

Saffil Limited

Report and Financial Statements

31 December 2012



Saffil Limited

Registered No 03646114

Directors

M W Briscoe
S S L Martins
M D Roos
E D B Yardley

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds LS11 5QR

Registered Office

Mill Lane
Rainford
St Helens
Merseyside
WA11 8LP

Directors' report

The directors present their report and financial statements for the year ended 31 December 2012

Results and dividends

The profit for the year, after taxation, amounted to £1,828,750 (3 months to 31 December 2011 – profit of £1,022,109) The directors do not recommend a final dividend (2011 – £nil)

Principal activities and review of the business

The principal activity of the company is the manufacture and development of alumina fibre at its manufacturing plant in Widnes, Cheshire and sold under the brand name Saffil Saffil fibre is used as a raw material in the manufacture of substrate support mats which are used by exhaust manufacturers in catalytic convertors, diesel particulate filters and selective catalytic reduction (SCR) systems These mats are used in both passenger car, light and heavy duty commercial vehicles and in future they are likely to be used in off-road and marine applications now that more demanding emission regulations are being applied to these sectors Saffil fibre is also used in the non-automotive sector as a high temperature insulation material (as a fibre board, shape or flexible blanket module) in a variety of end uses such as furnaces and kilns in a variety of industries from metals production and processing to petrochemical and chemical processing

The company's sales revenue decreased by 4% in 2012 compared with previous period on a pro rata basis This is due to the prior period having particularly high sales volumes, as customers were restocking following from the Tsunami disaster in Japan, in March 2011 However the core automotive market in Europe and the US remained positive throughout 2012

Reduced sales volumes and production at the Saffil fibre manufacturing plant, resulted in lower production efficiencies and a higher cost of sales during 2012

The above factors have led to a decrease in operating profit percentage

The capital programme to increase manufacturing capacity was successfully completed in April 2013 and is now fully operational

The directors regard changes in revenue, operating cash flow, cash management and the need to continue to trade profitably to be the Key Performance Indicators These are reported in the financial statements The directors have considered what other key performance indicators of a financial and non-financial nature, particularly in relation to employees and environmental matters, should be disclosed to help evaluate the performance and position of the Company The Company is relatively small and, having considered the matter carefully, the directors do not believe such indicators, when presented on a Company basis, will be particularly meaningful or useful The directors intend to keep this aspect of reporting under review

Directors' report (continued)

Principal risks and uncertainties

Strategic, financial, commercial, operational and environmental risks are all considered as part of the company's controls, which are designed to manage rather than eliminate the risk of failure to achieve business objectives. Therefore they can only provide reasonable, not absolute, assurance against material misstatement or loss. At present there are no immediate risks considered likely to have a significant impact on the short or long term value of the company.

Research and development

The directors consider that research and development plays a very important part in the company's success and expenditure in this field continues as shown in note 3 to the financial statements.

Directors

The directors who served the company during the year were as follows:

M W Briscoe
S S L Martins
M D Roos
D B Yardley

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the provisions of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Ernst & Young LLP are to be reappointed as the company's auditor for the next financial year of the Company in accordance with section 485 of the Companies Act 2006 and, as such, will be reappointed before the end of the period of 28 days beginning with the latest time allowed for sending out copies of the company's annual accounts and reports for the financial period covered by this report to shareholders.

On behalf of the Board



M W Briscoe
Director
16 September 2013

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements 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 proper 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Saffil Limited

We have audited the financial statements of Saffil Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

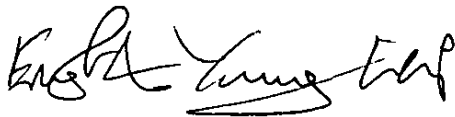
Independent auditors' report (continued)

to the members of Saffil Limited

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



Stuart Watson (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Leeds
17 September 2013

Profit and loss account

for the year ended 31 December 2012

		<i>Year to</i> <i>31 December</i> <i>2012</i>	<i>3 months to</i> <i>31 December</i> <i>2011</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Turnover	2	25,815,671	6,705,537
Cost of sales		(17,931,633)	(4,162,682)
Gross profit		7,884,038	2,542,855
Distribution costs		(443,193)	(101,946)
Administrative expenses		(3,346,437)	(869,431)
Goodwill amortisation		(70,267)	(17,567)
Operating profit	3	4,024,141	1,553,911
Retirement benefits net finance charge	17	(200,000)	(54,000)
Interest payable on bank loan		—	(143,529)
Interest payable on group loans		(2,279,223)	(284,258)
Profit on ordinary activities before taxation		1,544,918	1,072,124
Tax	6	283,832	(50,015)
Profit for the financial year/period	16	1,828,750	1,022,109

All operations are continuing

Statement of total recognised gains and losses

for the year ended 31 December 2012

	<i>Year to</i> <i>31 December</i> <i>2012</i>	<i>3 months to</i> <i>31 December</i> <i>2011</i>
	<i>£</i>	<i>£</i>
Profit for the financial year/period	1,828,750	1,022,109
Pension scheme actuarial gains/(losses)	201,000	(784,000)
Tax on pension scheme actuarial gains/(losses)	(169,090)	196,000
Total recognised gains and losses relating to the year/period	1,860,660	434,109

Balance sheet

at 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Intangible assets	7	460,728	530,994
Tangible assets	8	44,602,521	21,232,073
Investments	9	52,301	52,301
		<u>45,115,550</u>	<u>21,815,368</u>
Current assets			
Stocks	10	2,581,982	2,279,098
Debtors	11	10,912,124	10,387,335
Cash at bank and in hand		605,562	2,780,844
		<u>14,099,668</u>	<u>15,447,277</u>
Creditors: amounts falling due within one year	12	(47,427,814)	(25,595,159)
		<u>(33,328,146)</u>	<u>(10,147,882)</u>
Net current (liabilities)/assets			
		<u>11,787,404</u>	<u>11,667,486</u>
Total assets less current liabilities			
		<u>11,787,404</u>	<u>11,667,486</u>
Provisions for liabilities	13	(1,773,293)	(2,378,475)
		<u>10,014,111</u>	<u>9,289,011</u>
Net assets excluding pension liability			
Defined benefit pension liability	16	(3,231,690)	(4,367,250)
		<u>6,782,421</u>	<u>4,921,761</u>
Net assets			
		<u>6,782,421</u>	<u>4,921,761</u>
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account	15	6,782,419	4,921,759
		<u>6,782,421</u>	<u>4,921,761</u>
Shareholders' funds	15	<u>6,782,421</u>	<u>4,921,761</u>

The financial statements were approved by the board of directors on 16 September 2013 and signed on its behalf by



M W Briscoe
Director

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards

The accounts have been prepared on the going concern basis which the Directors believe to be appropriate following the assessment of future forecasts and growth expectations of the company which are supported by the Group

Group financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group financial statements as it is exempt from the requirement to do so by section 401 of the Companies Act 2006 as at 31 December 2012 it was a subsidiary undertaking of ASP Unifrax Holdings Inc, a company incorporated in the United States of America and is included in the group financial statements of that company

Statement of cash flows

The company has taken advantage of the exemption available under FRS 1 not to prepare a statement of cash flows

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities

Acquired goodwill is capitalised on the balance sheet and amortised on a straight line basis over its estimated useful economic life up to a presumed maximum of 20 years. The carrying value is reviewed for impairment at the end of the first full year following acquisition and if events or changes in circumstances indicate the carrying value may not be recoverable

Tangible fixed assets

All fixed assets are shown at original cost or valuation less accumulated depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and buildings, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Buildings freehold	– straight line over 20 to 50 years
Plant, machinery and equipment	– straight line over 3 to 10 years

No depreciation is provided on assets in the course of construction

Investments

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to profit and loss account.

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows

Raw materials, consumables and goods for resale	–	purchase cost on a first-in, first-out basis
Work in progress and finished goods	–	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Research and development

Research and development expenditure is written off in the year in which it is incurred

Lease commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Pension costs

The company is a member of The Saffil Pension Scheme, a defined benefit pension scheme, contributions are made to separately administered funds

Pension scheme assets are measured at fair value. Liabilities of these schemes are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond. The resulting asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable

Notes to the financial statements

at 31 December 2012

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company. Turnover represents amounts receivable for goods and services net of value added tax and trade discounts.

An analysis of turnover by geographical market is given below:

	<i>Year to 31 December 2012</i>	<i>3 months to 31 December 2011</i>
	£	£
United Kingdom	7,457,618	2,365,167
Continental Europe	940,814	255,849
Asia Pacific and Africa	16,068,193	3,838,857
America	1,349,046	245,664
	<u>25,815,671</u>	<u>6,705,537</u>

3. Operating profit

This is stated after charging/(crediting)

	<i>Year to 31 December 2012</i>	<i>3 months to 31 December 2011</i>
	£	£
Research and development expenditure written off	275,090	112,525
Depreciation of owned fixed assets	1,173,950	287,505
Amortisation of goodwill	70,266	17,567
	<u>1,244,217</u>	<u>305,072</u>
Operating lease rentals – land and buildings	–	21,708
– plant and machinery	23,446	6,193
Net loss/(profit) on foreign currency translation	500,008	(69,723)
Auditors remuneration – audit fee	24,000	15,000
– taxation compliance	17,900	–
	<u>545,164</u>	<u>19,885</u>

Notes to the financial statements

at 31 December 2012

4. Directors' emoluments

	<i>Year to 31 December 2012 £</i>	<i>3 months to 31 December 2011 £</i>
Basic salaries and benefits	305,833	47,550
Number of directors covered by a defined benefit pension scheme during the year/period	<i>No</i> 1	<i>No</i> 1
In respect of the highest paid director		
	<i>Year to 31 December 2012 £</i>	<i>3 months to 31 December 2011 £</i>
Aggregate emoluments	305,833	47,550
Accrued pension at the end of the period	27,086	7,559

Three directors were also directors of fellow group companies during the year to 31 December 2012. Their remuneration is paid by those fellow group companies and they have not received any remuneration in respect of qualifying services in respect of Saffil Limited.

5. Staff costs

	<i>Year to 31 December 2012 £</i>	<i>3 months to 31 December 2011 £</i>
Wages and salaries	2,714,387	640,991
Social security costs	276,215	61,644
Other pension costs (note 17)	541,000	118,000
	3,531,602	820,655

The monthly average number of employees during the year was made up as follows

	<i>No</i>	<i>No</i>
Production	55	55
Selling, distribution and administration	12	9
	67	64

Notes to the financial statements

at 31 December 2012

6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	<i>Year to 31 December 2012</i>	<i>3 months to 31 December 2011</i>
	<i>£</i>	<i>£</i>
<i>Current tax</i>		
Tax under provided in previous years	—	—
Total current tax (note 6(b))	—	—
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 6(c))	(605,182)	6,492
Pension liability	321,350	43,523
Tax on profit on ordinary activities	(283,832)	50,015

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 24.5% (3 months to 31 December 2011 – 26%). The differences are explained below

	<i>Year to 31 December 2012</i>	<i>3 months to 31 December 2011</i>
	<i>£</i>	<i>£</i>
Profit on ordinary activities before tax	1,544,918	1,072,125
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (3 months to 31 December 2011 - 26%)	378,505	278,752
<i>Effects of</i>		
Disallowed expenses	1,370	1,300
Depreciation in excess of capital allowances	263,516	(6,754)
Short term timing differences on pension costs	(349,125)	(45,262)
Enhanced allowance for R&D expenditure	(15,332)	(4,172)
Non-deductible goodwill amortisation	17,215	4,567
Benefit of tax losses brought forward	(296,149)	(228,431)
Current tax (note 6(a)) for the period/year	—	—

Notes to the financial statements

at 31 December 2012

6. Tax (continued)

(c) Deferred tax

Deferred taxation provided in the financial statements is as follows

	2012 £	2011 £
Included in provisions for liabilities (note 14)	1,773,293	2,378,475
Included in defined benefit liability (note 17)	(965,310)	(1,455,750)
Deferred taxation liability	<u>807,983</u>	<u>922,725</u>

	2012 Provided £	2012 Not provided £	2011 Provided £	2011 Not provided £
Capital allowances in advance of depreciation	2,785,425	–	3,279,142	–
Tax losses available	(1,012,132)	(268,762)	(900,667)	(692,855)
Pension costs	(965,310)	–	(1,455,750)	–
Deferred tax liability/(asset)	<u>807,983</u>	<u>(268,762)</u>	<u>922,725</u>	<u>(692,855)</u>

Movement in deferred taxation

	£
At 1 January 2012	922,725
Credit to profit and loss account	(283,832)
Amount charged to statement of total recognised gains and losses	169,090
At 31 December 2012	<u>807,983</u>

Deferred tax has been calculated on the potential capital gains on revalued properties should they be sold at their net book amount at the balance sheet date. Capital gains previously rolled over into the base cost of the properties have been taken into consideration when calculating the potential capital gains. At the balance sheet date, there are no agreements to sell any of the revalued properties so no provision for the amount of deferred tax calculated of £94,000 has been made.

(d) Factors that may affect future charges

During the year the main rate of corporation tax reduced from 26% to 24% with effect from 1 April 2012. A number of changes to the UK corporation tax system were announced in the March 2013 Budget Statement. The Finance Act 2012, which was enacted and received Royal Assent on 17 July 2012, reduced the main rate of corporation tax to 23% from 1 April 2013. The deferred tax balances have been calculated using the enacted rate of 23%.

Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 was included in the Finance Act 2013 which was enacted in July 2013. These rate reductions had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. It is expected that the changes would reduce the value of the company's deferred tax liability by £70,259 and £105,389 respectively.

Notes to the financial statements

at 31 December 2012

7. Intangible fixed assets

	<i>Purchased goodwill</i> £
Cost	
As at 1 January 2012 and 31 December 2012	1,405,339
Amortisation	
As at 1 January 2012	874,345
Provided during the year	70,266
As at 31 December 2012	944,612
Net book value	
As at 31 December 2012	460,728
As at 31 December 2011	530,994

8. Tangible fixed assets

	<i>Freehold land and buildings</i> £	<i>Assets under construction</i> £	<i>Plant, machinery and equipment</i> £	<i>Total</i> £
Cost or valuation				
As at 1 January 2012	1,400,000	1,043,224	27,062,484	29,505,708
Additions	1,090,847	22,481,163	972,389	24,544,399
As at 31 December 2012	2,490,847	23,524,387	28,034,873	54,050,107
Depreciation				
As at 1 January 2012	—	—	8,273,635	8,273,635
Provided during the year	18,181	—	1,155,770	1,173,951
As at 31 December 2012	18,181	—	9,429,405	9,447,586
Net book value				
As at 31 December 2012	2,472,666	23,524,387	18,605,468	44,602,521
As at 31 December 2011	1,400,000	1,043,224	18,788,849	21,232,073

The freehold land and buildings were revalued on an open market basis at 30 September 2011 by BNP Paribas Real Estate Consultants, an accredited external valuer

On a historical cost basis land and buildings would have been included at a net carrying amount of £2,132,132 (31 December 2011 – £1,544,054)

Notes to the financial statements

at 31 December 2012

9. Investments

	<i>Shares in group companies £</i>
Cost	
As at 1 January 2012 and 31 December 2012	52,301

The company owns 100% of the ordinary share capital of Saffil Japan Limited, a company registered in Japan

10. Stocks

	<i>2012 £</i>	<i>2011 £</i>
Raw materials	597,805	548,709
Engineering stock	548,878	415,251
Finished goods	1,316,946	1,203,727
Consignment stock	118,353	111,411
	<u>2,581,982</u>	<u>2,279,098</u>

The consignment stock is supplied to the company, held at its own risk, and invoiced on the earlier of the date of usage or three months from the date of delivery

11. Debtors

	<i>2012 £</i>	<i>2011 £</i>
Trade debtors	236,644	448,712
Amounts owed by group undertakings	10,270,947	9,805,804
VAT recoverable	293,877	94,900
Prepayments and accrued income	110,656	37,919
	<u>10,912,124</u>	<u>10,387,335</u>

12. Creditors: amounts falling due within one year

	<i>2012 £</i>	<i>2011 £</i>
Trade creditors	3,468,495	1,038,858
Amounts owed to group undertakings	40,225,509	22,778,470
Other taxation and social security	91,987	80,531
Accruals and deferred income	3,595,498	1,650,978
Other creditors	46,325	46,322
	<u>47,427,814</u>	<u>25,595,159</u>

Notes to the financial statements

at 31 December 2012

13. Provisions for liabilities

	<i>Deferred taxation £</i>
As at 1 January 2012	2,378,475
Charge for the year (note 6)	(605,182)
As at 31 December 2012	<u>1,773,293</u>

14. Issued share capital

	2012	2011
<i>Allotted, called up and fully paid</i>	<i>No £</i>	<i>No £</i>
Ordinary shares of £1 each	2 2	2 2

15. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total share- holders' funds £</i>
As at 1 October 2011	2	4,487,650	4,487,652
Profit for the period	–	1,022,109	1,022,109
Pension actuarial loss (net of deferred tax)	–	(588,000)	(588,000)
As at 1 January 2012	2	4,921,759	4,921,759
Profit for the year	–	1,828,750	1,828,750
Pension actuarial gain (net of deferred tax)	–	31,910	31,910
As at 31 December 2012	<u>2</u>	<u>6,782,419</u>	<u>6,782,419</u>

Notes to the financial statements

at 31 December 2012

16. Pensions

The company operates a defined benefit pension scheme, which is funded by the payment of contributions to a trust fund. Pension costs are determined with the advice of an independent qualified actuary on the basis of a triennial valuation using the projected unit method. The latest formal actuarial valuations of the schemes were carried out as at 5 April 2012. These were then updated to 31 December 2012 using the projected unit method.

	31 Dec 2012	31 Dec 2011	30 Sept 2011
	%	%	%
Main assumptions:			
Rate of increase in salaries	4.0	3.6	3.7
Rate of increase in pensions in payment	3.0	3.2	3.2
Discount rate	4.5	4.7	5.2
Inflation assumption	3.0	3.1	3.2

The assets and liabilities of the scheme and the expected rate of return at 31 December are

	31 December 2012		31 December 2011		30 September 2011	
	long-term rate of return expected	Value	Long-term rate of return expected	Value	Long-term rate of return expected	Value
	%	£	%	£	%	£
Equities	6.8	6,917,000	6.3	5,412,000	6.8	5,027,000
Debt securities	3.3	2,897,000	2.8	2,679,000	4.2	5,160,000
Other	4.5	4,242,000	4.4	3,071,000	3.3	51,000
Total market value of assets		14,056,000		11,162,000		10,238,000
Present value of scheme liabilities		(18,253,000)		(16,985,000)		(15,451,089)
Pension liability before deferred tax		(4,197,000)		(5,823,000)		(5,213,089)
Related deferred tax asset		965,310		1,455,750		1,303,273
Net pension liability		(3,231,690)		(4,367,250)		(3,909,816)

The company's contributions to the scheme in the year to 31 December 2013 are expected to be approximately £1,831,000.

Notes to the financial statements

at 31 December 2012

16. Pensions (continued)

An analysis of the defined benefit cost for the year ended 31 December is as follows

	<i>Year to 31 December 2012 £</i>	<i>3 months to 31 December 2011 £</i>
Current service cost	(541,000)	(118,000)
Total operating charge	(541,000)	(118,000)
Expected return on pension scheme assets	586,000	147,000
Interest on pension scheme liabilities	(786,000)	(201,000)
Total other finance charge	(200,000)	(54,000)
Actual return less expected return on pension scheme assets	581,000	533,000
Experience gains arising on scheme liabilities	286,000	–
Gain/(loss) arising from changes in assumptions underlying the present value of scheme liabilities	(666,000)	(1,317,000)
Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	201,000	(784,000)

Changes in the present value of the defined benefit obligations are analysed as follows

	<i>£</i>
As at 1 October 2011	15,451,089
Current service cost	118,000
Interest cost	201,000
Benefits paid	(112,000)
Actuarial gains and losses	1,317,000
Plan participants' contributions	9,911
As at 1 January 2012	16,985,000
Current service cost	541,000
Interest cost	786,000
Benefits paid	(483,000)
Actuarial gains and losses	380,000
Plan participants' contributions	44,000
As at 31 December 2012	18,253,000

Notes to the financial statements

at 31 December 2012

16. Pensions (continued)

Changes in the fair value of plan assets are analysed as follows

	£
As at 1 October 2011	10,238,000
Expected return on plan assets	147,000
Employer contributions	346,089
Plan participants' contributions	9,911
Benefits paid	(112,000)
Actuarial gains and losses	533,000
As at 1 January 2012	11,162,000
Expected return on plan assets	586,000
Employer contributions	2,166,000
Plan participants' contributions	44,000
Benefits paid	(483,000)
Actuarial gains and losses	581,000
As at 31 December 2012	14,056,000

History of experience gains and losses

	31 December 2012	31 December 2011	30 September 2011	30 September 2010	31 March 2009
Difference between expected return and actual return on pension scheme assets – amount	£581,000	533,000	(125,000)	320,000	(907,000)
– % of scheme assets	4.1	4.8	(1.2)	4.0	(10.7)
Experience (gains)/losses arising on Scheme liabilities – amount	£286,000	–	–	–	(5,000)
– % of the present value of scheme liabilities	1.6	–	–	–	–
Total actuarial losses recognised in the statement of total recognised gains and losses					
– amount £	201,000	(784,000)	458,000	(831,000)	(4,337,000)
– % of the present value of scheme liabilities	1.1	(4.6)	3.0	(5.1)	(32.4)

	31 December 2012	31 December 2011	30 September 2011	30 September 2010	31 March 2009
	£	£	£	£	£
Fair value of scheme assets	14,056,000	11,162,000	10,238,000	9,635,000	8,452,000
Present value of defined benefit obligation	(18,253,000)	(16,985,000)	(15,451,089)	(15,189,225)	(13,378,901)
Deficit in the scheme	(4,197,000)	(5,823,000)	(5,213,089)	(5,554,225)	(4,926,901)
Experience adjustments arising on liabilities	286,000	–	–	–	5,000
Experience adjustments arising on plan assets	581,000	533,000	(125,000)	320,000	(907,000)

Notes to the financial statements

at 31 December 2012

17. Commitments under operating leases

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below

	2012		2011	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire				
Within one year	–	16,722	21,708	–
In two to five years	–	–	–	23,481
	–	16,722	21,708	23,481

18. Contingent liabilities

The company, together with two fellow group companies, has given a composite guarantee and debenture granting a legal mortgage and equitable charge over certain property and tangible fixed assets and a fixed charge over bank deposits to the Trustees of the Saffil Pension Scheme in respect of amounts due to the Scheme up to an aggregate amount of £2,500,000

A contingent liability exists in relation to a guarantee This amounts to £60,000 as at 31 December 2012 (31 December 2011 – £ nil)

19. Related party transactions

The company has taken advantage of the exemption in FRS8 from disclosing transactions with companies that are part of the ultimate holding company's group, on the grounds that the company is a wholly owned subsidiary and the ultimate holding company includes the company in its own published group financial statements

20. Ultimate parent undertaking and controlling party

In the directors' opinion, the company's ultimate parent undertaking and controlling party at 31 December 2012 was American Securities a private equity organisation in the USA The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is ASP Unifrax Holdings Inc , a company incorporated in the United States The financial statements of ASP Unifrax Holdings are available from ASP Unifrax Holdings Inc , 2351 Whirlpool Street, Niagara Falls, NY 14305-2413, USA