

Financial statements Stowe Woodward (UK) Limited

For the Period from 1 January 2006 to 30 June 2007



Company No. 3805500

Officers and professional advisers

Company registration number	3805500
Registered office	100 New Bridge Street London EC4V 6JA
Directors	T Gutteriez M O'Donnell M H Woodworth P J D Lecomte P J Williamson
Secretary	Abogado Nominees Limited
Bankers	The Royal Bank of Scotland Falkland Gate Glenrothes Fife KY7 5NS
Solicitors	Baker & McKenzie 100 New Bridge Street London EC4V 6JA
Auditor	Ernst & Young LLP Chartered Accountants Registered Auditors Ten George Street Edinburgh EH2 2DZ

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Report of the directors

The directors present their report and the financial statements of the company for the period from 1 January 2006 to 30 June 2007.

Principal activities and business review

On 28 February 2005 it was announced that Stowe Woodward (UK) Limited would cease to manufacture in the UK. As a result of this, manufacturing in the Glenrothes plant terminated on 30 March 2007.

As a result of this decision the accounts have been prepared on a break up basis.

Results and dividends

The profit for the period amounted to £931,000. The directors have not recommended a dividend.

Financial risk management objectives and policies

Due to the plant closure the administration has been transferred to a sister-company in Germany where the group-wide SOX rules are applied. We do not see financial risks or general business risks as the company is acting operationally as a sales office in the UK.

Directors

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

J Cormier
C Ford
T Gutierrez
G Noble
M O'Donnell
M H Woodworth
P J D Lecomte
P J Williamson

M H Woodworth was appointed as a director on 18 September 2006.

P J D Lecomte was appointed as a director on 26 April 2007.

P J Williamson was appointed as a director on 26 April 2007.

J Cormier retired as a director on 4 August 2006.

C Ford retired as a director on 26 April 2007.

G Noble retired as a director on 30 April 2007.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to re-appoint Ernst & Young LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



Peter Williamson
Director
4.7/07

Report of the independent auditor to the members of Stowe Woodward (UK) Limited

We have audited the financial statements of Stowe Woodward (UK) Limited for the period from 1 January 2006 to 30 June 2007 which comprises of the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable "United Kingdom" law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

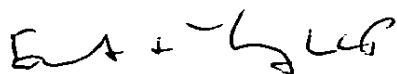
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditor to the members of Stowe Woodward (UK) Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2007 and of the group's profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



ERNST & YOUNG LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

28 / 6 / 08

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a break-up basis reflecting the cessation of manufacturing operations on March 2007. Accordingly, adjustments have been made to provide for the diminution in value of all fixed assets so as to reduce their carrying value to the estimated realisable amount, to provide for any further liabilities which will arise and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts. These financial statements present information about the company as an individual undertaking and not as a group.

Cash flow statement

The company is exempt from preparing a cash flow statement under FRS 1 as it is a wholly owned subsidiary whose parent company's financial statements are publicly available.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, net of Value Added Tax.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill - 15 years

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is charged on all tangible fixed assets, other than freehold land. It is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 15 - 30 years
Plant & Machinery	- 10 - 30 years
Fixtures & Fittings	- 10 years
Motor Vehicles	- 5 - 8 years
Equipment	- 5 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lesser are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company. The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme.

Post retirement benefits

After a certain period of employment all employees earn entitlement to paid pre-retirement leave. Employees take this leave upon their retirement.

Provision is made for the cost of outstanding entitlements, valued on an actuarial basis.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

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

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
Turnover	1	3,221	947
Cost of sales		2,311	1
Gross profit		910	946
Other operating charges	2	1,555	1,523
Operating loss	3	(645)	(577)
Profit on disposal of current assets	7	575	–
Cost of restructuring the company	8	–	(350)
Provision for loss on operations to be discontinued	4	1,152	(5,471)
		1,082	(6,398)
Interest receivable		7	17
Interest payable and similar charges	9	(176)	(171)
Profit/(loss) on ordinary activities before taxation		913	(6,552)
Tax on profit/(loss) on ordinary activities	10	(18)	–
Profit/(loss) for the financial period		931	(6,552)
Balance brought forward		(6,552)	–
Balance carried forward		(5,621)	(6,552)

All of the activities of the company are classed as continuing.

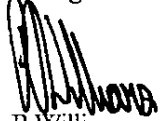
The company has no recognised gains or losses other than the results for the period as set out above.

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	30 Jun 07 £000	31 Dec 05 £000
Fixed assets			
Intangible assets	11	—	—
Tangible assets	12	122	367
Investments	13	—	—
		<u>122</u>	<u>367</u>
Current assets			
Stocks	14	79	246
Debtors	15	525	817
Cash at bank		554	197
		<u>1,158</u>	<u>1,260</u>
Creditors: amounts falling due within one year	16	<u>2,581</u>	<u>3,040</u>
Net current liabilities		<u>(1,423)</u>	<u>(1,780)</u>
Total assets less current liabilities		<u>(1,301)</u>	<u>(1,413)</u>
Provisions for liabilities			
Other provisions	17	220	1,959
		<u>(1,521)</u>	<u>(3,372)</u>
Capital and reserves			
Called-up equity share capital	20	1	1
Share premium account	21	3,179	3,179
Other reserves	22	920	—
Profit and loss account	23	(5,621)	(6,552)
Deficit	24	<u>(1,521)</u>	<u>(3,372)</u>

These financial statements were approved by the directors and authorised for issue on Nov 4, 2008, and are signed on their behalf by:



P Williamson
Director

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
 An analysis of turnover is given below:

	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
United Kingdom	<u>3,221</u>	<u>947</u>

2 Other operating charges

	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
Distribution costs	65	34
Administrative expenses	<u>1,490</u>	<u>1,489</u>
	<u>1,555</u>	<u>1,523</u>

3 Operating loss

Operating loss is stated after charging:

	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
Amortisation	—	274
Depreciation of owned fixed assets	104	210
Loss on disposal of current assets	—	100
Auditor's remuneration:		
Audit services	29	18
Non audit service	—	6
Net loss on foreign currency translation	<u>17</u>	<u>18</u>

4 Exceptional losses

Provision for losses on termination

	Period from 1 Jan 06 to 30 June 07 £'000	Year to 31 Dec 05 £'000
Restructuring costs	—	550
Impairment of assets	—	3,690
Trading losses	(1,032)	1,032
Scrapped inventory	(31)	110
Unrecoverable debtors	(37)	37
Prepaid expenses	(52)	52
	<u>(1,152)</u>	<u>5,471</u>

5 Particulars of employees

The average number of staff employed by the company during the financial period amounted to:

	Period from 1 Jan 06 to 30 Jun 07 No	Year to 31 Dec 05 No
Number of administrative staff	5	10
Number of manufacturing staff	21	33
	<u>26</u>	<u>43</u>

The aggregate payroll costs of the above were:

	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
Wages and salaries	826	974
Social security costs	63	76
Other pension costs	81	211
	<u>970</u>	<u>1,261</u>

6 Directors

Remuneration in respect of directors was as follows:

	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
Emoluments	197	144

The number of directors who accrued benefits under company pension schemes was as follows:

	Period from 1 Jan 06 to 30 Jun 07 No	Year to 31 Dec 05 No
Defined benefit schemes	2	2

7 Profit on disposal of fixed assets

	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
Profit on disposal of fixed assets	575	—

8 Cost of reorganisation or restructuring

	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
Reorganisation costs	—	350

Restructuring costs of £350,000 relate to the closure of the Wigan plant during the first part of 2005.

9 Interest payable and similar charges

	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
Interest payable on bank borrowing	19	12
Other interest payable	157	159
	176	171

Interest paid to group undertakings amounted to £157,000 (2005 - £159,000).

10 Taxation on ordinary activities

(a) Analysis of charge in the period

	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
Current tax:		
UK Corporation tax based on the results for the period at 30% (2005 - 30%)	75	-
Over/under provision in prior year	(93)	-
Total current tax	<u>(18)</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30% (2005 - 30%).

The company has an unrecognised deferred tax asset of £24,000 (2005- £883,000) arising on tax losses at 30 June 2007. The asset has not been recognised as there is insufficient evidence as to its recoverability against suitable taxable profits in the foreseeable future.

	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
Profit/(loss) on ordinary activities before taxation	<u>913</u>	<u>(6,552)</u>
Profit/(loss) on ordinary activities by rate of tax	274	(1,966)
Expenses not deductible for tax purposes	(143)	893
Capital allowances for period in excess of depreciation	(236)	311
Unrelieved tax losses	500	105
Adjustments to tax charge in respect of previous periods	(93)	-
Other short term timing differences	(488)	556
Losses carried back	93	101
Difference between accounting gain and tax gain	75	-
Total current tax (note 10(a))	<u>(18)</u>	<u>-</u>

11 Intangible fixed assets

	Goodwill £000
Cost	
At 1 January 2006 and 30 June 2007	4,158
Amortisation	
At 1 January 2006 and 30 June 2007	4,158
Net book value	
At 30 June 2007	—
At 31 December 2005	—

12 Tangible fixed assets

	Freehold Property £000	Plant & Machinery £000	Fixtures & Fittings £000	Motor Vehicles £000	Computer equipment £000	Total £000
Cost						
At 1 Jan 2006	342	951	42	118	185	1,638
Disposals	(342)	—	—	—	—	(342)
At 30 Jun 2007	—	951	42	118	185	1,296
Depreciation						
At 1 Jan 2006	160	766	42	118	185	1,271
Charge for the period	41	63	—	—	—	104
On disposals	(201)	—	—	—	—	(201)
At 30 Jun 2007	—	829	42	118	185	1,174
Net book value						
At 30 Jun 2007	—	122	—	—	—	122
At 31 Dec 2005	182	185	—	—	—	367

13 Investments

	Subsidiary undertaking £000
Cost	
At 1 January 2006 and 30 June 2007	<u>120</u>
Amounts written off	
At 1 January 2006 and 30 June 2007	<u>120</u>
Net book value	
At 30 June 2007	<u>-</u>
At 31 December 2005	<u>-</u>

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Stowe Woodward Limited	Scotland	Ordinary Shares	100%	Non trading

14 Stocks

	30 Jun 07 £000	31 Dec 05 £000
Raw materials	79	239
Work in progress	-	7
	<u>79</u>	<u>246</u>

15 Debtors

	30 Jun 07 £000	31 Dec 05 £000
Trade debtors	114	513
Amounts owed by group undertakings	281	81
Corporation tax repayable	19	223
Prepayments and accrued income	111	-
	<u>525</u>	<u>817</u>

16 Creditors: amounts falling due within one year

	30 Jun 07 £000	31 Dec 05 £000
Trade creditors	124	337
Amounts owed to group undertakings	2,334	2,464
Other taxes and social security	6	34
Other creditors	32	—
Accruals and deferred income	85	205
	<u>2,581</u>	<u>3,040</u>

17 Other provisions

	30 Jun 07 £000
Provision for losses on termination:	
At 1 January 2006	1,692
Utilised/released in period	<u>(1,524)</u>
At 30 June 2007	<u>168</u>
Warranty Provision:	
At 1 January 2006	13
Utilised/released in period	<u>(4)</u>
At 30 June 2007	<u>9</u>
Other retirement benefits provision:	
At 1 January 2006	254
Utilised/released in period	<u>(211)</u>
At 30 June 2007	<u>43</u>
Total provisions	<u><u>220</u></u>

The total provisions brought forward totalled £1,959,000.

Provision for losses on termination relates to the closure of the UK manufacturing operations and the provision will be released on completion of the termination. The warranty provision relates to potential warranty claims, and will be released once no further claims can be made. Other retirement benefits relate to holiday entitlements that accrue to employees. Employees receive the holiday and the associated costs are charged to the profit and loss account on their retirement.

18 Commitments under operating leases

At 30 June 2007 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets other than land & buildings	
	30 Jun 07	31 Dec 05
	£000	£000
Operating leases which expire:		
Within 1 year	1	2
Within 2 to 5 years	-	22
	1	24

19 Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard No 8 not to disclose related party transactions with other group companies.

20 Share capital

Authorised share capital:

	30 Jun 07	31 Dec 05
	£000	£000
30,000,000 Ordinary shares of £1 each	30,000	30,000

Allotted, called up and fully paid:

	30 Jun 07		31 Dec 05	
	No	£000	No	£000
Ordinary shares of £1 each	729	1	729	1

21 Share premium account

There was no movement on the share premium account during the financial period.

22 Other reserves

	Period from	Year to
	1 Jan 06 to	31 Dec 05
	30 Jun 07	
	£000	£000
Reserve 1 balance brought forward:		
Capitalisation of reserves	920	-

During the year the company received non-refundable funds of £920,000 from the ultimate parent company.

23 Profit and loss account

	Period from 1 Jan 06 to 30 Jun 07 £000	Year to 31 Dec 05 £000
Balance brought forward	(6,552)	—
Profit/(loss) for the financial period	931	(6,552)
Balance carried forward	<u>(5,621)</u>	<u>(6,552)</u>

24 Reconciliation of movements in shareholders' funds

	30 Jun 07 £000	31 Dec 05 £000
Profit/(Loss) for the financial period	931	(6,552)
Less capitalised from reserves	920	—
Net addition/(reduction) to shareholders' (deficit)/funds	<u>1,851</u>	<u>(6,552)</u>
Opening shareholders' (deficit)/funds	<u>(3,372)</u>	<u>3,180</u>
Closing shareholders' deficit	<u>(1,521)</u>	<u>(3,372)</u>

25 Ultimate parent company

The company's immediate parent undertaking is Xerium Technologies Limited. It has included the company in its consolidated financial statements, copies of which are available from its registered office at Thanet Way, Whitstable, Kent, CT5 3EG.

The company's ultimate parent undertaking is Xerium technologies Inc which is incorporated in America. It has included the company in its consolidated financial statements, copies of which are available from its registered office at One Technology Drive, Westborough Technology Park, Westborough, MA 01581.

26 Pensions

Stowe Woodward (UK) Limited participates in the Huyck and Stowe Woodward Pension Scheme.

This is a multi-employer defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each participating company's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme.

The total pension cost for the period to 30 June 2007 for Stowe Woodward in relation to the scheme was £270,671 (2005: £210,615).

The most recent valuation of this pension scheme was carried out to the 6 April 2004.

The major assumptions used by the actuary were:

Rate of inflation	3.0%p.a.
Rate of return on investments	6.0%p.a.
Rate of increase in salaries	3.0%p.a.
Rate of increase in pensions	4.0%p.a.

At the valuation date the market value of the assets of the scheme was £9,453,000 and the value of the liabilities was £11,896,000 leaving a deficit of £2,444,000.

Stowe Woodward (UK) Limited currently contribute at the rate of 20.5% of Pensionable Pay in respect of future service, plus regular level contributions of £5,500 per month in respect of removing the past service deficit.

On 30 March 2007 the company ceased trade and consequently employees were made redundant. This may have an implication on the company as a member of the multi employer pension scheme. However insufficient time has elapsed to allow Stowe Woodward (UK) Limited and its parent company Xerium Technologies Inc to finalise arrangements with the trustees and pension regulator. As part of the negotiations with these parties, Xerium Technologies Inc has offered to provide a guarantee to meet future payments to the pension scheme as required up to the amounts of £3m.