

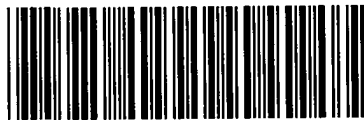
Advanced Composites Limited

**Directors' report and financial
statements**

Registered number 01623042

31 December 2013

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Strategic report

Research and development

The directors consider that the future of the group 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 £1,290,000 (2012: £1,207,000) was expended on research and development programmes by the company.

Patents, trademarks and other intellectual property

The group 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.

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.

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.

By order of the board



Stephen Glennon
Director

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

23 October 2014

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2013.

Principal activities

The company provides administrative and technical support including research and development to other group companies, for which it receives a management fee. At 31 December 2013, Advanced Composites Limited was a wholly owned subsidiary of Cytec Industrial Materials (Derby) Limited, whose ultimate parent at 31 December 2013 was Cytec Industries Inc.

On 31 December 2013, the trade, assets and liabilities of the company were transferred to Cytec Industrial Materials (Derby) Limited, see note 17.

Results and dividends

Profit for the year to 31 December 2013 was £281,000 (*nine months to 31 December 2012: £4,677,000*).

The directors do not recommend the payment of a dividend (*2012: £nil*).

Directors

The directors who held office during the period and at the date of this report are as follows:

SM Glennon
DM Drillock
RD Smith

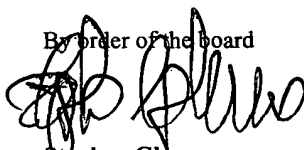
Disclosure of information to auditor

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 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

23 October 2014

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).

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 December 2013 set out on pages 5 to 13. 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 2013 and of its profit 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 Strategic report and 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*)

23 October 2014

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 year ended 31 December

	<i>Note</i>	Year to 31 Dec 2013 £000	9 months to 31 Dec 2012 £000
Administrative expenses		(6,312)	(6,021)
Other operating income	2	6,591	10,567
Profit on ordinary activities before taxation	3	279	4,546
Tax on profit on ordinary activities	6	2	131
Profit for the financial period	12	281	4,677

Following the transfer of the trade, assets and liabilities of the company on 31 December 2013, the results in both the current year and preceding period were derived from the discontinued operation.

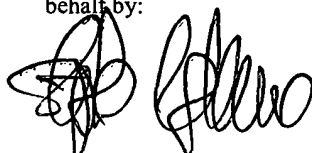
There were no recognised gains or losses in either the current period or preceding year other than those disclosed in the profit and loss account.

Balance sheet

as at 31 December

	<i>Note</i>	31 Dec 2013	31 Dec 2012
		£000	£000
Fixed assets			
Tangible assets	7	-	3,366
Current assets			
Debtors	8	463	115
Creditors: amounts falling due within one year	9	-	(3,274)
Net current assets/(liabilities)		463	(3,159)
Total assets less current liabilities		463	207
Provision for liabilities and charges	10	-	(25)
Net assets		463	182
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	463	182
Shareholder's funds	13	463	182

These financial statements were approved by the board of directors on 23 October 2014 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'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 2.

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 2013, 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.

As at 31 December 2013, the trade and assets of the company were transferred to the immediate parent company, which is the only other member of the scheme. As at this date, the defined benefit scheme has been recognised in the financial statements of Cytec Industrial Materials (Derby) Limited.

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

	Year to 31 Dec 13 £000	9 months to 31 Dec 12 £000
Other income	729	748
Costs recharged to group companies	5,862	9,819
	<u>6,591</u>	<u>10,567</u>

3 Profit on ordinary activities before taxation

	Year to 31 Dec 13 £000	9 months to 31 Dec 12 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation	296	207
Research and development	1,290	1,207
Operating lease rentals - Other	36	27
<i>Auditor's remuneration:</i>		
Fees payable to the company's auditor for the audit of these financial statements	8	8
Other assurance services	2	6
	<u>8</u>	<u>6</u>

Notes (continued)

4 Remuneration of directors

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:

	Year to 31 Dec 13 Number	9 months to 31 Dec 12 Number
Technical and administration	68	93
	<u>£000</u>	<u>£000</u>
<i>The aggregate payroll costs of these persons were:</i>		
Wages and salaries	3,286	3,298
Social security costs	408	333
Pension costs	406	356
	<u>4,100</u>	<u>3,987</u>

6 Tax on profit on ordinary activities

Analysis of charge/(credit) in period

	Year to 31 Dec 13 £000	9 months to 31 Dec 12 £000
<i>UK corporation tax</i>		
Current year	10	-
Provision in respect of prior years	-	(115)
	<u>10</u>	<u>(115)</u>
<i>Deferred taxation</i>		
Current year	(9)	(14)
Provision in respect of prior years	(3)	(2)
	<u>(2)</u>	<u>(131)</u>
Total tax credit	<u>(2)</u>	<u>(131)</u>

Notes (continued)

6 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge/(credit) for the current period

The current tax charge/credit for the period is lower (2012: lower) than the standard rate of corporation tax in the UK of 23.25% (2012: 24%). The differences are explained below.

	Year to 31 Dec 13 £000	9 months to 31 Dec 12 £000
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before tax	279	4,546
	<hr/>	<hr/>
Current tax charge at 23.25% (2012: 24%)	65	1,091
<i>Effects of:</i>		
Expenses not deductible for tax purposes	22	12
Other timing differences	(10)	(26)
Depreciation in excess of capital allowances	23	39
Income not allowable	-	(843)
Group relief surrendered	-	(186)
R&D expenditure	(90)	(87)
Prior year tax effects	-	(115)
	<hr/>	<hr/>
Total current tax charge/(credit)	10	(115)
	<hr/>	<hr/>

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

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 year	2,783	31	1,769	1,730	6,313
Transferred to parent undertaking	(2,783)	(31)	(1,769)	(1,730)	(6,313)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>					
At beginning of year	430	26	995	1,496	2,947
Charge for year	77	3	102	114	296
Transferred to parent undertaking	(507)	(29)	(1,097)	(1,610)	(3,243)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2013	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	2,353	5	774	234	3,366
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The cost of freehold land and buildings includes an amount of £nil (2012: £6,000) which relates to non-depreciable land.

Notes (continued)

8 Debtors

	2013 £000	2012 £000
Amounts owed by group undertakings	463	115

9 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Amounts owed to group undertakings	-	2,641
Other creditors including tax and social security	-	217
Accruals	-	416
	-	3,274

	2013 £000	2012 £000
<i>Other creditors including tax and social security comprise:</i>		
Other tax and social security	-	217

10 Provision for liabilities and charges

	Deferred taxation £000
At beginning of year	25
Credit in the year	(12)
Transferred to parent undertaking	(13)
At end of year	-

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

	2013 £000	2012 £000
Accelerated capital allowances	-	76
Other timing differences	-	(51)
	-	25

The liability is based upon a rate of 20% (2012: 23%).

Notes (continued)

11 Called up share capital

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

12 Reserves

	Profit and loss account £000
Funds at beginning of year	182
Profit for the financial year	281
	<u>463</u>
Funds at end of year	<u>463</u>

13 Reconciliation of movements in shareholder's funds

	2013 £000	2012 £000
Profit for the financial year	281	4,677
Net movement in shareholder's funds	281	4,677
Opening shareholder's funds/(deficit)	182	(4,495)
	<u>463</u>	<u>182</u>
Closing shareholder's funds	<u>463</u>	<u>182</u>

14 Contingent liabilities

No contingent liabilities exist at 31 December 2013 (2012: £4,281,000).

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:

	2013 Land and buildings £000	2012 Land and buildings £000
Over five years	-	36
	<u>-</u>	<u>36</u>

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 was run for Advanced Composites Limited and Cytec Industrial Materials (Derby) Limited as a whole, the Company was 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 2013 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 2013, the scheme had a deficit on an FRS 17 basis of £0.9 million (2012: £0.8 million).

The company's regular ongoing contribution to the scheme was £385,000 (2012: £322,000). 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 £21,000 (2012: £34,000).

As at 31 December 2013, the trade, assets and liabilities of the company were transferred to the immediate parent company, which is also a member of the scheme. As at this date, the defined benefit scheme has been recognised as a liability in the financial statements of Cytec Industrial Materials (Derby) Limited.

17 Related party transactions

On 31 December 2013, the trade, assets and liabilities of the company were acquired by its immediate parent, Cytec Industrial Materials (Derby) Limited. The trade and assets were transferred at net book value as the directors believe that there was no material difference between book value and fair value.

The consideration and net assets transferred on this date were as follows:

	£000
<i>Assets transferred:</i>	
Fixed assets	3,070
Creditors	(2,594)
Provisions for liabilities and charges	(13)
	<hr/>
Net assets transferred	463
Consideration	463
	<hr/> <hr/>

18 Ultimate holding company and ultimate controlling party

The ultimate parent undertaking and ultimate controlling undertaking, at 31 December 2013, 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.