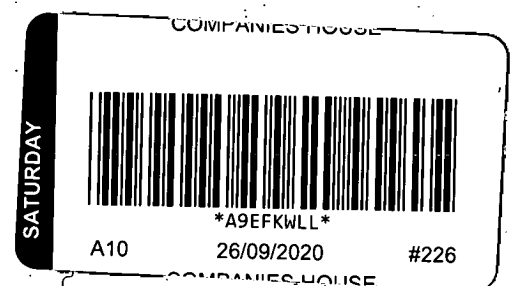


Registered number 96177

Albany International Limited
Annual report and financial statements
for the year ended 31 December 2019



Albany International Limited

Annual report and financial statements for the year ended 31 December 2019

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Directors and professional advisers

Directors

D Halftermeyer

C Silva (resigned June 12th 2020)

J.M. Gaug (appointed June 12th 2020)

Secretary

C Korb

Registered office

Albany International Limited

Pilsworth Road

Bury

Lancashire

BL9 8RS

Solicitor

Boote Edgar Esterkin

Total House

19/21 Spring Gardens

Manchester

M60 8BE

Banker

National Westminster Bank plc

36 The Rock

Bury

Lancashire

BL9 ONU

Independent Auditor

KPMG LLP

1 St Peter's Square

Manchester

M2 3AE

Albany International Limited

Strategic report

The directors present their strategic report on Albany International Limited (the 'Company') for the year ended 31 December 2019.

Principal activities

The Company provides toll manufacturing and sales services to, Albany International Europe GmbH (AIEG). The Company also provides research and development services to Albany International Corporation Inc (AIC Inc). The Company is remunerated for these services based on the established arm's length pricing model. The Company generated all its revenues for 2019 under this arrangement.

Review of the business

The Company's turnover in 2019 of £7,797,000 (2018: £7,684,000) relates solely to revenue earned from toll manufacturing and sales services provided to AIEG. For this reason, the Company is focused on the sharing of best practices and processes that will improve manufacturing quality and efficiency of plant operations.

The Company's profit before taxation for the financial year is £2,054,000 (2018: loss of £133,000). No dividend was declared or paid in 2019 (2018: £nil). In 2019 the operating result improved compared to the year 2018, mainly caused by cost savings and lower depreciation expense. In 2019 the company received a one-time income of £1,217,000 because of a change in the company's pension plan.

Principal risks and uncertainties

Price risk

The Company has limited exposure to commodity price risk as a result of its operations since costs are recharged to other group companies.

Product quality risk

The Company has some exposure to quality issues which may occur during the manufacturing process and are attributable to the toll manufacturing services. Part 4 of the Manufacturing Service Agreement (sub 4.3) signed between AIEG and the Company defines certain provisions relating to 'Defective works'. In all the cases where the cost for defective works incurred by AIEG is attributable to the actions of the service Company, due to quality issues originating during the manufacturing process, the Company shall bear the cost.

Brexit

Brexit is expected to impact the company in the following ways: potential foreign exchange fluctuations affecting income and expenses and purchase prices including any import tariffs. The effect on foreign exchange is uncertain at this time.

Albany International Limited

Strategic report (continued)

Covid-19

The public health crisis caused by the COVID-19 pandemic and the measures being taken by governments, businesses, and the public at large to limit COVID-19's spread are expected to have certain negative effects on the markets served by Albany group. We could experience declines in demand for PMC fabrics used to make certain paper grades, specifically publication paper grades, that could be COVID-19 related. The effects are likely to continue to have an adverse impact on demand for publication paper grades, and perhaps other grades of paper, including without limitation packaging paper grades. Management continues to constantly assess our end markets and adjust operations to respond to business conditions as they evolve, since end markets may be affected differently and at different times over coming months and quarters. For the reporting date 31 December 2019, the Coronavirus outbreak and the related measures are non-adjusting events. Consequently, there is no impact on recognition and measurement of assets and liabilities.

Financial risk management

Due to the characteristics of its business model, the Company's operations are exposed to limited financial risks, which can include foreign exchange risk, interest rate risk and credit risk.

The directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board given the size of the company. The policies set by the board of directors are implemented by the Company's finance department.

The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Credit risk

The Company has limited exposure to credit risk as it transacts business with other group companies.

Liquidity risk

Where required, the Company obtains finance from other group companies to ensure it has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The Company has interest bearing assets and liabilities which relate to inter-group balances which are largely dictated by the group's interest rate management policies.

Foreign exchange rate risk

Foreign exchange rate risk arises from transactions when goods and services are bought or sold in currencies other than Sterling. There are no significant transactions in foreign currencies.

All of the Company's funding is provided via a cash-pool facility or intergroup loans from Albany International Swiss Holding. Interest rate risk includes exposure to changes in the UK Base Rate and LIBOR, as interest rates are variable.

Albany International Limited

Strategic report (continued)

As a subsidiary of Albany International Corporation (AIC Inc.), further details of Group policies in relation to external financial risks can be found in the Annual Report and Financial Statements of AIC Inc.

Future developments

For the year ending 2020, the Company's turnover is expected to be in line with 2019. Consistent with 2019, revenue will relate solely to revenue earned from toll manufacturing and sales services provided to AIEG. The Company is focused on continuous improvement of its best practices and processes that will ultimately improve manufacturing quality and efficiency of plant operations.

Key performance indicators ("KPIs")

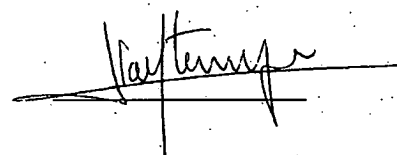
The directors of AIC Inc. manage the group's operations on a divisional basis. Albany International Limited forms part of the group's paper machine clothing division. For details on divisional performance, of which this Company forms a part, see AIC Inc's financial statements available from the address in note 16. Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the board

24 September 2020

Director

Daniel Halftermeyer

A handwritten signature in black ink, appearing to read 'Halftermeyer', is written over a horizontal line.

Albany International Limited

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Future developments

An indication of the likely future developments of the business is included in the Strategic report on page 3.

Political donations

There were no political donations during the financial year (2018: £nil).

Dividends

The directors do not recommend the payment of a dividend (2018: £nil).

Financial risk management

Financial risk management is described in the Strategic report on pages 2 to 3.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Daniel Halftermeyer

Charles Silva (resigned June 12th 2020)

J.M. Gaug (appointed June 12th 2020)

Directors' indemnities

The Company maintained throughout the year, and at the date of approval of the financial statements, liability insurance for its directors and officers. This is a qualifying provision for the purposes of the Companies Act 2006.

Research and development (R&D)

The Company's expenditure on research and development is disclosed in note 3 and is focused on developing new product applications for addressing and resolving customer and market requirements. R&D activities are performed on behalf of AIC Inc. and the costs incurred, plus a mark-up, are recharged to the parent company.

Albany International Limited

Directors report (continued)

Statement of disclosure of information to auditor

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

Independent auditor

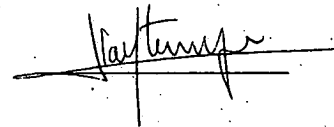
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

24 September 2020

Director

Daniel Halftermeyer)

A handwritten signature in black ink, appearing to read 'Halftermeyer', is written over a horizontal line.

Registered number: 96177

Pilsworth Road

Bury

Lancashire

BL9 8RS

Albany International Limited

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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



Independent auditor's report to the members of Albany International Limited

Opinion

We have audited the financial statements of Albany International Limited ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss account and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analyzed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic Report and Director's Report

The directors are responsible for the Strategic Report and the Directors Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

Independent auditor's report to the members of Albany International Limited (continued)

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 St Peter's Square
Manchester M2 3AE

Date 24 September 2020

Albany International Limited

Profit and loss account and Other Comprehensive Income

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	2	7,797	7,684
Cost of sales		(6,460)	(7,561)
Gross profit		1,337	123
Administrative expenses	3	(784)	(779)
Operating profit / (loss)		553	(656)
Interest receivable and similar income	6	284	235
Profit on disposal of fixed assets		-	288
Profit change pension fund		1,217	-
Profit / (loss) before taxation		2,054	(133)
Taxation on profit / loss	7	(462)	48
Profit / (loss) for the financial year		1,592	(85)
Other comprehensive income			
Remeasurement of the net defined benefit asset	12	(464)	(93)
Income tax on other comprehensive income	7	79	16
Other comprehensive loss for the year, net of income tax		(385)	(77)
Total comprehensive profit / (loss) for the year		1,207	(162)

The results are wholly attributable to the continuing activities of the company.

The notes on pages 13 to 28 are an integral part of these financial statements.

Albany International Limited

Balance sheet

as at 31 December 2019

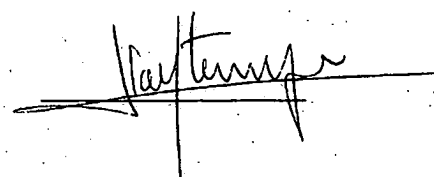
	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	8	8,384	9,478
Current assets			
Debtors	9	3,807	3,409
Cash at bank and in hand		453	152
Current assets total		4,260	3,561
Creditors - amounts falling due within one year	10	(485)	(659)
Net current assets		3,775	2,902
Total assets less current liabilities		12,159	12,380
Provisions for liabilities and charges	11	(1,258)	(949)
Net assets excluding pension asset		10,901	11,431
Defined benefit pension scheme asset	12	11,001	9,263
Net assets		21,902	20,694
Capital and reserves			
Called up share capital	13	1,617	1,617
Share premium account		3,843	3,843
Profit and loss account		16,442	15,234
Total shareholders' funds		21,902	20,694

The notes on pages 13 to 28 are an integral part of these financial statements.

The financial statements on pages 10 to 28 were approved by the Board of directors on 24 September 2020 and were signed on its behalf by:

Director

Daniel Halftermeyer



Company number 96177

Albany International Limited

Statement of changes in equity

	Called up Share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	1,617	3,843	15,396	20,856
Total comprehensive income for the period				
Loss for the financial year	-	-	(85)	(85)
Other comprehensive income for the period	-	-	(77)	(77)
Total comprehensive income for the period	-	-	(162)	(162)
Balance at 1 January 2019	1,617	3,843	15,234	20,694
Total comprehensive income for the period				
Profit for the financial year	-	-	1,592	1,592
Other comprehensive income for the period	-	-	(385)	(385)
Total comprehensive income for the period	-	-	1,207	1,207
Balance at 31 December 2019	1,617	3,843	16,442	21,902

The notes on pages 13 to 28 are an integral part of these financial statements.

Albany International Limited

Notes to the financial statements

1 Accounting policies

Albany International Limited (the "Company") is a private company limited by shares and incorporated and domiciled and registered in England in the United Kingdom.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Albany International Corporation Inc. (AIC Inc.), includes the Company in its consolidated financial statements. The consolidated financial statements of AIC Inc. are available to the public and may be obtained from 216 Airport Dr. Rochester, NH 03867 USA.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

As described in the Turnover section below, the Company is part of an inter-company process for paper machine clothing. As a result, the ability of the Company to continue as a going concern is based on the ability of the Albany International Group (the 'Group') to continue as a going concern. The Company has a long-established expertise in the paper machine clothing industry. This expertise and manufacturing capability is not readily available elsewhere in the Group or externally to the Group and could not realistically be replaced in the short to medium term.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which included the impact of the current Covid-19 outbreak.

Albany International Limited

Notes (continued)

1 Accounting policies (continued)

These forecasts indicate that, taking account of reasonably possible downsides, including a possible site closure period of 1 month due to employee quarantine requirements, where no sales would be made, the company will have sufficient funds for at least 12 months from the date of signing the financial statements, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on other group companies continuing to purchase products and services from the company and the ultimate parent company renewing the Manufacturing Services Agreement. Albany

International Europe GmbH has confirmed its intention to continue to renew the Manufacturing Services Agreement for the period covered by the forecasts.

The directors have also considered the financial viability of the wider Albany Group headed by Albany International Corporation Inc. The UK manufacturing site and the Group's operating sites, excluding China, remained open and sales within the paper manufacturing division continued well during the outbreak. Albany Group has continued to be cash generative and has access to significant credit facilities should it be required.

As with any Company placing reliance on other group entities for continued operational support, the Directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so given the details above.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Turnover

Turnover, which excludes value added tax, represents amounts charged for toll manufacturing and sales services. It arises geographically from group companies within the EEA.

Turnover is recognised as services are provided to the group companies.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account (except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income).

Albany International Limited

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	2 – 4%
Plant and machinery	10%
Fixtures and fittings	20%

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Albany International Limited

Notes (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

Deferred tax balances are not discounted.

Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed by Willis Towers Watson using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Employee benefits (continued)

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Albany International Limited

Notes (continued)

1 Accounting policies (continued)

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Research and development

Expenditure on research and development is charged to the profit and loss account as incurred.

Accounting estimates and judgements

The areas where key accounting estimates and judgements have been applied in the preparation of the financial statements are set below:

- Assumptions adopted in the calculation of the net defined benefit obligation (see note 12).

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Albany International Limited

Notes (continued)

1 Accounting policies (continued)

Interest receivable and interest payable (continued)

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2 Turnover

	2019 £'000	2018 £'000
Toll manufacturing income	7,500	7,617
European sales income	610	636
Returns and allowances	(313)	(569)
Total turnover	7,797	7,684

All sales take place in Europe outside the UK.

3 Expenses and auditor's remuneration

Included in profit / loss are the following:

	2019 £'000	2018 £'000
Research and development expense	903	1,003
Research and development recharge	(958)	(1,178)
Foreign exchange (gain) / loss	(5)	5

Auditor's remuneration:

Audit of these financial statements	52	44
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Albany International Limited

Notes (continued)

4 Staff numbers and costs

The average monthly number of persons (including executive directors) employed during the year was:

By function	2019 Number	2018 Number
Production	62	58
Selling and distribution	7	16
Administration	4	4
	73	78

Staff costs

	2019 £'000	2018 £'000
Wages and salaries	2,909	3,136
Social security costs	319	354
Pension costs	521	520
	3,749	4,010

5 Directors' remuneration

The remuneration paid to the directors of Albany International Limited was:

	2019 £'000	2018 £'000
Emoluments (including benefits in kind) for management services	-	-

There are no retirement benefits accruing to directors under the defined benefit pension plans (2018: nil).

No remuneration or fees were paid by the company to any of its directors during this or the previous period in respect of services to the company.

Albany International Limited

Notes (continued)

6 Other interest receivable and similar income

	2019 £'000	2018 £'000
Other finance income (FRS 102 pensions interest) (note 12)	266	227
Interest receivable from fellow group companies	18	8
Interest receivable and similar income	284	235

7 Taxation

	2019 £'000	2018 £'000
Total tax recognised in the profit and loss account, other comprehensive income and equity		
Current Tax:		
UK corporation tax	82	26
Total current tax	82	26
Origination and reversal of timing differences	424	(83)
Adjustment in respect of previous periods	-	-
Effect of changes in tax rate	(44)	9
Total deferred tax (note 11)	380	(74)
Tax credit on profit	462	(48)

Albany International Limited

Notes (continued)

7 Taxation (continued)

	£'000	2019 £'000	£'000	£'000	2018 £'000	£'000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account.	82	380	462	26	(74)	(48)
Recognised in other comprehensive income	-	(70)	(70)	-	(16)	(16)
Total tax	82	310	392	26	(90)	(64)

Reconciliation of effective tax rate

	2019 £'000	2018 £'000
Profit / (loss) before tax	2,053	(133)
Loss multiplied by average standard rate in the UK of 19.00% (2018: 19.00%)	390	(25)
Effects of:		
Expenses not deductible for tax purposes	118	-
Income not taxable	(2)	(32)
Adjustment from previous periods	-	-
Effects of other tax rates / credits	(44)	9
Total tax credit for the period	462	(48)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017). This has reduced the company's future current tax charge accordingly. The deferred tax liability at 31 December 2019 has been calculated based on these rates.

Albany International Limited

Notes (continued)

8 Tangible assets

	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2018	9,530	26,243	277	639	36,689
Additions	-	109	5	106	220
Disposals	-	-	-	-	-
Transfers	-	495	9	(504)	-
At 31 December 2018	9,530	26,847	291	241	36,909
Accumulated depreciation					
At 1 January 2019	3,919	23,056	236	-	27,211
Charge for year	256	1,035	23	-	1,314
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 31 December 2019	4,175	24,091	259	-	28,525
Net book value					
At 31 December 2019	5,355	2,756	32	241	8,384
At 31 December 2018	5,611	3,187	41	639	9,478

Albany International Limited

Notes (continued)

9 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	3,583	3,069
Other debtors	131	209
Prepayments and accrued income	93	131
	3,807	3,409

Amounts owed by group undertakings are unsecured and fluctuates during the year. They bear interest at rates linked to group finance and are due within 30 days. On advances the interest rates are Libor – 25bps and on borrowings the interest rates are Libor + 100bps.

10 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	291	505
Accruals and deferred income	194	154
	485	659

Amounts owed to group undertakings are unsecured and are due within 30 days.

11 Provisions for liabilities and charges

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £000	2018 £000	Liabilities 2019 £000	2018 £000	Net 2019 £000	2018 £000
Accelerated capital allowances	(609)	(622)	-	-	(609)	(622)
Employee benefits	-	-	1,867	1,571	1,867	1,571
Tax (assets) / liabilities	(609)	(622)	1,867	1,571		
Net tax liabilities					1,258	949

Albany International Limited

Notes (continued)

12 Pension obligations

The Company operates a contributory pension scheme which is funded. Employers' contribution in 2019 amounted to £983,000 (2018: £1,006,000) and provides for defined benefits for substantially all employees. The assets of the scheme are held separately from those of the company.

The most recent comprehensive actuarial valuation was carried out by the Trustees of the Plan as at 31 December 2016 for funding purpose. The company has employed Willis Towers Watson, independent actuaries, to approximately update that actuarial valuation allowing for differences between the actuarial assumptions used by the Plan for funding purposes and those adopted by the Company to measure the defined benefit obligation (DBO), as well as adjusting for benefit accrual and benefits paid from the Plan between 31 December 2016 and 31 December 2019.

Net pension asset	2019 £'000	2018 £'000
Defined benefit obligation	(36,623)	(33,283)
Plan assets	47,624	42,546
	11,001	9,263
Movements in present value of defined benefit obligation:	2019 £'000	2018 £'000
At 1 January	33,283	35,095
Current service cost	314	376
Interest expense	880	823
Members' contributions	67	78
Plan introductions, changes curtailments and settlements	(1,217)	400
Re-measurement: actuarial losses / (gains)	4,650	(1,904)
Benefits paid	(1,354)	(1,585)
At 31 December	36,623	33,283

KPMG's pension specialists have completed work over the pension scheme and reviewed the assumptions made by Willis Towers Watson (WTW), they have found that for CPI the company have proposed reducing the long term gap between RPI and CPI by 20 basis points based on observed market movements compared to the prior year methodology. WTW have estimated that this impact of this change in approach is a £366k increase in the defined benefit obligation.

Albany International Limited

Notes (continued)

12 Pension obligations (continued)

Movements in fair value of plan assets:	2019	2018
	£'000	£'000
At 1 January	42,546	43,994
Interest income	1,146	1,050
Re-measurement return on plan assets less interest income	4,236	(1,997)
Employer's contributions	983	1,006
Members' contributions	67	78
Benefits paid	(1,354)	(1,585)
At 31 December	47,624	42,546

Expenses recognised in the profit and loss account

Analysis of the amount charged to operating profit	2019	2018
	£'000	£'000
Current service cost	(314)	(376)
Curtailment gain due to closure of the Plan to future accrual *)	1,217	-
Total operating (income) / charge	(903)	(376)

Analysis of amount charged to other finance income

Interest income on pension scheme assets	1,146	1,050
Interest on pension liabilities	(880)	(823)
Net amount included in other financial income (note 6)	266	227
Total expense recognised in profit or loss	1,169	(149)

*) Special event

It should be noted that a decision was made to close the Plan to the build-up of future benefits from 31 January 2020. The member consultation period ended on 13 December 2019. The decision to close the Plan was finalized between the Trustees and the Company post this and the documentation required to formalise this (including signing a Deed of Closure) was completed before 31 December 2019. Therefore the impact of this event as a curtailment is included in the Profit and Loss Account and Balance Sheet.

Albany International Limited

Notes (continued)

12 Pension obligations (continued)

The fair value of the plan assets and the return on those assets were as follows:

	Fair value at 31 December 2019 £'000 / %	Fair value at 31 December 2018 £'000 / %
Equities	0 / 0.0%	5,777 / 13.6%
Bonds	47,511 / 99.8%	36,431 / 85.6%
Cash	113 / 0.2%	338 / 0.8%
Actual return on plan assets	47,624	42,546

The principal actuarial assumptions at the year-end were as follows:

	At year end 2019	At year end 2018
Rate of increase in salaries	2.95%	3.15%
Rate of increase for pensions in deferment	2.15%	2.15%
Rate of increase for pensions in payment	2.95%	3.15%
Discount rate	1.90%	2.70%
Inflation assumption	3.15%	3.15%
The average life expectancy in years of a member is as follows:		
Aged 65 retiring immediately (current pensioner) male-female	22.6 - 24.5	22.5 - 24.4
Aged 50 retiring at 65 (future pensioner) male-female	24.1 - 26.1	24.0 - 26.0

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to the plan in the current year was £206,000 (2018: £173,000).

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Notes (continued)

13 Called up share capital

	2019 £'000	2018 £'000
Allocated, called up and fully paid		
6,469,630 ordinary shares of 25p each	1,617	1,617

14 Financial commitments

Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £'000	2018 £'000
Less than one year	17	21
Between one and five years	8	11
	<u>25</u>	<u>32</u>

During the year £24,800 was recognized as an expense in the profit and loss account in respect of operating leases (2018: £24,900).

15 Related party transactions

The directors have taken advantage of the exemption in FRS 102 Chapter 33.1A and, as the Company is a wholly owned subsidiary of Albany International Inc., have not disclosed related party transactions with parent and fellow subsidiary undertakings.

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Notes (continued)

16 Ultimate parent undertaking

The directors regard Albany International Corporation Inc., a company registered at 216 Airport Drive, Rochester, New Hampshire in the United States of America, as the ultimate parent company and controlling party. The directors consider this company to be the parent undertaking of the largest group that prepares consolidated financial statements of which Albany International Limited is a member. Copies of Albany International Corporation consolidated financial statements can be obtained from the Company Secretary at the address described below.

According to the register kept by the company, Albany International Holdings (Switzerland) AG, a Corporation registered at Schochenmühlestrasse 4, 6340 Baar in Switzerland had a 100% majority interest in the equity capital of Albany International Limited at 31 December 2019 and is therefore the immediate parent undertaking. The directors consider this company to be the parent undertaking of the smallest group that prepares consolidated financial statements of which Albany International Limited is a member. Copies of Albany International Holdings (Switzerland) AG consolidated financial statements can be obtained from Schätti, Lorenz + Partner AG, Schochenmühlestr. 4, CH-6340 Baar, Switzerland.