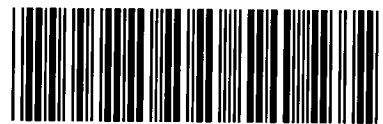


Registered number 96177

Albany International Limited
Annual report and financial statements
for the year ended 31 December 2017

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Albany International Limited

Annual report and financial statements for the year ended 31 December 2017

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Directors and professional advisers

Directors

D Halftermeyer
C Silva

Secretary

D C Johnson

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 2017.

Principal activities

The Company provides toll manufacturing and sales services to, Albany International Europe GmbH (AIEG). The Company also provides R&D 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 2017 under this arrangement.

Review of the business

The Company's turnover in 2017 of £7,716,000 (2016: £7,853,000) 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 loss before taxation for the financial year is £102,000 (2016: profit of £208,000). No dividend was declared or paid in 2017 (2016: £nil). The decrease in the result in 2017 is primarily attributable to the increase of defective work expenses.

The loss in 2017 was negatively affected by quality issues. Return and Allowances costs and Defective work expenses have been much higher than in 2016 at £901,000 (2016: £529,000) with a significant impact on the overall result of the Company. As better explained in the "Product quality risk" section, these cost are attributable to the toll manufacturing services and the service provider bears these costs. In order to effectively manage such issues, the Company has undertaken several initiatives to identify the origin of the quality issues and implement corrective actions.

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.

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.

Albany International Limited

Strategic report (continued)

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.

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 2018, the Company's turnover is expected to be in line with 2017. Consistent with 2017, 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 of 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



Daniel Halftermeyer
Director
26 September 2018

Albany International Limited

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Future developments

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

Charitable and political donations

The Company has made no charitable donations during the financial year (2016: £nil).

There were no political donations during the financial year (2016: £nil).

Dividends

The directors do not recommend the payment of a dividend (2016: £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

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.

Statement of disclosure of information to auditor

In the case of each of the persons who are directors at the time when the report is approved under section 418 of the Companies Act 2006 the following applies:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Albany International Limited

Directors' report (continued)

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



Daniel Halftermeyer

Director

26 September 2018

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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 2017 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 as at 31 December 2017 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' 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:

- 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 6, 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.

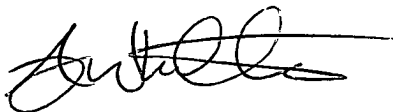
Auditor's responsibilities

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.



Antony Whittle (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square

Manchester M2 3AE

Date: 28 September 2018

Albany International Limited

Profit and loss account and Other Comprehensive Income

for the year ended 31 December 2017

| | Note | 2017 £'000 | 2016 £'000 |
|--|------|---------------|----------------|
| Turnover | 2 | 7,716 | 7,853 |
| Cost of sales | | (7,388) | (7,200) |
| Gross profit | | 328 | 653 |
| Administrative expenses | 3 | (531) | (630) |
| Operating (loss) / profit | | (203) | 23 |
| Interest receivable and similar income | 6 | 101 | 185 |
| (Loss) / profit before taxation | | (102) | 208 |
| Taxation on (loss) / profit | 7 | 101 | (163) |
| (Loss) / profit for the financial year | | (1) | 45 |
| Other comprehensive income: | | | |
| Remeasurement of the net defined benefit asset | 12 | 4,984 | (1,641) |
| Income tax on other comprehensive income | 11 | (903) | 323 |
| Other comprehensive profit / (loss) for the year, net of income tax | | 4,081 | (1,318) |
| Total comprehensive profit / (loss) for the year | | 4,080 | (1,273) |

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

The notes on pages 12 to 24 are an integral part of these financial statements.

Albany International Limited

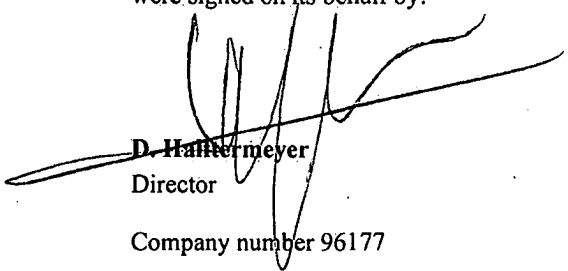
Balance sheet

as at 31 December 2017

| | Note | 2017 £'000 | 2016 £'000 |
|---|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 8 | 10,606 | 11,879 |
| Current assets | | | |
| Debtors | 9 | 2,206 | 1,954 |
| Cash at bank and in hand | | 564 | 867 |
| Current assets total | | 2,770 | 2,821 |
| Creditors - amounts falling due within one year | 10 | (380) | (882) |
| Net current assets | | 2,390 | 1,939 |
| Total assets less current liabilities | | 12,996 | 13,818 |
| Provisions for liabilities and charges | 11 | (1,039) | (261) |
| Net assets excluding pension asset | | 11,957 | 13,557 |
| Defined benefit pension scheme asset | 12 | 8,899 | 3,219 |
| Net assets | | 20,856 | 16,776 |
| Capital and reserves | | | |
| Called up share capital | 13 | 1,617 | 1,617 |
| Share premium account | | 3,843 | 3,843 |
| Profit and loss account | | 15,396 | 11,316 |
| Total shareholders' funds | | 20,856 | 16,776 |

The notes on pages 12 to 24 are an integral part of these financial statements.

The financial statements on pages 9 to 24 were approved by the Board of directors on 26 September 2018 and were signed on its behalf by:



D. Hallermeier
Director

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 2016 | 1,617 | 3,843 | 12,589 | 18,049 |
| Total comprehensive income for the period | | | | |
| Profit | - | - | 45 | 45 |
| Other comprehensive income for the period | - | - | (1,318) | (1,318) |
| Total comprehensive income for the period | - | - | (1,273) | (1,273) |
| Balance at 1 January 2017 | 1,617 | 3,843 | 11,316 | 16,776 |
| Total comprehensive income for the period | | | | |
| Loss | - | - | (1) | (1) |
| Other comprehensive income for the period | - | - | 4081 | 4081 |
| Total comprehensive income for the period | - | - | 4080 | 4080 |
| Balance at 31 December 2017 | 1,617 | 3,843 | 15,396 | 20,856 |

The notes on pages 12 to 24 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 company limited by shares and incorporated and domiciled 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 prepared in accordance with International Financial Reporting Standards as adopted by the EU and 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 company is a subsidiary of Albany International Corporation (AIC Inc.) The directors have received confirmation from the ultimate parent undertaking, AIC Inc., that it intends to continue to support the company for at least 12 months from the date of these financial statements. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Thus the company continues to adopt the going concern basis in preparing the financial statements.

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.

Albany International Limited

Notes (continued)

1 Accounting policies (continued)

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).

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.

Albany International Limited

Notes (continued)

1 Accounting policies (continued)

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.

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.

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.

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.

Albany International Limited

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.

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

| | 2017 £'000 | 2016 £'000 |
|---------------------------|---------------|---------------|
| Toll manufacturing income | 8,141 | 7,835 |
| European sales income | 476 | 547 |
| Returns and allowances | (901) | (529) |
| Total turnover | 7,716 | 7,853 |

Albany International Limited

Notes (continued)

3 Expenses and auditor's remuneration

Included in profit / loss are the following:

| | 2017 £'000 | 2016 £'000 |
|-----------------------------------|---------------|---------------|
| Research and development expense | 934 | 725 |
| Research and development recharge | (1,091) | (834) |
| Foreign exchange loss | 9 | 50 |

Auditor's remuneration:

| | | |
|-------------------------------------|----|----|
| Audit of these financial statements | 41 | 41 |
| Tax compliance service | 14 | 6 |
| All other services | - | 6 |

4 Staff numbers and costs

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

| By function | 2017 Number | 2016 Number |
|--------------------------|----------------|----------------|
| Production | 60 | 61 |
| Selling and distribution | 16 | 17 |
| Administration | 4 | 4 |
| | 80 | 82 |

Staff costs

| | 2017 £'000 | 2016 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 3,120 | 3,161 |
| Social security costs | 373 | 353 |
| Pension costs | 582 | 434 |
| | 4,075 | 3,948 |

Albany International Limited

Notes (continued)

5 Directors' remuneration

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

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Emoluments (including benefits in kind) for management services | - | - |

There are no retirement benefits accruing to directors under the defined benefit pension plans (2016: 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. Directors' emoluments were borne by AIEG.

6 Other interest receivable and similar income

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Other finance income (FRS 102 pensions interest) (note 12) | 96 | 182 |
| Interest receivable to fellow group companies | 5 | 3 |
| Interest receivable and similar income | 101 | 185 |

7 Taxation

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Total tax recognised in the profit and loss account, other comprehensive income and equity | | |
| Current Tax: | | |
| UK corporation tax | 23 | 18 |
| Total current tax | 23 | 18 |
| Origination and reversal of timing differences | (4) | 72 |
| Adjustment in respect of previous periods | (1) | - |
| Effect of changes in tax rate | (119) | 73 |
| Total deferred tax (note 11) | (124) | 145 |
| Tax charge / (credit) on profit | (101) | 163 |

Albany International Limited

Notes (continued)

7 Taxation (continued)

| | £'000 | 2017 £'000 | £'000 | £'000 | 2016 £'000 | £'000 |
|--|-------------|---------------|------------|-------------|---------------|--------------|
| | Current tax | Deferred tax | Total tax | Current tax | Deferred tax | Total tax |
| Recognised in Profit and loss account | 23 | (124) | (101) | 18 | 145 | 163 |
| Recognised in other comprehensive income | - | 903 | 903 | - | (323) | (323) |
| Recognised directly in equity | - | - | - | - | - | - |
| Total tax | 23 | 779 | 802 | 18 | (178) | (160) |

Reconciliation of effective tax rate

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| (Loss) / profit before tax | (102) | 208 |
| (Loss) / profit multiplied by average standard rate in the UK of 19.25% (2016: 20.00%) | (20) | 42 |
| Effects of: | | |
| Expenses not deductible / (income not taxable) for tax purposes | 43 | 48 |
| Income not taxable | (4) | - |
| Adjustment from previous periods | (1) | - |
| Effects of other tax rates / credits | (119) | 73 |
| Total tax (credit) / charge for the period | (101) | 163 |

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) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2017 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 2017 | 9,514 | 26,521 | 245 | 658 | 36,938 |
| Additions | - | - | - | 561 | 561 |
| Disposals | - | - | - | - | - |
| Transfers | 16 | 637 | 44 | (697) | - |
| At 31 December 2017 | 9,530 | 27,158 | 289 | 522 | 37,499 |
| Accumulated depreciation | | | | | |
| At 1 January 2017 | 3,297 | 21,583 | 179 | - | 25,059 |
| Charge for year | 329 | 1,475 | 30 | - | 1,834 |
| Disposals | - | - | - | - | - |
| At 31 December 2017 | 3,626 | 23,058 | 209 | - | 26,893 |
| Net book value | | | | | |
| At 31 December 2017 | 5,904 | 4,100 | 80 | 522 | 10,606 |
| At 31 December 2016 | 6,217 | 4,938 | 66 | 658 | 11,879 |

9 Debtors

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 1,872 | 1,788 |
| Current tax asset | 170 | 73 |
| Prepayments and accrued income | 164 | 93 |
| | 2,206 | 1,954 |

Amounts owed by group undertakings are unsecured and fluctuates during the year. The 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.

Albany International Limited

Notes (continued)

10 Creditors: amounts falling due within one year

| | 2017 £'000 | 2016 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 208 | 261 |
| Amounts owed to group undertakings | - | 287 |
| Accruals and deferred income | 172 | 334 |
| | 380 | 882 |

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 2017 £000 | 2016 £000 | Liabilities 2017 £000 | 2016 £000 | Net 2017 £000 | 2016 £000 |
|--------------------------------|------------------------|--------------|-----------------------------|--------------|---------------------|--------------|
| Accelerated capital allowances | (470) | (347) | - | - | (470) | (347) |
| Employee benefits | - | - | 1,509 | 608 | 1,509 | 608 |
| Tax (assets) / liabilities | (470) | (347) | 1,509 | 608 | | |
| Net of tax liabilities | | | | | 1,039 | 261 |

Albany International Limited

Notes (continued)

12 Pension obligations

The Company operates a contributory pension scheme which is funded. Employers contribution in 2017 amounted to £1,005,000 (2016: £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 DBO, as well as adjusting for benefit accrual and benefits paid from the Plan between 31 December 2015 and 31 December 2017.

| Net pension asset | 2017 £'000 | 2016 £'000 |
|----------------------------|-----------------------|-----------------------|
| Defined benefit obligation | (35,095) | (37,432) |
| Plan assets | 43,994 | 40,651 |
| | 8,899 | 3,219 |

| Movements in present value of defined benefit obligation: | 2017 £'000 | 2016 £'000 |
|--|-----------------------|-----------------------|
| At 1 January 2017 | 37,432 | 27,834 |
| Current service cost | 405 | 258 |
| Interest expense | 944 | 1,015 |
| Members' contributions | 78 | 78 |
| Remeasurement: actuarial losses | (2,961) | 9,099 |
| Benefits paid | (803) | (852) |
| At 31 December 2017 | 35,095 | 37,432 |

Albany International Limited

Notes (continued)

12 Pension obligations (continued)

| Movements in fair value of plan assets: | 2017 £'000 | 2016 £'000 |
|---|-----------------------|-----------------------|
| At 1 January 2017 | 40,651 | 31,764 |
| Interest income | 1,040 | 1,197 |
| Remeasurement return on plan assets less interest income | 2,023 | 7,458 |
| Employer's contributions | 1,005 | 1,006 |
| Members' contributions | 78 | 78 |
| Benefits paid | (803) | (852) |
| At 31 December 2017 | 43,994 | 40,651 |
| Expenses recognised in the profit and loss account | | |
| Analysis of the amount charged to operating profit | 2017 £'000 | 2016 £'000 |
| Current service cost | (405) | (258) |
| Total operating charge | (405) | (258) |
| Analysis of amount charged to other finance income | | |
| Interest income on pension scheme assets | 1,040 | 1,197 |
| Interest on pension liabilities | (944) | (1,015) |
| Net amount included in other financial income (note 6) | 96 | 182 |
| Total expense recognised in profit or loss | (309) | (76) |

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

| | Fair value at 31 December 2017 £'000 / % | Fair value at 31 December 2016 £'000 / % |
|-------------------------------------|---|---|
| Equities | 14,109 / 32.1% | 14,443 / 35.5% |
| Bonds | 29,797 / 67.7% | 26,126 / 64.3% |
| Property | 0 / 0.0% | 0 / 0.0% |
| Cash | 88 / 0.2% | 82 / 0.2% |
| Actual return on plan assets | 43,994 | 40,651 |

Albany International Limited

Notes (continued)

12 Pension obligations (continued)

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

| | At year end 2017 | At year end 2016 |
|---|---------------------|---------------------|
| Rate of increase in salaries | 3.15% | 3.85% |
| Rate of increase for pensions in deferment | 2.15% | 2.25% |
| Rate of increase for pensions in payment | 3.15% | 3.25% |
| Discount rate | 2.40% | 2.55% |
| Inflation assumption | 3.25% | 3.00% |
| The average life expectancy in years of a member is as follows: | | |
| Aged 65 retiring immediately (current pensioner) | 22.4 | 22.4 |
| Aged 50 retiring at 65 (future pensioner) | 23.9 | 23.7 |

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to the plan in the current year was £177,000 (2016: £176,000).

13 Called up share capital

| | 2017 £'000 | 2016 £'000 |
|---------------------------------------|---------------|---------------|
| Allocated, called up and fully paid | | |
| 6,469,630 ordinary shares of 25p each | 1,617 | 1,617 |

Albany International Limited

Notes (continued)

14 Financial commitments

Operating Leases

Non-cancellable operating lease rentals are payable as follows:

| | 2017 £'000 | 2016 £'000 |
|----------------------------|---------------|---------------|
| Less than one year | 19 | 18 |
| Between one and five years | 7 | 3 |
| More than five years | - | - |
| | <u>26</u> | <u>21</u> |

During the year £28,500 was recognized as an expense in the profit and loss account in respect of operating leases (2016: £30,500).

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.

16 Ultimate parent undertaking

The directors regard Albany International Corporation Inc., a company registered 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 in Switzerland had a 100% majority interest in the equity capital of Albany International Limited at 31 December 2017 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.