

Cytec Industrial Materials (Derby) Limited

**Directors' report and financial
statements**

Registered number 02264869

31 December 2014



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Strategic report

Business review

Objectives

The Company's long term objective is to increase profitability and meet the objectives of Cytec Industries Inc. 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 with Cytec Industries.

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; and
- foreign exchange risk.

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 Cytec group will reduce the adverse impact of movements in commodity prices.

Foreign exchange risk is managed on a group basis by the group treasury function.

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 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 £2,550,000 (2013: £192,000) was expended on research and development programmes by the Company.

Prior to the transfer of the trade and assets on 31 December 2013, research and development expenditure was additionally incurred by the Company's wholly owned subsidiary, Advanced Composites Limited.

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:

	31 December 2014 £000	31 December 2013 £000
Turnover	65,193	52,524
Gross profit	28,037	24,144
Gross profit %	43.0%	46.0%
Operating profit / (loss)	6,627	2,341
Working capital	14,943	9,432

Turnover increased by 24.1% due to the continuation of a significant high performance automotive contract which commenced mid-way through the prior year. The reduction in gross profit percentage is due to increased pricing on new materials. The increase in operating profit in the year is driven primarily through the improved gross profit, with control of administrative expenses. Working capital levels are monitored regularly and have increased during the year due to the increased 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 decreased for the first half of 2015 with sales down on the corresponding half in 2014. 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 Cytec group of companies.

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 Cytec group.

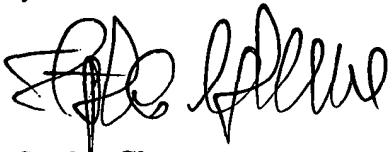
Strategic report *(continued)*

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

13 November 2015

Directors' report

The directors present their report and the audited financial statements for the year 31 December 2014.

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

Profit for the year to 31 December 2014 was £5,740,000 (2013: £2,019,000). During the year no dividends (2013: *£nil*) were paid.

Directors

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

NA Blatherwick (resigned 31 July 2014)
DJ Bernard
SM Glennon
JD Norris
DM Drillock (resigned 31 October 2014)
RD Smith
DG Daradzsi (appointed 1 November 2014)

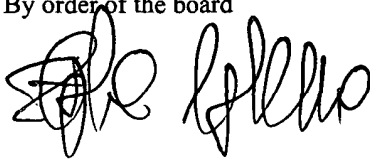
Disclosure of information to auditor

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

13 November 2015

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 Cytec Industrial Materials (Derby) Limited

We have audited the financial statements of Cytec Industrial Materials (Derby) Limited for the year ended 31 December 2014 set out on pages 7 to 23. 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 5, 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 2014 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 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 November 2015

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>	2014 £000	2013 £000
Turnover	2	65,193	52,524
Cost of sales		(37,156)	(28,380)
Gross profit		28,037	24,144
Administrative expenses		(21,410)	(21,803)
Operating profit	4	6,627	2,341
Income from shares in group undertakings		481	-
Interest payable	3	(33)	(1)
Other finance income	21	203	-
Profit on ordinary activities before taxation		7,278	2,340
Tax on profit on ordinary activities	7	(1,538)	(321)
Profit for the financial year	17	5,740	2,019

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

Statement of total recognised gains and losses
for the year ended 31 December

	<i>Note</i>	2014 £000	2013 £000
Profit for the year		5,740	2,019
Actuarial loss recognised in the pension scheme	21	(2,342)	-
Deferred tax arising on losses in the pension scheme	21	468	-
Total recognised gains and losses relating to the financial year	17	3,866	2,019

Balance sheet
as at 31 December

	Note	2014 £000	2013 £000
Fixed assets			
Tangible assets	8	10,907	10,916
Investments	9	3,249	3,249
		<u>14,156</u>	<u>14,165</u>
Current assets			
Stocks	10	9,835	7,650
Debtors	11	19,507	14,397
Cash at bank and in hand		11	-
		<u>29,353</u>	<u>22,047</u>
Creditors: amounts falling due within one year	12	<u>(14,672)</u>	<u>(12,615)</u>
Net current assets		<u>14,681</u>	<u>9,432</u>
Total assets less current liabilities		<u>28,837</u>	<u>23,597</u>
Creditors: amounts falling due after one year	13	-	(10)
Provision for liabilities and charges	14	(104)	(106)
Net pension scheme deficit	21	(2,069)	(683)
Net assets		<u>26,664</u>	<u>22,798</u>
Capital and reserves			
Called up share capital	15	1,209	1,209
Profit and loss account	16	25,455	21,589
Shareholder's funds	17	<u>26,664</u>	<u>22,798</u>

These financial statements were approved by the board of directors on 13 November 2015 and were signed on its behalf by:



Stephen Glennon
Director

Registered number: 02264869

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 financial statements.

Basis of preparation

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

Under the provisions of Section 400 of the Companies Act 2006, the company is not required to present consolidated financial statements incorporating its subsidiary companies. The accounts as presented represent the information of the Company as an individual undertaking only.

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.

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 is a wholly owned subsidiary of Cytec Industries Inc. at 31 December 2014, 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.

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.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

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

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%

No depreciation is provided on freehold land.

Foreign currencies

Exchange differences are dealt with in the profit and loss account. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction and balances held at the year end are translated at the closing rate at the period end.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

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

Investments

Fixed asset investments are valued at cost except where there is evidence of a permanent diminution in value.

Stocks and work in progress

Stocks and work in progress are valued at the lower of net realisable value and cost. Cost includes attributable overheads where appropriate. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items as appropriate.

Pension scheme

The company is a member of the Advanced Composites Group Pension Scheme, which is a defined benefit arrangement. The assets of the scheme are held separately from those of the company in an independently administered fund. The company was unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis up to 31 December 2013. Consequently the scheme was accounted for by the Company as if it were a defined contribution scheme up to that date. An actuarial valuation of the Advanced Composites Group Pension Scheme was carried out at 1 June 2011.

As at 31 December 2013, the trade, assets and liabilities of a subsidiary company, Advanced Composites Limited were transferred to the Company, which is the only other member of the scheme. As at this date, the defined benefit scheme has been recognised in these financial statements, resulting in a charge to the profit and loss account in accordance with FRS17.

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.

Notes (continued)

1 Accounting policies (continued)

Research and development

Expenditure on research and development is written off against profits as incurred, unless recoverable through grant funding.

Patents and trade marks

Registration and agents' fees in respect of patents and trademarks are written off as incurred.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) 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 financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Turnover

	2014 £000	2013 £000
<i>Geographical split of turnover is as follows:</i>		
United Kingdom	20,326	21,086
Rest of Europe	39,700	27,560
North America	1,459	1,308
Rest of the world	3,708	2,570
	<u>65,193</u>	<u>52,524</u>

3 Interest payable

	2014 £000	2013 £000
Interest payable	<u>33</u>	<u>1</u>

Notes (continued)

4 Operating profit

	2014 £000	2013 £000
<i>Operating profit is stated after charging</i>		
Depreciation - owned assets	1,479	709
Auditor's remuneration - fees payable to the company's auditor for the audit of these financial statements	54	55
Operating lease rentals - other	173	102
Exchange loss	164	79
Re-organisation costs	138	454
Costs recharged from group companies	-	5,862
Research and development	2,550	192
	<u>2,550</u>	<u>192</u>

Re-organisation costs relate to redundancy payments of £138,000 (2013: £454,000) paid or payable to employees during the year.

5 Remuneration of directors

	2014 £000	2013 £000
Directors' emoluments	547	671
	<u>547</u>	<u>671</u>

The emoluments of the highest paid director were £189,000 (2013: £173,000) and the company made pension contributions of £10,000 (2013: £21,000) to the defined benefit scheme on his behalf.

	Number of directors 2014	2013
<i>Retirement benefits are accruing to the following number of directors under:</i>		
Defined benefit schemes	-	2
	<u>-</u>	<u>2</u>

6 Staff numbers and costs

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

	2014 Number	2013 Number
Production	150	125
Non-production and administration	83	54
	<u>233</u>	<u>179</u>

The aggregate payroll costs of these persons were:

	2014 £000	2013 £000
Wages and salaries	10,802	7,616
Social security costs	1,165	712
Other pension costs	839	284
	<u>12,806</u>	<u>8,612</u>

Notes (continued)

7 Tax on profit on ordinary activities

Analysis of charge/(credit) in the year

	2014 £000	2013 £000
UK corporation tax		
Current year	1,416	671
Adjustments in respect of prior years	2	(243)
	<hr/> 1,418	<hr/> 428
<i>Deferred tax</i>		
Operating activities in respect of the current year	(5)	68
Adjustments in respect of prior years	3	-
Effects of change in tax rates	-	(4)
	<hr/> (2)	<hr/> 64
Deferred tax on defined benefit pension scheme	122	(171)
	<hr/> 1,538	<hr/> 321

Factors affecting the current tax charge for the current period

The current tax charge for the period is lower (2013: lower) than the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below.

	2014 £000	2013 £000
<i>Current tax reconciliation:</i>		
Profit/(loss) on ordinary activities before tax	7,278	2,340
	<hr/>	<hr/>
Current tax at 21.5% (2013: 23.25%)	1,565	544
<i>Effects of:</i>		
Expenses not deductible for tax purposes	81	25
Capital allowances in excess of depreciation	(10)	(95)
Other timing differences	(117)	217
Non-taxable income from shares in group undertakings	(103)	-
Research and development expenditure	-	(20)
Prior year tax effect	2	(243)
	<hr/>	<hr/>
Total current tax charge	1,418	428

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes (continued)

8 Tangible fixed assets

	Freehold land and buildings £000	Leasehold improvements £000	Motor vehicles, plant and machinery £000	Computer equipment £000	Total £000
Cost					
At beginning of year	5,018	113	13,059	1,105	19,295
Additions	1	14	1,358	122	1,495
Disposals	(27)	(75)	(1,121)	(810)	(2,033)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	4,992	52	13,296	417	18,757
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation					
At beginning of year	610	91	6,947	731	8,379
Charge for the year	329	10	803	337	1,479
Disposals	(20)	(75)	(1,103)	(810)	(2,008)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	919	26	6,647	258	7,850
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2014	4,073	26	6,649	159	10,907
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	4,408	22	6,112	374	10,916
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The cost of freehold land and buildings includes an amount of £81,000 (2013: £81,000) which relates to non-depreciable land.

Notes (continued)

9 Fixed asset investments

	Advanced Composite Developments Limited	Advanced Composite Components Limited	Advanced Composites Group SA Pty	Cytec Industrial Materials (Manchester) Limited	Advanced Composites Master Materials Limited	Total
<i>Country of registration</i>	<i>England and Wales</i>	<i>England and Wales</i>	<i>South Africa</i>	<i>England and Wales</i>	<i>England and Wales</i>	
<i>Holding of ordinary shares</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>50%</i>	
<i>Denomination of shares</i>	<i>£1</i>	<i>£1</i>	<i>ZAR1</i>	<i>£1</i>	<i>£1</i>	
	£000	£000	£000	£000	£000	£000
Cost						
At beginning of year	5	925	146	3,249	1	4,326
Disposal	(5)	-	-	-	-	(5)
At 31 December 2014	-	925	146	3,249	1	4,321
Provision for diminution in value						
At beginning of year	5	925	146	-	1	1,077
Disposal	(5)	-	-	-	-	(5)
At 31 December 2014	-	925	146	-	1	1,072
Net book value						
At 31 December 2014 and 31 December 2013	-	-	-	3,249	-	3,249

Full provision has been made for any loss in the value of investments in subsidiary undertakings where the diminution in value is considered to be permanent.

Notes (continued)

9 Fixed asset investments (continued)

A full list of related undertakings is shown below.

Name	Country of registration	Principal activity	Shareholding
Advanced Composite Components Limited	England and Wales	Dormant	100%
Advanced Composite Engineering Limited *	England and Wales	Dissolved 30 December 2014	100%
Advanced Composite Developments Limited	England and Wales	Dissolved 6 May 2014	100%
Advanced Composites Group (Primco) Limited *	England and Wales	Dissolved 23 December 2014	100%
Advanced Composites Limited	England and Wales	Dormant	100%
Advanced Composites LTM Limited *	England and Wales	Dissolved 6 May 2014	100%
Advanced Composite Master Materials Limited	England and Wales	Dormant	100%
Advanced Composite Materials Limited	England and Wales	Dormant	100%
Advanced Composite Mouldings Limited *	England and Wales	Dissolved 30 December 2014	100%
Advanced Composite Panels Limited *	England and Wales	Dissolved 30 December 2014	100%
Advanced Composite Technology Limited *	England and Wales	Dissolved 6 May 2014	100%
Advanced Composite Technology Transfers Limited	England and Wales	Dissolved 6 May 2014	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%

* Indirect subsidiary

10 Stocks

	2014 £000	2013 £000
Raw materials	5,454	4,345
Work in progress	255	268
Finished goods	4,126	3,037
	<u>9,835</u>	<u>7,650</u>

Notes (continued)

11 Debtors

	2014 £000	2013 £000
<i>Amounts due within one year</i>		
Trade debtors	14,160	10,399
Amounts owed by group undertakings	3,642	2,240
Corporation tax	-	341
Other debtors	1,210	1,168
Prepayments	495	249
	<u>19,507</u>	<u>14,397</u>

12 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Bank overdraft	899	1,123
Trade creditors	7,750	6,479
Amounts owed to group undertakings	2,916	2,747
Corporation tax	302	-
Other creditors	1,026	349
Accruals and deferred income	1,779	1,917
	<u>14,672</u>	<u>12,615</u>

13 Creditors: amounts falling due after more than one year

	2014 £000	2013 £000
Obligations under finance lease	-	10
	<u>-</u>	<u>10</u>

Notes (continued)

14 Provision for liabilities and charges

	Deferred taxation £000
At beginning of year	106
Credit for the year	(2)
At end of year	104

The deferred tax asset/(liability) is comprised as follows:

	2014 £000	2013 £000
Accelerated capital allowances	(174)	(165)
Other timing differences	70	59
Deferred tax	(104)	(106)
	2014 £000	2013 £000
<i>Deferred tax asset relating to pension scheme deficit:</i>		
At beginning of year	171	-
(Charge)/credit to the profit and loss account (see note 7)	(122)	171
Credit to total recognised gains and losses	468	-
At end of year (see note 21)	517	171

15 Called up share capital

	2014 £000	2013 £000
Issued and fully paid		
209,212 Ordinary shares of £1 each	209	209
1,000,000 8% cumulative convertible redeemable preference shares of £1 each	1,000	1,000
	1,209	1,209

All of the issued shares in the company are held by Advanced Composites Group Holdings Limited. The parent company has waived its entitlement to preference dividends since 31 March 1999.

Notes (continued)

15 Called up share capital (continued)

Share rights

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 2014. 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 Reserves

	Profit and loss account £000
At beginning of year	21,589
Profit for the financial year	5,740
Actuarial loss on pension scheme, net of tax	(1,874)
At end of year	25,455

17 Reconciliation of movements in shareholder's funds

	2014 £000	2013 £000
Profit for the financial year	5,740	2,019
Actuarial loss on pension scheme, net of tax	(1,874)	-
Net movement in shareholder's funds	3,866	2,019
Opening shareholder's funds	22,798	20,779
Closing shareholder's funds	26,664	22,798

Notes (continued)

18 Contingent liabilities

A contingent liability for bank guarantees given in the normal course of business at 31 December 2014 amounted to £nil (2013: £13,185,122).

A guarantee for £5,000 has been provided to HM Revenue & Customs with recourse to the company for twice the nominal amount.

19 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:

	2014		2013	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	-	4	36	60
Between two and five years	156	259	98	43
	<u>156</u>	<u>263</u>	<u>134</u>	<u>103</u>

20 Capital commitments

Capital expenditure contracted for at the period end amounted to £861,000 (2013: £175,000).

21 Pension schemes

The company 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 £357,000 (2013: £123,000).

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.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2014 £000	2013 £000
Present value of funded defined benefit obligations	18,816	15,966
Fair value of plan assets	(16,230)	(15,112)
Deficit	<u>2,586</u>	<u>854</u>
Related deferred tax asset	(517)	(171)
Net liability	<u>2,069</u>	<u>683</u>

Notes (continued)

21 Pension schemes (continued)

Movements in present value of defined benefit obligation

	2014 £000	2013 £000
On 1 January	15,966	-
On transfer of trade, assets and liabilities of subsidiary	-	15,966
Current service cost	75	-
Interest cost	713	-
Contribution by scheme participants	39	-
Actuarial losses	2,438	-
Benefits paid	(415)	-
	<hr/>	<hr/>
At 31 December	18,816	15,966
	<hr/> <hr/>	<hr/> <hr/>

Movements in fair value of plan assets

	2014 £000	2013 £000
On 1 January	15,112	-
On transfer of trade, assets and liabilities of subsidiary	-	15,112
Expected return on assets	916	-
Actuarial gains	96	-
Contributions by the company	482	-
Contributions by scheme participants	39	-
Benefits paid	(415)	-
	<hr/>	<hr/>
At 31 December	16,230	15,112
	<hr/> <hr/>	<hr/> <hr/>

(Income)/expense recognised in the profit and loss account

	2014 £000	2013 £000
On transfer of trade, assets and liabilities of subsidiary	-	854
Current service cost	75	-
Interest cost	713	-
Expected return on assets	(916)	-
	<hr/>	<hr/>
Total	(128)	854
	<hr/> <hr/>	<hr/> <hr/>

The (income)/expense is recognised in the following line items in the profit and loss account:

	2014 £000	2013 £000
Administrative expenses	75	854
Other finance income	(203)	-
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

21 Pension schemes (continued)

The total cumulative amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a loss of £2,342,000 (2013: £nil).

The fair value of the plan assets and the return on those assets were as follows:

	2014 Fair value £000	2013 Fair value £000
Equities	12,906	12,585
Government debt	3,158	2,196
Other	166	331
	<u>16,230</u>	<u>15,112</u>

The expected rates of return on plan assets are determined by reference to the historical returns, without adjustment, of the portfolio as a whole and not on the sum of the returns on individual asset categories. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2014 %	2013 %
Discount rate	3.5	4.5
Expected rate of return on plan assets	6.0	6.0
Future salary increases	n/a	3.4
Inflation assumption	2.9	3.4

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: 22.3 years (male), 24.3 years (female).
- Future retiree upon reaching 65: 24.1 years (male), 26.2 years (female).

History of plans

The history of the plans for the current and prior years is as follows:

Balance sheet

	2014 £000	2013 £000
Present value of scheme liabilities	18,816	15,966
Fair value of scheme assets	(16,230)	(15,112)
	<u>2,586</u>	<u>854</u>

The Company expects to contribute approximately £61,000 (2013: £525,000) to its defined benefit plans in the next financial year.

Notes *(continued)*

22 Ultimate holding company and ultimate controlling party

The company's ultimate holding company and ultimate controlling company is Cytec Industries Inc. incorporated in the United States of America. The consolidated accounts of this group are available to the public and may be obtained from Five Garret Mountain Plaza, Woodland Park, NJ 07424, USA.

23 Post balance sheet events

On 29 July 2015, the ultimate parent company, Cytec Industries Inc. announced a merger with Solvay S.A. This transaction is subject to customary closing conditions, including regulatory approvals and shareholder approvals. The transaction is expected to close in the fourth quarter of 2015.