

Cytec Industrial Materials (Derby) Limited

**Annual report and revised financial
statements**

Registered number 02264869

31 December 2015

AMENDING



Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	4
Independent auditor's report to the members of Cytec Industrial Materials (Derby) Limited	5
Profit and loss account and other comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes	10

Strategic report

Business review

Objectives

The company's long term objective is to increase profitability and meet the objectives of Solvay S.A. ('Solvay'). In pursuing this objective the company intends to maintain sound financial management and avoid excessive risks.

Key business strategies

In pursuit of its objectives the company has a number of key business strategies which have been successfully implemented over recent years.

We aim to increase sales by increasing product ranges with existing customers, increasing market share within our key markets and by delivering technology and products beyond our customers' imagination. We plan to improve our gross margin by fully leveraging the benefits of cross-business collaboration within Solvay.

Risks and uncertainties

The key risk areas of the company are:

- customer pricing affecting sales and gross margin;
- loss of key customer accounts;
- volatility in commodity prices;
- foreign exchange risk; and
- The effect of the UK leaving the EU.

The company seeks to manage as far as possible the key risks that it faces.

Customer pricing is under constant review and is managed by our sales team. Excellent customer service and product quality as well as strong customer relations will continue to mitigate pricing pressures.

The customer base has expanded in recent years, reducing the financial risks faced by the loss of a customer account.

The buying power of the Solvay group will reduce the adverse impact of movements in commodity prices.

Foreign exchange risk is managed by the group treasury function.

Following the impact of the recent 'Brexit' referendum, we will continue to monitor the risks and opportunities involved with UK leaving the UK and the company will mitigate this through the Solvay group where possible.

Having considered the above risks and uncertainties, the directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 enhancing this superiority by continuing programmes of research and development.

It is company policy to take a prudent view of expenditure incurred on research 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; or to the extent the expenditure meets the definition of 'development' expenditure and is then capitalised.

During the period £2,807,000 (2014: £2,550,000) was expended on research and development programmes by the Company.

Strategic report *(continued)*

Key performance indicators

The Company uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised below:

	2015	2014
	£000	£000
Turnover	55,743	65,193
Gross profit	26,829	28,037
Gross profit %	48.1%	43.0%
Operating (loss) / profit	(508)	6,627
Working capital	13,305	16,245

Turnover decreased by 14.5% due to the expected reduction in the activity on the high performance automotive contract which commenced mid-way through 2013. The increase in gross profit percentage reflects price increases passed onto the customers along with procurement savings for direct materials. The operating loss in the year is driven through additional non-recurring costs relating to the sale of the Cytec Industries Inc. group to Solvay in December 2015 and the support costs to the implementation of a new SAP system during the year. Working capital levels are monitored regularly and have decreased during the year due to the decreased trading levels.

In addition to financial measures, the board also monitors the company's operations with the objective of ensuring that safety, health and environmental considerations are at the core of all working practices. In measuring the success of this, the board reviews the level of reported incidents and monitors the training being undertaken by all relevant employees.

During the year, performance was good and as far as the board is aware, this is likely to be the case in the forthcoming year.

Future prospects

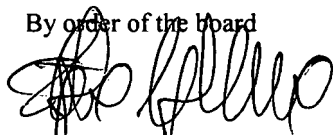
Trading levels have been maintained for the first half of 2016 with sales matching the corresponding half in 2015. Therefore in the first quarter of 2016 the decision was made to reduce the workforce in order to return the business to a more profitable position. This resulted in redundancies and the termination of a non-core business contract. The effect of this action has shown an improvement in the profitability of the business with the expectation that the forecast results will be achieved. Potential new business opportunities have been identified and these will continue to be evaluated and pursued. In addition further benefits are anticipated due to synergies that can be achieved as a member of the Solvay group of companies.

Environmental policy

The Company is committed to adopting a responsible approach to environmental matters.

The management of the Company seeks to minimise any adverse impact on the environment from all aspects of the Company's operations by means of environmentally sound disciplines, which take practical steps to control effectively or eliminate any known pollution risks, without entailing excessive cost. Specifically, methods of minimising the environmental costs of disposal of waste, the recycling of wood, the re-use of cardboard and paper products, and the reduction of energy consumption.

By order of the board



Stephen Glennon
Director

Composites House, Sinclair Close
Heanor Gate Industrial Estate
Heanor
Derbyshire
DE75 7SP

27 September 2016

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2015.

Principal activities

The principal activities of the Company comprise the manufacture and supply of impregnated composite materials, the manufacture of composite tooling and components and the supply of tooling block and ancillary materials.

Results and dividend

Loss for the year to 31 December 2015 was £613,000 (2014: profit of £5,506,000). During the year no dividends (2014: £nil) were paid.

Directors

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

DJ Bernard	(Resigned 28 January 2016)
DS Clears	(Appointed 12 August 2016)
DG Daradzdi	(Resigned 11 December 2015)
SM Glennon	
JD Norris	
RD Smith	(Resigned 11 December 2015)

Employees

The Company seeks to ensure that all employees, job applicants and prospective job applicants, are afforded equality of job opportunity in all areas of employment.

The Health & Safety Policy fully recognises the Company's responsibility for the health and safety of employees and members of the community in which they work.

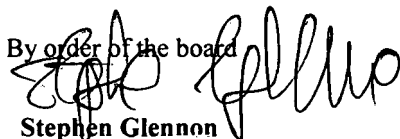
The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees, and on various matters affecting the performance of the company and Solvay group.

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

Composites House, Sinclair Close
Heanor Gate Industrial Estate
Heanor
Derbyshire
DE75 7SP

27 September 2016

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Under section 454 of the Companies Act 2006 the directors have the authority to revise the financial statements if they do not comply with the Act. The revised financial statements must be amended in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008. These require that the revised financial statements show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.



Independent auditor's report to the members of Cytec Industrial Materials (Derby) Limited

We have audited the revised financial statements of Cytec Industrial Materials (Derby) Limited for the year ended 31 December 2015 set out on pages 7 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*. These revised financial statements replace the original financial statements approved by the directors on 27 September 2016.

The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 ("the Regulations") and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

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 and as required by paragraph 7 of the Regulations. 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 4, the directors are responsible for the preparation of the revised financial statements and for being satisfied that the revised financial statements give a true and fair view.

Our responsibility is to audit, and express an opinion on, the revised 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 revised financial statements

An audit involves obtaining evidence about the amounts and disclosures in the revised financial statements sufficient to give reasonable assurance that the revised financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the revised financial statements.

In addition we read all the financial and non-financial information in the strategic report and the directors' report to identify material inconsistencies with the audited revised financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

Opinion on revised financial statements

In our opinion:

- the revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- the revised financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice seen as at the date the original financial statements were approved;
- the revised financial statements have been prepared in accordance with the Companies Act 2006 as it has effect under the Regulations; and
- the original financial statements for the year ended 31 December 2015 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in the statement contained in note 1 to these revised financial statements.



Independent auditor's report to the members of Cyttec Industrial Materials (Derby) Limited (continued)

Emphasis of matter – revision of financial statements

In forming our opinion on the revised financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to these revised financial statements concerning the need to revise total comprehensive income for the year, statement of changes in equity and note 7 Taxation by £21,000 due to a difference of this amount to that previously included within shareholders' funds disclosed on the balance sheet of the original financial statements. The original financial statements were approved on 27 September 2016 and our previous report was signed on 28 September 2016. We have not performed a subsequent events review for the period from the date of our previous report to the date of this report.

Opinion on other matters 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 revised financial statements are prepared is consistent with the revised 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 revised 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 LLP, Statutory Auditor
Chartered Accountants*

One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Dated: 20. December 2016

Profit and loss account and other comprehensive income
for the year ended 31 December 2015

	<i>Note</i>	2015 £000	2014 £000
Turnover	2	55,743	65,193
Cost of sales		<u>(28,914)</u>	<u>(37,156)</u>
Gross profit		26,829	28,037
Administrative expenses – recurring		(23,884)	(21,410)
Administrative expenses – non-recurring	14c	(3,453)	-
Administrative expenses		<u>(27,337)</u>	<u>(21,410)</u>
Operating (loss)/profit		(508)	6,627
Income from shares in group undertakings		-	481
Other interest receivable and similar income		1	-
Interest payable and similar charges	6	<u>(259)</u>	<u>(64)</u>
(Loss)/profit on ordinary activities before taxation		(766)	7,044
Tax on (loss)/profit on ordinary activities	7	<u>153</u>	<u>(1,538)</u>
(Loss)/profit for the financial year		(613)	5,506
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability		42	(2,438)
Return on scheme assets (less)/greater than discount rate		(232)	330
Deferred tax arising on losses/gains in the pension scheme		<u>(18)</u>	<u>468</u>
Other comprehensive income for the year, net of income tax		(208)	(1,640)
Total comprehensive (loss)/income for the year		(821)	3,866

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

Balance sheet
at 31 December 2015

	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	8	17,808	10,907
Investments	9	3,249	3,249
		<u>21,057</u>	<u>14,156</u>
Current assets			
Stocks	10	9,466	9,835
Debtors	11	13,930	19,920
Cash at bank and in hand		-	11
		<u>23,396</u>	<u>29,766</u>
Creditors: amounts falling due within one year	12	<u>(15,430)</u>	<u>(14,672)</u>
Net current assets		<u>7,966</u>	<u>15,094</u>
Total assets less current liabilities		<u>29,023</u>	<u>29,250</u>
Provisions for liabilities			
Deferred tax liability	13	(462)	-
Pension liability	14	(2,718)	(2,586)
		<u>(3,180)</u>	<u>(2,586)</u>
Net assets		<u>25,843</u>	<u>26,664</u>
Capital and reserves			
Called up share capital	15	1,209	1,209
Profit and loss account		24,634	25,455
Shareholders' funds		<u>25,843</u>	<u>26,664</u>

MTH

These revised financial statements were approved by the board of directors on December 2016 and were signed on its behalf by:



Stephen Glennon
Director

Company registered number: 02264869

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	1,209	21,589	22,798
Total comprehensive income for the year			
Profit for the financial year	-	5,506	5,506
<i>Other comprehensive income</i>			
Remeasurements of defined benefit liability	-	(2,438)	(2,438)
Return on scheme assets greater than discount rate	-	330	330
Deferred tax arising on gains in the pension scheme	-	468	468
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	3,866	3,866
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	1,209	25,455	26,664
	<hr/>	<hr/>	<hr/>
	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	1,209	25,455	26,664
Total comprehensive income for the year			
Loss for the financial year	-	(613)	(613)
<i>Other comprehensive income</i>			
Remeasurements of defined benefit liability/asset	-	42	42
Return on scheme assets less than discount rate	-	(232)	(232)
Deferred tax arising on losses in the pension scheme	-	(18)	(18)
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	(821)	(821)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	1,209	24,634	25,843
	<hr/>	<hr/>	<hr/>

Notes

(forming part of the revised financial statements)

1 Accounting policies

These revised financial statements for the year ended 31 December 2015 replace the original financial statements for that year, which had been approved on 27 September 2016. These revised financial statements are now the statutory financial statements for that year.

The financial statements have been prepared as at the date on which the original financial statements were approved by the board of directors and not as at the date of the revision and accordingly do not deal with events between those dates.

The original financial statements failed to comply with the Companies Act 2006 in as much as there was a difference of £21,000 between total comprehensive income, shareholders' funds on the balance sheet, the statement of changes in equity and the taxation credit in note 7.

The effect of correcting this failure has been to decrease the tax credit on loss on ordinary activities for the year by £43,000, with a resulting increase in the loss for the year by the same amount to £613,000. The deferred tax charge arising on losses/gains in the pension scheme recognised in other comprehensive income has been decreased by £22,000. Therefore the overall effect is to decrease total comprehensive income for the year by £21,000. The associated disclosures in the statement of changes in equity and taxation credit in note 7 have been corrected by the same amounts. There has been no effect on correcting this failure on shareholders' funds on the balance sheet.

Cytec Industrial Materials (Derby) Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These revised financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these revised financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101 from Adopted IFRS, the Company has made measurement and recognition adjustments. In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 20.

The Company's ultimate parent undertaking, Solvay S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Solvay S.A. are prepared in accordance with Adopted IFRSs and are available to the public and may be obtained from www.solvay.com or Solvay SA, rue de Ransbeck 310, B-1120, Brussels.

In these revised financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

Notes (continued)

1 Accounting policies (continued)

As the consolidated financial statements of Solvay S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these revised financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the revised financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

1.1. Measurement convention

The revised financial statements are prepared on the historical cost basis.

1.2. Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business review section of the Strategic report on page 1.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The directors have prepared cash flow forecasts for a 12 month period from the date of approval of these financial statements and such forecasts have indicated that sufficient funds should be available to enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As a result, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

1.3. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4. Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these revised financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes (continued)

1 Accounting policies (continued)

1.5. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6. Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.7. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	4.55%
Improvements to leasehold property	Over the period of the lease
Plant and machinery	6.6% to 15%
Motor vehicles	25%
Computer equipment	20% to 33%

Assets under construction are included with-in the relevant asset class to which they belong, however no depreciation is charged until they are fully commissioned.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

1 Accounting policies (continued)

1.9. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

1.10. Employee benefits (continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Share-based payment transactions

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the Company's parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company accounts for these share-based payments as equity-settled. Amounts recharged by the parent are recognised as a recharge liability with a corresponding debit to equity.

Notes (continued)

1 Accounting policies (continued)

1.11. Turnover

Turnover is recognised in the profit and loss account when goods or services are supplied to customers against orders received, the significant risks and rewards of ownership have been transferred to the customer and the amount of turnover can be measured reliably. Turnover excludes value added tax and other similar sales taxes. No turnover is recognised where the recovery of the consideration is not probable. Turnover is stated after the deduction of discounts and allowances and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted in the light of contractual and legal obligations, historical trends, past experience and projected market conditions.

1.12. Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

1.13. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Turnover

All turnover is generated from the sale of goods in relation to the principal activity of the Company.

	2015 £000	2014 £000
<i>Geographical split of turnover is as follows:</i>		
United Kingdom	18,462	20,326
Rest of Europe	31,267	39,700
North America	3,010	1,459
Rest of the world	3,004	3,708
	<hr/> 55,743 <hr/>	<hr/> 65,193 <hr/>

Notes (continued)

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2015 £000	2014 £000
Research and development expensed as incurred	2,807	2,550

Auditor's remuneration:

	2015 £000	2014 £000
Audit of these revised financial statements	48	54

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2015	2014
Production	144	150
Non-production and administration	109	83
	253	233

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	10,913	10,802
Social security costs	1,176	1,165
Contributions to defined contribution plans	628	764
Share based payments (note 14)	3,453	-
	16,170	12,731

5 Directors' remuneration

	2015 £000	2014 £000
Directors' remuneration	939	526
Company contributions to money purchase pension plans	35	21

The aggregate of remuneration of the highest paid director was £524,000 (2014: £189,000), and company pension contributions of £22,000 (2014: £10,000) were made to a money purchase scheme on his behalf.

	Number of directors 2015	2014
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	4

Notes (continued)

6 Interest payable and similar charges

	2015 £000	2014 £000
Net interest on bank overdraft	164	33
Net interest on net defined benefit pension plan liability	95	31
	<hr/>	<hr/>
Total other interest payable and similar charges	259	64
	<hr/>	<hr/>

7 Taxation

Recognised in the profit and loss account

	2015 £000	2014 £000
<i>UK corporation tax</i>		
Current tax on (loss)/profit for the year	(871)	1,416
Adjustments in respect of prior periods	(139)	2
	<hr/>	<hr/>
Total current tax	(1,010)	1,418
<i>Deferred tax (see note 13)</i>		
Origination and reversal of temporary differences	747	117
Reduction in tax rate	(24)	-
Adjustment in respect of prior periods	134	3
	<hr/>	<hr/>
Total deferred tax	857	120
	<hr/>	<hr/>
Tax on (loss)/profit on ordinary activities	(153)	1,538
	<hr/>	<hr/>

Income tax recognised in other comprehensive income

	2015 £000	2014 £000
Remeasurements of defined benefit liability	18	(468)
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2015 £000	2014 £000
(Loss)/profit for the year	(613)	5,506
Total tax (credit)/expense	(153)	1,538
	<hr/>	<hr/>
(Loss)/profit excluding taxation	(766)	7,044
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 20.25% (2014: 21.5 %)	(155)	1,514
Reduction in tax rate on deferred tax balances	(24)	-
Adjust closing deferred tax to average rate	(93)	-
Non-deductible expenses	124	122
Non-taxable income from shares in group undertakings	-	(103)
(Over) / under provided in prior years	(5)	5
	<hr/>	<hr/>
Total tax (credit)/expense	(153)	1,538
	<hr/>	<hr/>

Notes (continued)

7 Taxation (continued)

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future tax charge accordingly.

8 Tangible fixed assets

	Freehold land and buildings £000	Leasehold improvements £000	Motor vehicles, plant and machinery £000	Computer equipment £000	Total £000
Cost					
Balance at 1 January 2015	4,992	52	13,296	417	18,757
Additions	5,444	-	3,284	52	8,780
Transfers	(13)	225	(233)	21	-
Disposals	-	-	(58)	(1)	(59)
Balance at 31 December 2015	10,423	277	16,289	489	27,478
Depreciation					
Balance at 1 January 2015	919	26	6,647	258	7,850
Depreciation charge for the year	404	48	1,228	155	1,835
Transfers	(40)	31	7	2	-
Disposals	-	-	(15)	-	(15)
Balance at 31 December 2015	1,283	105	7,867	415	9,670
Net book value					
At 1 January 2015	4,073	26	6,649	159	10,907
At 31 December 2015	9,140	172	8,422	74	17,808

Included in the cost of tangible fixed assets is £89,000 (2014: £nil) in respect of capitalised finance costs.

9 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning and end of year	4,321
Provisions	
At beginning and end of year	1,072
Net book value	
At 31 December 2015 and 31 December 2014	3,249

Notes (continued)

9 Fixed asset investments (continued)

The Company has the following investments in subsidiaries:

Name	Country of registration	Principal activity	Shareholding
Advanced Composite Components Limited	England and Wales	Dormant	100%
Advanced Composites Limited	England and Wales	Dormant	100%
Advanced Composite Master Materials Limited	England and Wales	Dormant	50%
Advanced Composite Materials Limited	England and Wales	Dormant	100%
Cytec Industrial Materials (Manchester) Limited	England and Wales	Manufacture of impregnated materials used for the manufacture of composite tooling and components.	100%
Advanced Composites Group SA Pty	South Africa	Dormant	100%

Advanced Composites Master Materials Limited was dissolved on 12 April 2016.

10 Stocks

	2015 £000	2014 £000
Raw materials and consumables	4,461	5,454
Work in progress	821	255
Finished goods	4,184	4,126
	<u>9,466</u>	<u>9,835</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £28,000,000 (2014: £36,803,000). The write-down of stocks to net realisable value amounted to £914,000 (2014: £353,000).

11 Debtors

	2015 £000	2014 £000
Trade debtors	8,879	14,160
Amounts owed by group undertakings	3,010	3,642
Other debtors	712	1,210
Corporation tax	1,048	-
Deferred tax (note 13)	-	413
Prepayments and accrued income	281	495
	<u>13,930</u>	<u>19,920</u>
Due within one year	13,930	19,507
Due after more than one year	-	413
Total debtors	<u>13,930</u>	<u>19,920</u>

Notes (continued)

12 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Bank overdrafts	2,082	899
Trade creditors	5,040	7,750
Amounts owed to group undertakings	3,776	2,916
Corporation tax	-	302
Other creditors	1,420	1,026
Accruals and deferred income	3,112	1,779
	<u>15,430</u>	<u>14,672</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. The bank overdraft incurs interest at a variable market rate.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Tangible fixed assets	-	-	(966)	(174)	(966)	(174)
Other	15	70	-	-	15	70
Employee benefits	489	517	-	-	489	517
	<u>504</u>	<u>587</u>	<u>(966)</u>	<u>(174)</u>	<u>(462)</u>	<u>413</u>
Tax assets / (liabilities)	504	587	(966)	(174)	(462)	413
Net of tax liabilities/(assets)	(504)	(174)	504	174	-	-
	<u>-</u>	<u>413</u>	<u>(462)</u>	<u>-</u>	<u>(462)</u>	<u>413</u>
Net tax assets / (liabilities)	-	413	(462)	-	(462)	413

Movement in deferred tax during the year

	1 January 2015 £000	Recognised in income £000	31 December 2015 £000
Tangible fixed assets	(174)	(792)	(966)
Other	70	(55)	15
Employee benefits	517	(28)	489
	<u>413</u>	<u>(875)</u>	<u>(462)</u>

Notes (continued)

13 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the prior year

	1 January 2014 £000	Recognised in income £000	31 December 2014 £000
Tangible fixed assets	(165)	(9)	(174)
Other	59	11	70
Employee benefits	171	346	517
	<u>65</u>	<u>348</u>	<u>413</u>

14 Employee benefits

a) Defined benefit plans

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. The scheme was closed to future accruals on 30 April 2014.

	2015 £000	2014 £000
Total defined benefit asset	(16,487)	(16,230)
Total defined benefit liability	<u>19,205</u>	<u>18,816</u>
Net liability for defined benefit obligations	<u>2,718</u>	<u>2,586</u>

Movements in net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Balance at 1 January	18,816	15,966	(16,230)	(15,112)	2,586	854
Included in profit or loss						
Current service cost	-	75	-	-	-	75
Interest cost/(income)	701	713	(606)	(682)	95	31
	<u>701</u>	<u>788</u>	<u>(606)</u>	<u>(682)</u>	<u>95</u>	<u>106</u>
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Changes in demographic Assumptions	(37)	905	-	-	(37)	905
- Change in financial assumptions	(5)	1,454	-	-	(5)	1,454
- Experience adjustment	-	79	-	-	-	79
Return on plan assets greater/(less) than discount rate	-	-	232	(330)	232	(330)
	<u>(42)</u>	<u>2,438</u>	<u>232</u>	<u>(350)</u>	<u>190</u>	<u>2,108</u>
Other						
Contributions paid by the employer	-	-	(153)	(482)	(153)	(482)
Scheme participants' contributions	-	39	-	(39)	-	-
Benefits paid	(270)	(415)	270	415	-	-
	<u>(270)</u>	<u>(415)</u>	<u>270</u>	<u>415</u>	<u>-</u>	<u>-</u>
Balance at 31 December	<u>19,205</u>	<u>18,816</u>	<u>(16,487)</u>	<u>(16,230)</u>	<u>2,718</u>	<u>2,586</u>

Notes (continued)

14 Employee benefits (continued)

Plan assets	2015 £000	2014 £000
Cash and cash equivalents	49	166
Equity instruments	13,321	12,906
	<hr/> 13,370	<hr/> 13,072
Debt instruments	3,117	3,158
	<hr/> 16,487	<hr/> 16,230
Total	<hr/> 16,487	<hr/> 16,230

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2015 %	2014 %
Discount rate at 31 December	3.75	3.5
Future salary increases	n/a	n/a
Future pension increases	3.25	2.9

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.1 years (male), 24.2 years (female).
- Future retiree upon reaching 65: 23.8 years (male), 26.1 years (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2015 £000	2014 £000
Discount rate – down 1%	4,664	4,626
Inflation (RPI, CPI)- including pension increases - up 1%	3,857	4,030

In valuing the liabilities of the pension fund at 31 December 2015, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2015 would have increased by £742,000 before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 May 2014 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

The Scheme's investment strategy is to achieve a mix of investments for long-term growth and to meet short-term benefit payments. The current target asset allocation is to hold 80% in equities and 20% in bonds.

Notes (continued)

14 Employee benefits (continued)

Funding

The Company's cash contribution to the Scheme is determined in accordance with the Pensions Act 2004. The Company expects to pay £nil in contributions to its defined benefit plans in 2016. The weighted average duration of the defined benefit obligation at the end of the reporting period is 23 years (2014: 23 years).

b) Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £628,000 (2014: £357,000).

c) Share based payments

A number of employees were participants in The 1993 Stock Award and Incentive Plan, as amended on 31 January 2012 of Cytec Industries Inc. ('the plan'). Under the terms of the plan, the employees were entitled to stock options and stock-settled share appreciation rights ('SARS'). The plan was considered to be an equity settled group share based scheme under IFRS 2 *Share-based payments*. Details of the plan can be found in the annual report of Cytec Industries Inc. for the year ended 31 December 2014. During the year, employees exercised 60,525 options and 18,074 SARS.

Following the acquisition of Cytec Industries Inc. by Solvay S.A. for \$75.25 per share on 9 December 2015, the share based payment schemes were cancelled, and converted into a right for the employees to receive cash for any outstanding awards. The exercise of the options and subsequent cancellation has led to a charge in the profit and loss account of £3,453,000 in the current year in relation to the cancellation of these awards for employees of the Company. Following the cancellation, the employees hold no further options in relation to the plan.

Notes (continued)

15 Capital and reserves

Share capital

	2015 £000	2014 £000
<i>Allotted, called up and fully paid</i>		
209,000 ordinary shares of £1 each	209	209
1,000,000 8% cumulative redeemable preference shares of £1 each	1,000	1,000
	<hr/> 1,209 <hr/>	<hr/> 1,209 <hr/>
Shares classified in shareholders' funds	<hr/> 1,209 <hr/>	<hr/> 1,209 <hr/>
	<hr/> 1,209 <hr/>	<hr/> 1,209 <hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

8% cumulative convertible redeemable preference shares

The preference shares were due for redemption on 31 December 1995 at a premium calculated by reference to formulae set out in the company's Articles of Association. This redemption did not take place due to a lack of distributable reserves within the company at that time. No further redemption date is included in the terms of the shares. Since 31 December 1995, the shares have been convertible at any time at the option of the shareholder to ordinary shares and deferred shares, based on a formula set out in the Articles of Association. On that basis, the 1,000,000 preference shares would in total convert to 34,211 ordinary shares and 965,789 deferred shares, at 31 December 2015. This conversion is fixed.

The preference shares have a right to a cumulative dividend at 8% per annum, payable in preference to payments to the holders of any other class of shares. Interest is payable at 2% over the bank base rate on any arrears of dividend to be accounted for as an additional distribution to the shareholders.

On a return of assets, the shareholders have the right to receive the amount subscribed, being par value, plus any arrears of dividend in preference to the holders of any other class of shares.

Due to failure of the company to redeem the shares on the date fixed for redemption the preference shareholders have the right to vote at any general meeting providing written notice is given to the company. The number of votes is such that the preference shareholders are entitled in total to one more vote than the number of votes exercisable by all the other members of the company.

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 £000	2014 £000
Less than one year	357	289
Between one and five years	365	450
More than five years	-	1
	<hr/> 722 <hr/>	<hr/> 740 <hr/>

During the year £448,000 was recognised as an expense in the profit and loss account in respect of operating leases (2014: £299,000).

Notes (continued)

17 Commitments

Capital commitments

During the year ended 31st December 2015, the Company entered into a contract to purchase property, plant and equipment for £435,000 (2014: £861,000).

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Solvay S.A. which is the ultimate parent company incorporated in Belgium, and which is considered to be the ultimate controlling party

The largest group in which the results of the Company are consolidated is that headed by Solvay S.A. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from www.solvay.com or Solvay SA, rue de Ransbeck 310, B-1120, Brussels.

19 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of the revised financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Defined benefit pension scheme

The determination of the pension cost and defined benefit obligation of the Company's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth and mortality. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods.

Inventory valuation

The determination of the valuation of inventory involves the estimation of the net realisable value of individual product lines. The Company has a formal policy for making appropriate reserves to ensure inventories are stated at the lower of cost and net realisable value. This policy requires assumptions to be made regarding future demand levels and these assumptions are partly dependent upon prevailing market and economic conditions, which are outside the Company's control.

Critical accounting judgements in applying the Company's accounting policies

The directors do not consider that there are any critical accounting judgements in applying the Company's accounting policies.

20 Explanation of transition to FRS 101 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the revised financial statements for the year ended 31 December 2015 and the comparative information presented in these revised financial statements for the year ended 31 December 2014.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Notes (continued)

20 Explanation of transition to FRS 101 from old UK GAAP (continued)

Reconciliation of equity

	Note	1 January 2014			31 December 2014		
		UK GAAP	Effect of transition to FRS 101	FRS 101	UK GAAP	Effect of transition to FRS 101	FRS 101
		£000	£000	£000	£000	£000	£000
Fixed assets							
Tangible fixed assets		10,916	-	10,916	10,907	-	10,907
Investments		3,249	-	3,249	3,249	-	3,249
		<u>14,165</u>	<u>-</u>	<u>14,165</u>	<u>14,156</u>	<u>-</u>	<u>14,156</u>
Current assets							
Stocks		7,650	-	7,650	9,835	-	9,835
Trade debtors		10,399	-	10,399	14,160	-	14,160
Amounts owed by group undertakings		2,240	-	2,240	3,642	-	3,642
Corporation tax		341	-	341	-	-	-
Other debtors and prepayments		1,417	-	1,417	1,705	-	1,705
Deferred tax asset	b	-	65	65	-	413	413
Cash at bank and in hand		-	-	-	11	-	11
		<u>22,047</u>	<u>65</u>	<u>22,112</u>	<u>29,353</u>	<u>413</u>	<u>29,766</u>
Creditors: amounts due within one year							
Bank loans and overdrafts		(1,123)	-	(1,123)	(899)	-	(899)
Trade creditors		(6,479)	-	(6,479)	(7,750)	-	(7,750)
Amounts owed to group undertakings		(2,747)	-	(2,747)	(2,916)	-	(2,916)
Taxation and social security		-	-	-	(302)	-	(302)
Other creditors		(349)	-	(349)	(1,026)	-	(1,026)
Accruals and deferred income		(1,917)	-	(1,917)	(1,779)	-	(1,779)
		<u>(12,615)</u>	<u>-</u>	<u>(12,615)</u>	<u>(14,672)</u>	<u>-</u>	<u>(14,672)</u>
Net current assets		<u>9,432</u>	<u>65</u>	<u>9,497</u>	<u>14,681</u>	<u>413</u>	<u>15,094</u>
Creditors: amounts due after one year		<u>(10)</u>	<u>-</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Provisions for liabilities							
Deferred tax liability	b	(106)	106	-	(104)	104	-
Pension liability	b	(683)	(171)	(854)	(2,069)	(517)	(2,586)
		<u>22,798</u>	<u>-</u>	<u>22,798</u>	<u>26,664</u>	<u>-</u>	<u>26,664</u>
Capital and reserves							
Called up share capital		1,209	-	1,209	1,209	-	1,209
Profit and loss account		21,589	-	21,589	25,455	-	25,455
		<u>22,798</u>	<u>-</u>	<u>22,798</u>	<u>26,664</u>	<u>-</u>	<u>26,664</u>
Shareholders' equity		<u>22,798</u>	<u>-</u>	<u>22,798</u>	<u>26,664</u>	<u>-</u>	<u>26,664</u>

Notes (continued)

20 Explanation of transition to FRS 101 from old UK GAAP (continued)

Reconciliation of profit for 2014

	Note	UK GAAP £000	2014 Effect of transition to FRS 101 £000	FRS 101 £000
Turnover		65,193	-	65,193
Cost of sales		(37,156)	-	(37,156)
Gross profit		28,037	-	28,037
Administrative expenses		(21,410)	-	(21,410)
Operating profit		6,627	-	6,627
Income from shares in group undertakings		481	-	481
Other interest receivable and similar income	a	203	(203)	-
Interest payable and similar charges	a	(33)	(31)	(64)
Profit on ordinary activities before taxation		7,278	(234)	7,044
Tax on profit on ordinary activities		(1,538)	-	(1,538)
Profit for the year		5,740	(234)	5,506

Notes to the reconciliation of equity and profit

- a) The only effect on profit of the transition to FRS 101 was the measurement of interest on the defined benefit pension scheme recognised in the profit and loss account, with a corresponding opposite impact on actuarial gains and losses in other comprehensive income.
- b) On transition to FRS 101, the deferred tax asset in relation to the defined benefit pension scheme has been recognised separately within deferred tax assets, rather than being offset against the associated pension liability under old UK GAAP.