

Advanced Composites Limited

**Directors' report and financial
statements**

Registered number 01623042

31 December 2012



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	5
Balance sheet	6
Notes	7

Directors' report

The directors present their report and the audited financial statements for the 9 months ended 31 December 2012

Change of accounting date

During the period the company changed its accounting reference date from 31 March to 31 December to align the year end with the ultimate controlling party, who acquired the Group headed by Umeco Limited (formerly Umeco plc) on 20 July 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 December 2012, Advanced Composites Limited was a wholly owned subsidiary of Cytec Industrial Materials (Derby) Limited, whose ultimate parent at 31 December 2012 was Cytec Industries Inc

Results and dividends

Profits for the nine month period to 31 December 2012 were £4,677,000 (*31 Mar 12 loss £22,000*)

The directors do not recommend the payment of a dividend (*31 Mar 12 £nil*)

Research and development

The directors consider that the future of the company depends upon the technical superiority of its products and service and they are committed to maintaining and enhancing this superiority by continuing programmes of research and development

It is company policy to take a prudent view of expenditure incurred on research and development programmes, all of which is written off in the year in which it is incurred, except to the extent that expenditure is recoverable from grant funding

During the period £1,207,000 (*31 Mar 12 £1,710,000*) 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 period and at the date of this report are as follows:

JP Mabbitt	(resigned 6 November 2012)
AB Moss	(resigned 20 July 2012)
SJ Bowers	(resigned 20 July 2012)
SM Glennon	
DM Drillock	(appointed 20 July 2012)
RD Smith	(appointed 20 July 2012)

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

Directors' report *(continued)*

Health, safety and the environment

The company has a continuing commitment to health and safety issues. A positive stance is maintained towards environmental issues and the company is committed to compliance with all applicable laws and regulations.

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

KPMG Audit Plc resigned as auditor during the year pursuant to section 516 of the Companies Act 2006. The Directors appointed KPMG LLP as auditor of the company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006. Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Stephen Glennon
Director

Composite House
Sinclair Close
Heanor Gate Industrial Estate
Heanor
Derbyshire
DE75 7SP

13 December 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 9 month period ended 31 December 2012 set out on pages 5 to 14. 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 December 2012 and of its profit for the period 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.

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)

13 December 2013

for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH*

Profit and loss account
for the 9 month period ended 31 December 2012

	<i>Note</i>	9 months to 31 Dec 2012 £000	Year to 31 Mar 2012 £000
Administrative expenses		(6,021)	(7,326)
Other operating income	2	10,567	7,199
Profit/(loss) on ordinary activities before taxation	3	4,546	(127)
Tax credit on profit/(loss) on ordinary activities	6	131	105
Profit/(loss) for the financial period	12	4,677	(22)

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

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

Balance sheet

as at 31 December 2012

	<i>Note</i>	31 Dec 2012	31 Mar 2012
		£000	£000
Fixed assets			
Tangible assets	7	3,366	3,478
Current assets			
Debtors	8	115	-
Creditors: amounts falling due within one year	9	(3,274)	(7,932)
Net current liabilities		(3,159)	(7,932)
Total assets less current liabilities		207	(4,454)
Provision for liabilities and charges	10	(25)	(41)
Net assets/(liabilities)		182	(4,495)
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	182	(4 495)
Shareholder's funds/(deficit)	13	182	(4,495)

These financial statements were approved by the board of directors on 13 December 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 current liabilities of £3,159,000 (*31 Mar 12 net liabilities of £4,495,000*) 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 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 Cytec Industries Inc at 31 December 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 the company's immediate parent undertaking, 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%
Motor vehicles	25%
Computer equipment	20% to 33%

Freehold land is not depreciated

Notes (continued)

1 Accounting policies (continued)

Pension scheme

The company is a member of the Advanced Composites Group Pension Scheme, which is a defined benefit scheme. 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 2011.

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.

2 Other operating income

	9 months to 31 Dec 12 £000	Year to 31 Mar 12 £000
Other income	748	1,138
Costs recharged to group companies	9,819	6,061
	<u>10,567</u>	<u>7,199</u>

3 Profit/(loss) on ordinary activities before taxation

	9 months to 31 Dec 12 £000	Year to 31 Mar 12 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Depreciation	207	234
Research and development	1,207	1,710
Operating lease rentals - Other	27	36
<i>Auditor's remuneration</i>		
Fees payable to the company's auditor for the audit of these financial statements	8	8
Other assurance services	6	5

The 31 March 2012 auditors' remuneration for statutory audit services relate solely to amounts paid to KPMG Audit Plc. The 31 December 2012 amounts relate solely to amounts paid to KPMG LLP.

Notes (continued)

4 Remuneration of directors

	9 months to 31 Dec 12 £000	Year to 31 Mar 12 £000
Directors' emoluments	-	-

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

5 Staff numbers and costs

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

	9 months to 31 Dec 12 Number	Year to 31 Mar 12 Number
Technical and administration	93	96
	£000	£000
<i>The aggregate payroll costs of these persons were</i>		
Wages and salaries	3,298	3,492
Social security costs	333	340
Pension costs	356	579
	3,987	4,411

6 Tax on profit/(loss) on ordinary activities

Analysis of credit in period

	9 months to 31 Dec 12 £000	Year to 31 Mar 12 £000
<i>UK corporation tax</i>		
Current year	-	(23)
Provision in respect of prior years	115	(43)
	115	(66)
<i>Deferred taxation</i>		
Current year	14	22
Effect of change in tax rates	-	(3)
Provision in respect of prior years	2	152
	131	105
Total tax credit	131	105

Notes (continued)

6 Tax on profit/(loss) on ordinary activities (continued)

Factors affecting the tax credit for the current period

The current tax credit/charge for the period is lower (31 Mar 12 higher) than the standard rate of corporation tax in the UK of 24% (31 Mar 12 26%). The differences are explained below

	9 months to 31 Dec 12 £000	Year to 31 Mar 12 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	4,546	(127)
	<hr/>	<hr/>
Current tax charge/(credit) at 24% (31 Mar 12 26%)	1,091	(33)
<i>Effects of</i>		
Expenses not deductible for tax purposes	12	23
Other timing differences	(26)	10
Depreciation in excess of capital allowances	39	23
Income not allowable	(843)	-
Group relief surrendered	(186)	-
R&D expenditure	(87)	-
Prior year tax effects	(115)	43
	<hr/>	<hr/>
Total current tax (credit)/charge	(115)	66
	<hr/>	<hr/>

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge.

This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability at 31 December 2012 (which has been calculated based on the rate of 23% substantively enacted at the balance sheet date), by £3,000.

Notes (continued)

7 Tangible fixed assets

	Freehold land and buildings £000	Leasehold building improvements £000	Motor vehicles, plant and machinery £000	Computer equipment £000	Total £000
<i>Cost</i>					
At beginning of period	2,783	31	1,748	1,656	6,218
Additions	-	-	21	74	95
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	2,783	31	1,769	1,730	6,313
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>					
At beginning of period	390	22	898	1,430	2,740
Charge for period	40	4	97	66	207
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	430	26	995	1,496	2,947
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2012	2,353	5	774	234	3,366
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012	2,393	9	850	226	3,478
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The cost of freehold land and buildings includes an amount of £6,000 (31 Mar 12 £6,000) which relates to non-depreciable land

8 Debtors

	31 Dec 12 £000	31 Mar 12 £000
Amounts owed by group undertakings	115	-
	<hr/>	<hr/>
	115	-
	<hr/>	<hr/>

Notes (continued)

9 Creditors: amounts falling due within one year

	31 Dec 12 £000	31 Mar 12 £000
Amounts owed to group undertakings	2,641	6,420
Other creditors including tax and social security	217	299
Accruals	416	1,213
	<u>3,274</u>	<u>7,932</u>

	31 Dec 12 £000	31 Mar 12 £000
<i>Other creditors including tax and social security comprise</i>		
Other tax and social security	217	279
Corporation tax payable	-	20
	<u>217</u>	<u>299</u>

10 Provision for liabilities and charges

	Deferred taxation £000
At beginning of period	41
Credit for the period	(16)
	<u>25</u>
At end of period	<u>25</u>

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

	2013 £000	2012 £000
Accelerated capital allowances	76	121
Other timing differences	(51)	(80)
	<u>25</u>	<u>41</u>

The liability is based upon a rate of 23% (31 Mar 12 24%).

11 Called up share capital

	2013 £	2012 £
<i>Issued, called up and fully paid</i>		
2 (31 Mar 12 2) Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

Notes (continued)

12 Reserves

	Profit and loss account £000
Deficit at beginning of period	(4,495)
Profit for the financial period	4 677
	<hr/>
Funds at end of period	182
	<hr/>

13 Reconciliation of movements in shareholder's funds/(deficit)

	2013 £000	2012 £000
Profit/(loss) for the financial period	4,677	(22)
	<hr/>	<hr/>
Net movement in shareholder's funds/(deficit)	4,677	(22)
Opening shareholder's deficit	(4,495)	(4,473)
	<hr/>	<hr/>
Closing shareholder's funds/(deficit)	182	(4,495)
	<hr/>	<hr/>

14 Contingent liabilities

There is a cross-guarantee between all Umeco group companies as at 31 December 2012 in relation to the bank borrowings of each company. At 31 December 2012, the outstanding liability under this guarantee was £4,281,000 (31 Mar 12 £14,627,000)

15 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

	31 Dec 12 Land and buildings £000	31 Mar 12 Land and buildings £000
Within one year	-	-
Between two and five years	-	-
Over five years	36	36
	<hr/>	<hr/>
	36	36
	<hr/>	<hr/>

Notes *(continued)*

16 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.

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 2011 and was updated for FRS 17 purposes to 31 December 2012 by a qualified independent actuary. 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 December 2012, the scheme had a deficit on an FRS 17 basis of £0.8 million *(31 Mar 12 £1.7 million)*.

The company's regular ongoing contribution to the scheme was £322,000 *(31 Mar 12 £539,000)*. 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 £34,000 *(31 Mar 12 £40,000)*.

17 Ultimate holding company and ultimate controlling party

The ultimate parent undertaking and ultimate controlling undertaking, at 31 December 2012, into which the results of this company are consolidated is 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.