

Advanced Composites Limited

**Directors' report and financial
statements**

Registered number 01623042

31 March 2012

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' report and the financial statements	3
Independent auditor's report to the members of Advanced Composites Limited	4
Profit and loss account	6
Balance sheet	7
Notes	8

Directors' report

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

Principal activities

The company provides administrative and technical support including research and development to the other group companies, for which it receives a management fee. At 31 March 2012, Advanced Composites Limited was a wholly owned subsidiary of Cytec Industrial Materials (Derby) Limited whose ultimate parent at 31 March 2012 was Umeco plc (now Umeco Limited), and the detailed business review can be found from page 10 of Umeco plc's annual report.

On 20 July 2012 Umeco plc was acquired by Cytec UK Holdings Limited, a wholly owned subsidiary of Cytec Industries Inc.

Results and dividends

The loss for the financial year was £22,000 (2011 loss of £2,503,000), the results for the year are shown in the profit and loss account on page 6.

The directors do not recommend the payment of a dividend (2011 £nil).

Research and development

The directors consider that the future of the company and fellow group companies lies in the technical superiority of its products and service and is committed to maintaining and enhancing this superiority by continuing programmes of research and development.

During the year £1,710,000 (2011 £2,095,000) was expended on research and development programmes by the company.

Patents, trademarks and other intellectual property

The company has made substantial investments throughout its history in developing its own intellectual property and where possible, protecting it by patents.

All the costs have been written off in the period in which the expenditure was incurred. The directors are of the opinion that the patents, trademarks and other intellectual property rights the company owns have a considerable value which is not reflected in the accounts, and is not readily quantifiable.

Directors

The directors who held office during the year were as follows:

CJ Snowdon	(Resigned 9 August 2011)
M Malitskie	(Resigned 28 February 2012)
JP Mabbitt	(Resigned 6 November 2012)
AB Moss	(Resigned 24 July 2012)
DG Robertson	(Resigned 9 August 2011)
SJ Bowers	(Appointed 9 August 2011, resigned 24 July 2012)
SM Glennon	(Appointed 28 February 2012)
DM Drillock	(Appointed 24 July 2012)
RD Smith	(Appointed 24 July 2012)

Directors' report (*continued*)

Employees

Employee participation and involvement in matters which affect their interests continues to be developed. The company gives equal consideration to applications for employment from disabled people, having regard to their particular aptitudes and abilities.

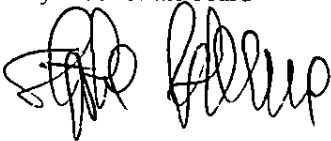
Disclosure of information to auditor

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

Auditor

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

By order of the board



Stephen Glennon
Director

Concorde House
24 Warwick New Road
Leamington Spa
Warwickshire
CV32 5JG

22 February 2013

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

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

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

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

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

Independent auditor's report to the members of Advanced Composites Limited

We have audited the financial statements of Advanced Composites Limited for the year ended 31 March 2012 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Advanced Composites Limited (*continued*)

Matters on which we are required to report by exception

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

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



Michael Froom (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

26 February 2013

Profit and loss account
for the year to 31 March 2012

	<i>Note</i>	2012 £000	2011 £000
Administrative expenses		(7,326)	(5,255)
Other operating income	2	<u>7,199</u>	<u>1,870</u>
Loss on ordinary activities before taxation	3	(127)	(3,385)
Tax credit on loss on ordinary activities	6	<u>105</u>	<u>882</u>
Loss for the financial year	13	<u>(22)</u>	<u>(2,503)</u>

In both the current year and preceding period all results are derived from continuing operations

There were no recognised gains or losses in either the current year or preceding period other than those disclosed in the profit and loss account

Balance sheet
as at 31 March 2012

	<i>Note</i>	£000	2012 £000	£000	2011 £000
Fixed assets					
Tangible assets	7		3,478		3,453
Current assets					
Stocks	8	-		2,733	
Debtors	9	-		171	
				2,904	
Creditors amounts falling due within one year	10	(7,932)		(10,618)	
Net current liabilities			(7,932)		(7,714)
Total assets less current liabilities			(4,454)		(4,261)
Provision for liabilities and charges	11		(41)		(212)
Net liabilities			(4,495)		(4,473)
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	13		(4,495)		(4,473)
Shareholders' deficit	14		(4,495)		(4,473)

These financial statements were approved by the board of directors on 22 February 2013 and were signed on its behalf by



Stephen Glennon
Director

Registered number 01623042

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Going concern

The company has net liabilities of £4,495,000 (2011 £4,473,000) Cytec Industrial Materials (Derby) Limited, the company's immediate parent undertaking, has indicated that it will provide or procure such funds as are necessary to enable the company to settle all external liabilities as they fall due

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Principal activities section of the Directors' report on page 1

The company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's ultimate parent Cytec Industries Inc to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Cytec group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Cytec Industries Inc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Cash flow statement

Under FRS1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own consolidated financial statements

Related party transactions

As the company was a wholly owned subsidiary of Umeco plc at 31 March 2012, it has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group

Other operating income

Other operating income represents the recharge of costs to Cytec Industrial Materials (Derby) Limited

Tangible fixed assets and depreciation

Fixed assets, other than freehold land, are depreciated over their estimated anticipated useful lives at the following annual rates

Improvements to leasehold property	Over the period of the lease
Freehold Buildings	2%
Portable buildings	10%
Plant and machinery	6.6% to 15%
Fixtures and fittings and office equipment	10% to 20%
Motor vehicles	25%
Computer equipment	20% to 33%

Freehold land is not depreciated

Notes (continued)

1 Accounting policies (continued)

Leases

Rentals paid under operating leases are charged to profit and loss account on a straight line basis

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes attributable overheads where appropriate. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow-moving or defective items as appropriate.

Included within work in progress are certain grant funded projects. To the extent that costs on these projects are recoverable from the grant providers, the costs are included within work in progress. Where progress payments exceed the cost of the related work included in work in progress, the balance is recorded in creditors as payments on account.

Pension scheme

The company is a member of the Advanced Composites Group Pension Scheme, which is a defined benefit arrangement. The assets of the scheme are held separately from those of the company in an independently administered fund. Since the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, the scheme is accounted for by the company as if it were a defined contribution scheme. An actuarial valuation of the Advanced Composites Group Pension Scheme was carried out at 1 June 2008 and used as a basis for the 31 March 2012 position. An updated actuarial valuation was carried out at 1 June 2011 and ratified in September 2012.

The company also operates a defined contribution scheme. Pension cost charges in the financial statements represent contributions payable in the accounting period.

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Research and development

Expenditure on research and development is written off against profits as incurred, except to the extent that it is recoverable from grant funding. Where the research and development is grant funded, the grant and the related expenditure is accounted for as described above.

Notes (continued)

2 Other operating income

	2012 £000	2011 £000
Other income	1,138	1,870
Costs recharged to group companies	6,061	-
	<u>7,199</u>	<u>1,870</u>

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2012 £000	2011 £000
Depreciation - assets owned	234	339
Auditor's remuneration - fees payable to the company's auditor for the audit of these financial statements	8	8
- other work	5	7
Research and development	1,710	2,095
Operating lease rentals - other	36	36
	<u></u>	<u></u>

Details of non-audit fees paid by the Umeco plc Group of companies as at 31 March 2012 to the company's auditor are disclosed in the consolidated financial statements of Umeco plc

4 Remuneration of directors

	2012 £000	2011 £000
Directors' emoluments	-	-
	<u></u>	<u></u>

Directors' remuneration for services as a director of the company is borne by another group company. None of the directors accrues benefits under retirement benefit schemes by virtue of their office with the company.

During the year, no options over shares in the ultimate parent undertaking as at 31 March 2012, Umeco plc, were exercised by the directors (2011 Nil). No options were exercised by the highest paid director (2011 Nil).

Notes (continued)

5 Staff numbers and costs

The average number of persons, including directors, employed by the company during the year was as follows

	2012 Number	2011 Number
Technical and administration	96	61
	<u>£000</u>	<u>£000</u>
<i>The aggregate payroll costs of these persons were</i>		
Wages and salaries	3,492	2,000
Social security costs	340	165
Pension costs	579	202
	<u>4,411</u>	<u>2,367</u>

6 Tax on loss on ordinary activities

	2012 £000	2011 £000
UK taxation charge/(credit) at 26% (2011 28%)		
- current year	23	(883)
- prior years	43	-
	<u>66</u>	<u>(883)</u>
Deferred taxation		
- current year	(22)	(6)
- effect of change in tax rates	3	-
- prior years	(152)	7
	<u>(105)</u>	<u>(882)</u>

Factors affecting the tax credit for the current period

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(127)	(3,385)
	<u>(33)</u>	<u>(948)</u>
Current tax credit at 26% (2011 28%)		
<i>Effects of</i>		
Expenses not deductible for tax purposes	23	3
Other timing differences	10	62
Depreciation in excess of capital allowances	23	-
Prior year tax effects	43	-
	<u>66</u>	<u>(883)</u>

Notes (continued)

6 Tax on loss on ordinary activities (continued)

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014, and the December 2012 Autumn Statement announced a planned further reduction to 21% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2012 has been calculated based on the rate of 24% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

7 Tangible fixed assets

	Freehold land and buildings £000	Leasehold building improvements £000	Motor vehicles, plant and machinery £000	Fixtures, fittings, office and Computer Equipment £000	Total £000
Cost					
At beginning of year	2,783	31	1,669	1,476	5,959
Additions	-	-	79	180	259
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	2,783	31	1,748	1,656	6,218
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation					
At beginning of year	338	18	773	1,377	2,506
Charge for year	52	4	125	53	234
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	390	22	898	1,430	2,740
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2012	2,393	9	850	226	3,478
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	2,445	13	896	99	3,453
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The cost of freehold land and buildings includes an amount of £6,000 (2011 £6,000) which relates to non-depreciable land.

Notes (continued)

8 Stocks

	2012 £000	2011 £000
Raw materials	-	2,733

During the year, the Company made a decision to transfer raw materials stock to its immediate parent company

9 Debtors

	2012 £000	2011 £000
<i>Amounts due within one year</i>		
Prepayments	-	150
Other receivable	-	21
	-	171

10 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Amounts owed to group undertakings	6,420	8,483
Other creditors including tax and social security	299	508
Accruals	1,213	1,627
	7,932	10,618
<i>Other creditors including tax and social security comprise</i>		
Other tax and social security	279	263
Corporation tax payable	20	245
	299	508

Notes (continued)

11 Provision for liabilities and charges

	Deferred taxation £000
At beginning of year	212
Credit for the year	(171)
	<hr/>
At end of year	41
	<hr/>

The deferred tax provision, being the full potential liability, comprises

	2012 £000	2011 £000
Accelerated capital allowances	121	235
Other timing differences	(80)	(23)
	<hr/>	<hr/>
	41	212
	<hr/>	<hr/>

The liability is based upon a rate of 24% (2011 28%)

12 Called up share capital

	2012 £	2011 £
<i>Issued, called up and fully paid</i>		
2 (2011 2) Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

13 Reserves

	2012 £000	2011 £000
Deficit at beginning of year	(4,473)	(1,970)
Loss for the financial year	(22)	(2,503)
	<hr/>	<hr/>
Deficit at end of year	(4,495)	(4,473)
	<hr/>	<hr/>

14 Reconciliation of movements in shareholder's deficit

	2012 £000	2011 £000
Loss for the financial year	(22)	(2,503)
Opening shareholder's deficit	(4,473)	(1,970)
	<hr/>	<hr/>
Closing shareholder's deficit	(4,495)	(4,473)
	<hr/>	<hr/>

Notes (continued)

15 Contingent liabilities

There is a cross guarantee between all Umeco group companies as at 31 March 2012 in relation to the bank borrowings of each company. At 31 March 2012, the outstanding liability under this guarantee was £14,626,616 (2011 £109,655,334)

16 Leasing commitments

The minimum annual lease payments to which the company was committed, all of which are non-cancellable operating leases, are analysed to expire as follows

	2012		2011	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Within one year	-	-	-	-
Between two and five years	-	-	-	-
Over five years	36	-	36	-
	<hr/>	<hr/>	<hr/>	<hr/>
	36	-	36	-
	<hr/>	<hr/>	<hr/>	<hr/>

17 Pension scheme

The Company is a member of the Advanced Composites Group pension scheme providing benefits based on final pensionable pay. The plan is for the benefit of all relevant employees of Cytec Industrial Materials (Derby) Limited and Advanced Composites Limited. Full disclosure of the scheme as at 31 March 2012 is contained in the Umeco plc consolidated financial statements.

As the scheme is run for Advanced Composites Limited and Cytec Industrial Materials (Derby) Limited as a whole, the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, and as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements, as if the scheme was a defined contribution scheme.

An actuarial valuation was undertaken as at 1 June 2008 and was updated for FRS 17 purposes to 31 March 2012 (and 2011) by a qualified independent actuary. The market value of the scheme's assets at 1 June 2008 was £6.9 million, the value of which represented approximately 83.6% of the benefits that had accrued to members at that date on an ongoing basis, after allowing for assumed future increases in salaries. An actuarial valuation was undertaken at 1 June 2011 and completed in September 2012, which assessed the scheme deficit at this time. The market value of the scheme's assets at 1 June 2011 was £10.6 million and the scheme had an overall deficit of £1.1 million.

At 31 March 2012, the scheme had a deficit on an FRS 17 basis of £1.7 million (2011 £1.9 million) net of deferred taxation.

The company's regular ongoing contribution to the scheme was £nil (2011 £nil). A contribution rate of 15.7% of pensionable has been agreed for members of the scheme in future years.

The company also participates in the Advanced Composites Group defined contribution stakeholder scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £579,000 (2011 £202,000).

Notes (continued)

18 Post balance sheet event

On 12 April 2012, the Boards of Umeco plc and Cytec Industries Inc ('Cytec') announced that they had reached agreement on the terms of a recommended cash offer by Cytec UK Holdings Limited, a wholly owned subsidiary of Cytec Inc, for the entire issued capital of Umeco plc. The acquisition was completed on 20 July 2012.

19 Ultimate holding company and ultimate controlling party

The ultimate parent undertaking and ultimate controlling undertaking, at 31 March 2012, into which the results of this company are consolidated is Umeco plc, which is incorporated in England and Wales.

Copies of the financial statements of Umeco plc can be obtained from Umeco's website www.umeco.com

Following Umeco plc's acquisition by the Cytec Group, the ultimate parent undertaking is now Cytec Industries Inc, a corporation organised under the laws of the State of Delaware USA, and copies of their financial statements are available on Cytec's website www.cytec.com