,137
	3,824,641	3,645,804

6 Interest receivable and similar income

	2014	2013
	£	£
Bank interest	**891**	1,144
On loans	**26,234**	11,912
Other interest receivable	**1,540**	-
	28,665	13,056

7 Interest payable and similar charges

	2014	2013
	£	£
Other interest payable	**1,950**	-
	1,950	-

Notes *(continued)*

8 Other finance expense

	2014	2013
	£	£
Expected return on the pension scheme assets	**925,792**	808,898
Interest on pension scheme liabilities	**(800,997)**	(799,728)
	124,795	9,170

9 Taxation

Analysis of (credit)/charge in period

	2014	**2014**	2013	2013
	£	**£**	£	£
UK corporation tax				
Current tax on income for the year	-		457,269	
Adjustment in respect of previous years	**(80,248)**		(137,650)	
Total current tax		**(80,248)**		319,619
Deferred tax (see note 15)				
FRS 17 deferred tax movement	**13,825**		188,858	
Reversal of timing differences	-			
Adjustment in respect of previous years	-		(185,671)	
Total deferred tax		**13,825**		3,187
Tax on (loss)/profit on ordinary activities		**(66,423)**		322,806

Factors affecting the tax (credit)/charge for the current period

The current tax (credit)/charge for the period is lower *(2013: lower)* than the standard rate of corporation tax in the UK 21.49%, *(2013: 23.25%)*. The differences are explained below:

	2014	2013
	£	£
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(224,469)**	1,901,459
Current tax at	**(48,238)**	422,790
Effects of:		
Expenses not deductible for tax purposes	**(70,237)**	(42,804)
Pension credit for reduction in pension deficit	**-**	-
Other timing differences	**1,609**	1,563
Capital allowances for period less than depreciation	**116,866**	56,486
Adjustment to tax charge in respect of previous periods	**(80,248)**	(137,650)
Total current tax (credit)/charge (see above)	**(80,248)**	319,619

Notes *(continued)*

10 Intangible fixed assets

	Software
	£
Cost	
At beginning of year	1,281,876
Additions	-
Disposals	-
At end of year	1,281,876
Amortisation	
At beginning of year	(1,281,876)
Charged in year	-
Disposals	-
At end of year	(1,281,876)
Net book value	
At 31 December 2014	-
At 31 December 2013	-

Notes *(continued)*

11 Tangible fixed assets

	Long leasehold land and buildings £	Plant, equipment and vehicles £	Total £
Cost			
At beginning of year	1,750,000	15,043,371	16,793,371
Additions	-	41,242	41,242
Disposals	-	(200,731)	(200,731)
Revaluation	100,000	-	100,000
At end of year	1,850,000	14,883,882	16,733,882
Depreciation			
At beginning of year	500,000	8,988,737	9,488,737
Charge for year	250,000	866,537	1,116,537
Disposals	-	(200,731)	(200,731)
Revaluation	(750,000)	-	(750,000)
At end of year	-	9,654,543	9,654,543
Net book value			
At 31 December 2014	**1,850,000**	**5,229,339**	**7,079,339**
At 31 December 2013	1,250,000	6,054,634	7,304,634

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with Financial Reporting Standard 15 'Tangible fixed assets'.

Long leasehold land and buildings

	2014 £	2013 £
At open market value	**1,850,000**	1,750,000
Aggregate depreciation thereon	-	(500,000)
Net book value	**1,850,000**	1,250,000
Historical cost of revalued assets	**575,528**	575,528
Aggregate depreciation thereon	**(546,473)**	(539,210)
Historical cost net book value	**29,055**	36,318

Notes *(continued)*

11 Tangible fixed assets *(continued)*

The last full valuation was performed by Mr J Thornborrow, MRICS, IRRV, of Joe Thornborrow Limited on 15 December 2014. The open market value at that date was calculated to be £1,850,000 which has been made in accordance with the Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors.

The existing use value of long leasehold land and buildings does not include notional directly attributable acquisition costs. The open market value of land and buildings is determined before the deduction of expected selling costs.

12 Stocks

	2014	2013
	£	£
Raw materials and consumables	**123,661**	178,789
Work in progress	**699,547**	754,440
Finished goods and goods for resale	**26,888**	34,632
	850,096	967,861

13 Debtors

	2014	2013
	£	£
Amounts owed by group undertakings (see note 20)	**4,626,728**	3,912,209
Other debtors	**178,102**	90,598
Prepayments and accrued income	**150,881**	110,098
	4,955,711	4,112,905

All debtors fall due within one year.

Included in amounts owed by group undertakings is a loan totalling £3,026,540 *(2013: £2,287,854)*. These loans are unsecured. All parties can terminate the loan by giving six weeks written notice. The principal and accrued interest must then be repaid within ten weeks following the termination notice.
Interest is charged on the amounts outstanding during the year at 0.5% above EURIBOR at the date the loan was taken out.

14 Creditors: amounts falling due within one year

	2014	2013
	£	£
Trade creditors	**208,931**	352,119
Amounts owed to group undertakings (see note 20)	**111,217**	48,916
Taxation and social security	**192,715**	435,044
Other creditors	**104,589**	10,712
Accruals and deferred income	**192,266**	165,265
	809,718	1,012,056

Notes *(continued)*

15 Provision for liabilities

	Deferred taxation £
At beginning of year	854,921
Credit to the profit and loss account for the year (see note 9)	(105,113)
At end of year	**749,808**

The elements of deferred taxation are as follows:

	2014 £	2013 £
Difference between accumulated depreciation and capital allowances	**757,033**	865,780
Other short term differences	**(7,225)**	(10,859)
Deferred tax liability	**749,808**	854,921

Factors that may affect the future tax charges:

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2013) and to 23% (effective 1 April 2014) were substantively enacted on 26 March 2013 and 3 July 2013 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2014. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liabilities at 31 December 2014 which has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

16 Called up share capital

	2014 £	2013 £
Allotted, called up and fully paid		
2,000,000 ordinary shares of 25p each	**500,000**	500,000

Notes *(continued)*

17 Reserves

	Share premium account £	Revaluation Reserve £	Profit and loss Account £
At beginning of the year	20,000	1,213,682	7,621,211
Dividends paid	-		(388,018)
Retained loss for the year	-		(158,046)
Transfer	-	(242,737)	242,737
Actuarial loss recognised in the pension scheme	-		(1,506,777)
Revaluation	-	850,000	-
Deferred tax arising on actuarial loss in the pension scheme	-		301,355
At end of year	**20,000**	**1,820,945**	**6,112,462**

	2014 £	2013 £
Profit and loss reserve excluding pension liability	**9,147,109**	9,926,190
Net pension liability (see note 19)	**(3,034,647)**	(2,304,979)
Profit and loss reserve including pension liability	**6,112,462**	7,621,211

18 Commitments

a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2014 £	2013 £
Authorised and contracted	**65,000**	8,074
Authorised but not contracted	**351,000**	320,000

b) Annual commitments under non-cancellable operating leases are as follows

	2014 Other £	2013 Other £
Operating leases which expire		
Within one year	**9,562**	13,328
In the second to fifth years inclusive	**50,039**	53,391
	59,601	66,719

c) The company has a debenture of £3,500,000 for the trustees of the CH Johnson Pension Plan of which the company is the principal employer. The debenture comprises a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, book debts, buildings, fixtures, fittings, plant and machinery. See also notes 19 and 20.

Notes *(continued)*

19 Pension scheme

Defined contribution

The company operates a defined contribution pension scheme for the benefit of the directors and employees meeting a certain criteria. The pension cost charge for the period represents contributions payable to the scheme and amounted to £291,128 *(2013: £137,137).* There were no outstanding or prepaid contributions at the year end *(2013: £nil).*

Defined benefit

The company also operates a pension scheme providing benefits based on final pensionable pay. With effect from 1 December 2001, the company took the decision to cease future service benefit accrual under the scheme and, for the time being, the Trustees continue to run the scheme on a closed basis. The assets of the scheme are held separately from those of the company and are invested in managed funds.

The pension scheme is currently showing a funding deficit as a result of the application of the government's minimum funding requirement, with a funding level on that basis as at 5 April 2014 of 83%. Due to this deficit, the company has put in place funding arrangements to restore solvency on the minimum funding requirement basis.

The most recent valuation was carried out as at 5 April 2014 by an independent qualified actuary using the aggregate funding method for the on-going valuation.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of price inflation. It was assumed that the future investment return pre-retirement would be 5.35% per annum, post-retirement would be 3.9% and that price inflation would average 3.15% per annum. Assets were taken at market value. The actuarial valuation showed that the market value of the scheme's assets was £15.6 million at 5 April 2014 and that, on an ongoing basis, the actuarial value of those assets represented 83% of the benefits that had accrued to members (allowing for revaluation of deferred benefits).

As the scheme is closed, the normal contributions of the company and employees are £nil, however, following the results of the April 2014 valuation, the company continued with a debenture of £3,500,000 for the trustees of the scheme. In addition, special contributions were made by the company totalling £469,897 during the year to enable the scheme to meet the minimum funding requirement.

The latest actuarial valuation was carried out at 5 April 2014 and was updated for FRS17 purposes to 31 December 2014 by a qualified independent actuary. The major assumptions used in this valuation were:

	2014	2013	2012
	%	%	%
Rate of increase in salaries	**-**	-	-
Rate of increase in pensions in payment	**2.10**	2.15	2.25
Discount rate	**3.40**	4.50	4.25
Inflation assumption	**2.05**	2.15	2.20

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Mortality

Life expectancy is based on the AXC00 and PCXA00 YOB MC standard actuarial mortality tables and includes an allowance for future improvements in longevity. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current pensioners	22.9 years	25.1 years
Future pensioners	23.9 years	25.7 years

Notes *(continued)*

19 Pension scheme *(continued)*

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return %	**Value at 31 December 2014 £000**	Long term rate of return %	Value at 31 December 2013 £000	Long term rate of return %	Value at 31 December 2012 £000
Equities	**7.70**	**3,956**	7.70	3,697	7.55	7,006
Government stock	**n/a**	**-**	n/a	-	n/a	2,668
Corporate bonds	**4.25**	**7,392**	4.25	6,714	3.75	1,304
Diversified Growth Fund	**7.70**	**5,084**	7.70	4,812	n/a	-
Other – cash	**0.65**	**116**	0.65	185	n/a	3,164
Total market value of assets		**16,548**		15,408		14,142
Present value of scheme liabilities		**(20,341)**		(18,289)		(19,335)
Deficit in the scheme – pension liability		**(3,793)**		(2,881)		(5,193)
Related deferred tax asset		**759**		576		1,194
Net pension liability		**(3,034)**		(2,305)		(3,999)

Movement in deficit during the year

	2014 £000	2013 £000
Deficit in scheme at beginning of year	**(2,881)**	(5,193)
Past service cost	**-**	-
Contributions paid	**470**	456
Other finance cost	**125**	9
Actuarial (loss)/gain	**(1,507)**	1,847
Deficit in the scheme at the end of the year	**(3,793)**	(2,881)

Notes *(continued)*

19 Pension scheme *(continued)*

Analysis of amounts included in other finance costs

	2014 £000	2013 £000
Expected return on pension scheme assets	**926**	809
Interest on pension scheme liabilities	**(801)**	(800)
	125	9

Analysis of amount recognised in statement of total recognised gains and losses

	2014 £000	2013 £000
Actual return less expected return on scheme assets	**734**	1,047
Changes in assumptions underlying the present value of scheme liabilities	**(2,332)**	603
Experience gains and losses arising on scheme liabilities	**91**	197
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	**(1,507)**	1,847

Cumulative actuarial gains/(losses) reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £367,283 (*2013: £1,279,368*).

Reconciliation of defined benefit obligation

	2014 £000	2013 £000
Opening defined benefit obligation	**18,289**	19,335
Current service cost	**-**	-
Interest cost	**801**	800
Actuarial losses/(gain)	**2,241**	(800)
Past service costs	**-**	-
Estimated benefits paid	**(990)**	(1,046)
Closing defined benefit obligation	**20,341**	18,289

Notes *(continued)*

19 Pension scheme *(continued)*

Reconciliations on fair value of employer assets

	2014 £000	2013 £000
Opening fair value of employer assets	**15,408**	14,142
Expected return on assets	**926**	809
Contributions by the employer	**470**	456
Actuarial gains	**734**	1,047
Benefits paid	**(990)**	(1,046)
Closing fair value of employer assets	**16,548**	15,408

Amounts for the current and previous accounting periods

Year ended 31 December	2014 £000	2013 £000	2011 £000	2010 £000	2009 £000
Fair value of employer assets	**16,548**	15,408	14,142	13,397	13,304
Present value of defined benefit obligation	**(20,341)**	(18,289)	(19,335)	(17,839)	(16,441)
Deficit	**(3,793)**	(2,881)	(5,193)	(4,442)	(3,137)
Experience gains/(losses) on assets	**734**	1,047	527	(261)	827
Experience gains/(losses) on liabilities	**91**	197	(34)	312	(170)

20 Related party disclosures

The company is controlled by Heimbach GmbH (see note 21).

The following information is provided in accordance with Financial Reporting Standard 8 as being all material transactions with related parties of Heimbach UK Limited including the parent and fellow subsidiary undertakings during the year. All transactions are conducted under normal commercial terms.

See also notes 18 and 19 for details of a debenture of £3,500,000 created for the trustees of the CH Johnson Pension Plan of which the company is the principal employer.

Transactions

	Sales and recharges to group undertakings £	Purchases and recharges from group undertakings £	Interest payable/ (receivable) £
2013			
Heimbach GmbH	-	-	(11,912)
Heimbach GmbH & Co KG	9,562,595	325,996	-
Heimbach Ireland Limited	109,369	69,426	-
Heimbach Switzerland AG	1,441	293	-
Heimbach Iberica SA	1,619,264	124,266	-
Heimbach Asia (Singapore) PTE. Ltd	-	12,772	-
Marathon Belting Ltd	149,397	42,749	-
Heimbach Fabrics (Suzhou) Co Ltd	25,296	30,661	
Heimbach Specialities AG	818	-	-

Notes *(continued)*

20 Related party disclosures *(continued)*

2014	Sales and recharges to group undertakings	Purchases and recharges from group undertakings	Interest payable/ (receivable)
	£	£	£
Heimbach GmbH	-	-	26,234
Heimbach GmbH & Co KG	7,425,582	218,447	-
Heimbach Ireland Limited	97,977	59,015	-
Heimbach Switzerland AG	28,101	-	-
Heimbach Iberica SA	1,278,328	48,770	-
Heimbach Specialities AG	4,609	-	-
Heimbach Asia (Singapore) PTE. Ltd	-	-	-
Marathon Belting Ltd	137,506	39,861	-
Heimbach Fabrics (Suzhou) Co Ltd	56,622	761	-

Balances	Amounts owed by group undertakings		Amounts owed to group undertakings	
	2014	2013	2014	2013
	£	£	£	£
Heimbach GmbH	3,033,590	2,292,827	-	-
Heimbach GmbH & Co KG	1,170,115	1,362,575	40,306	44,427
Heimbach Ireland Limited	287,634	189,656	59,015	-
Heimbach Switzerland AG	16,145	5,739	-	-
Heimbach Iberica SA	87,489	30,246	5,928	-
Heimbach Specialities AG	1,009	818	-	-
Heimbach Asia (Singapore) PTE. Ltd	-	-	-	-
Marathon Belting Ltd	30,746	30,348	716	35
Heimbach Fabrics (Suzhou) Co Ltd	-	-	5,252	4,454
Heimbach Skandinavien AB	-	-	-	-
	4,626,728	3,912,209	111,217	48,916

21 Ultimate parent company and parent undertaking of a larger group of which the company is a member

The company is a wholly owned subsidiary undertaking of Heimbach GmbH incorporated in Germany.

The largest and smallest group in which the results of the company are consolidated is that headed by Heimbach GmbH, a company incorporated in Germany. The consolidated accounts of this company are available to the public. No other group accounts include the results of this company.