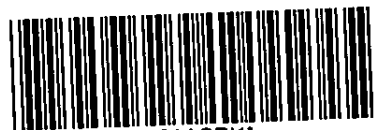


Registered number: 03768296

**Avecia Investments Limited**

**Financial statements**

**For the year ended 31 December 2012**



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**coopers**  
Chartered Accountants  
Delivering solutions through excellence

## **AVECIA INVESTMENTS LIMITED**

### **Company Information**

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<b>Directors</b>	A C Buckmaster D McLellan A P Cree
<b>Company secretary</b>	Oakwood Corporate Secretary Limited
<b>Registered number</b>	03768296
<b>Registered office</b>	Webber House 26-28 Market Street Altrincham Cheshire WA14 1PF
<b>Independent auditor</b>	CLB Coopers Ship Canal House 98 King Street Manchester M2 4WU

# **AVECIA INVESTMENTS LIMITED**

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# **AVECIA INVESTMENTS LIMITED**

## **Directors' report**

**For the year ended 31 December 2012**

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

## **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and accounting 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,
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Principal activities**

The company is an intermediate holding company and is a wholly owned subsidiary of Avecia Finance Limited. The company undertakes activities and incurs costs on behalf of the Avecia Holdings Limited group.

## **Business review**

Following the sale by the company of its entire interest in Avecia Biotechnology Inc. to Nitto Americas Inc. in February 2011, \$4.6 million of the proceeds were held in escrow subject to warranties given as part of the disposal process. In February 2012, on the first anniversary of the disposal, the limits of these warranties were reduced, and as no claims had arisen, \$1.5 million of the escrow proceeds were released to the company.

In February 2013, on the second anniversary of the disposal, the principal warranty periods expired, and, in the absence of claims arising, the remaining escrow monies of \$3.1 million were released to the company.

During the year, the company paid a dividend to its parent, Avecia Finance Limited of £5.8 million.

During December 2012, there was a reduction in the company's share capital by way of a cancellation of 10,000,000 fully paid £1 Ordinary shares in order to facilitate a further distribution.

In March 2013, the company paid a further dividend to its parent, Avecia Finance Limited, of £7.6 million.

Following the expiry of all principal warranty periods relating to prior business disposals, the directors intend to run the company as a going concern until such time as a solvent liquidation process is entered into, which is expected to commence within twelve months of the date of approval of these financial statements.

# **AVECIA INVESTMENTS LIMITED**

## **Directors' report For the year ended 31 December 2012**

---

### **Results**

The loss for the year, after taxation, amounted to £1,122,000 (2011 profit £137,000)

### **Directors**

The directors who served during the year were

A C Buckmaster  
D McLellan  
A P Cree (alternate director)

### **Financial risk management objectives and policies**

The company holds or issues financial instruments in order to achieve three main objectives, being

- (a) to finance its operations,
- (b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance, and
- (c) for trading purposes

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below

### **Credit risk**

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board

### **Provision of information to auditor**

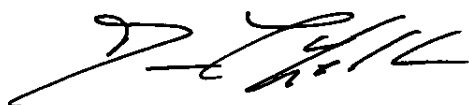
Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

### **Auditor**

The auditor, CLB Coopers, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf



**D McLellan**  
Director

Date 22 May 2013

# **AVECIA INVESTMENTS LIMITED**

## **Independent auditor's report to the shareholder of Avecia Investments Limited**

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We have audited the financial statements of Avecia Investments Limited for the year ended 31 December 2012, set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholder 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 shareholder 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 shareholder 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, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the 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 financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

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

### **Emphasis of matter**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the going concern status of the company. The directors intend to operate the business as a going concern until such time as a solvent liquidation process is entered into, which is expected to commence within twelve months of the date of approval of these financial statements. In view of the significance of this note, we consider that it should be brought to your attention but our opinion is not qualified in this respect.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

## **AVECIA INVESTMENTS LIMITED**

### **Independent auditor's report to the shareholder of Avecia Investments Limited**

---

#### **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

*CLB Coopers*

Graham Rigby (senior statutory auditor)

for and on behalf of

**CLB Coopers**

Statutory Auditors and Chartered Accountants

Ship Canal House

98 King Street

Manchester

M2 4WU

22 May 2013

## AVECIA INVESTMENTS LIMITED

### Profit and loss account For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Administrative expenses		(821)	(993)
Exceptional administrative income/(expenses)		-	975
Total administrative expenses		(821)	(18)
<b>Operating loss</b>	2	(821)	(18)
(Loss)/profit on disposal of businesses		(243)	53
Interest receivable and similar income		53	113
Amounts written off investments		(111)	-
Interest payable and similar charges	6	-	(11)
<b>(Loss)/profit on ordinary activities before taxation</b>		(1,122)	137
Tax on (loss)/profit on ordinary activities	7	-	-
<b>(Loss)/profit for the financial year</b>	12	(1,122)	137

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

The notes on pages 7 to 13 form part of these financial statements



**AVECIA INVESTMENTS LIMITED**

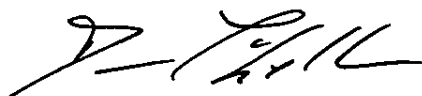
Registered number. 03768296

**Balance sheet**

As at 31 December 2012

	Note	£000	2012 £000	£000	2011 £000
<b>Fixed assets</b>					
Investments	8		292		1,988
<b>Current assets</b>					
Debtors amounts falling due after more than one year	9	-		2,009	
Debtors amounts falling due within one year	9	1,904		1,012	
Cash at bank		8,481		13,397	
		10,385		16,418	
<b>Creditors amounts falling due within one year</b>	10	(642)		(1,449)	
<b>Net current assets</b>			9,743		14,969
<b>Net assets</b>			10,035		16,957
<b>Capital and reserves</b>					
Called up share capital	11	-			10,000
Profit and loss account	12	10,035			6,957
<b>Shareholders' funds</b>	13		10,035		16,957

The financial statements were approved and authorised for issue by the board and were signed on its behalf by



**D McLellan**  
Director

Date 22 May 2013

The notes on pages 7 to 13 form part of these financial statements

# **AVECIA INVESTMENTS LIMITED**

## **Notes to the financial statements For the year ended 31 December 2012**

---

### **1. Accounting policies**

#### **1.1 Basis of preparation of financial statements**

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

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

#### **1.2 Going concern**

The financial statements have been prepared on the basis that the company remains a going concern. The directors intend to run the company as a going concern until such time as a solvent liquidation process is entered into, which is expected to commence within twelve months of the date of approval of these financial statements. The directors have reviewed the company's cash flow forecasts for this period, taking into account the level of cash held on deposit, operating outflows, and proposed dividend payments. Following this review, the directors have formed a judgement that, at the time of approval of these financial statements, the company has sufficient resources to continue to meet its liabilities as they fall due up to and throughout the solvent liquidation process. For this reason the directors continue to prepare the financial statements on a going concern basis.

#### **1.3 Cash flow**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

#### **1.4 Investments**

Investments held as fixed assets are shown at cost less provision for impairment.

#### **1.5 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

#### **1.6 Foreign currencies**

Assets and liabilities held in a currency other than sterling are translated at rates prevailing at the balance sheet date. Exchange differences arising on retranslation of amounts held relating to business disposals are reflected in the profit or loss calculated on disposal. Exchange differences on all other transactions are taken to operating profit.

# AVECIA INVESTMENTS LIMITED

## Notes to the financial statements For the year ended 31 December 2012

### 1. Accounting policies (continued)

#### 1.7 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

#### 1.8 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

### 2. Operating loss

The operating loss is stated after charging/(crediting)

	2012 £000	2011 £000
Auditor's remuneration	29	29
Exceptional (reversal of)/ impairment of fixed asset investments	-	(886)
Exceptional distribution on dissolution of subsidiary	-	(89)
Foreign exchange losses	345	80
	<u>345</u>	<u>80</u>

### 3. Staff costs

Staff costs, including directors' remuneration to the extent charged to the profit and loss account during the year, were as follows

	2012 £000	2011 £000
Wages and salaries	120	328
Social security costs	14	82
Other pension costs	-	13
Severance costs	-	125
	<u>134</u>	<u>548</u>

The average monthly number of employees, including the directors, during the year was as follows

	2012 No.	2011 No.
Administrative	3	5

## AVECIA INVESTMENTS LIMITED

### Notes to the financial statements For the year ended 31 December 2012

---

#### 4. Directors' remuneration

	2012 £000	2011 £000
Emoluments	<u>153</u>	<u>380</u>

The highest paid director received remuneration of £56,000 (2011 £261,000)

Directors emoluments include amounts taken into consideration in calculating the net profit on disposal of businesses in previous years

#### 5. (Loss)/profit on disposal of businesses

(Loss)/profit on disposal of businesses includes a net expense of £243,000 (2011 credit £257,000) in respect of revisions to accruals and estimates made relating to business disposals in prior years

#### 6. Interest payable and similar charges

	2012 £000	2011 £000
On loans from group undertakings	<u>-</u>	<u>11</u>

# **AVECIA INVESTMENTS LIMITED**

## **Notes to the financial statements** **For the year ended 31 December 2012**

### **7. Taxation**

#### **Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2011 lower than) the standard rate of corporation tax in the UK of 24.5% (2011 26%). The differences are explained below

	<b>2012</b> <b>£000</b>	2011 £000
(Loss)/profit on ordinary activities before tax	<b>(1,122)</b>	137
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 26%)	<b>(275)</b>	36
<b>Effects of.</b>		
Expenses not deductible for tax purposes	<b>29</b>	-
Short term timing difference leading to an increase (decrease) in taxation	<b>(4)</b>	27
Non-taxable income	-	(55)
Book profit on chargeable assets	-	(202)
Unrelieved tax losses carried forward	<b>250</b>	194
<b>Current tax charge for the year (see note above)</b>	<b>-</b>	-

### **8. Fixed asset investments**

	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 January 2012 and 31 December 2012	<b>38,835</b>
<b>Impairment</b>	
At 1 January 2012	<b>36,847</b>
Charge for the year	<b>111</b>
Return of investment	<b>1,585</b>
At 31 December 2012	<b>38,543</b>
<b>Net book value</b>	
At 31 December 2012	<b>292</b>
At 31 December 2011	<b>1,988</b>

## AVECIA INVESTMENTS LIMITED

### Notes to the financial statements For the year ended 31 December 2012

#### 8. Fixed asset investments (continued)

##### Subsidiary undertakings

The following were subsidiary undertakings of the company at the balance sheet date

Name	Class of shares	Holding
Avecia Limited	Ordinary	100%
Avecia Holdings LLC	Ordinary	100%
Avecia LLC (*)	Ordinary	100%

(\*) indirectly owned

Avecia Limited is incorporated in the United Kingdom. Avecia Holdings LLC and Avecia LLC are incorporated in the United States of America. All of the above companies are dormant.

The carrying value of the company's investments are reviewed at each balance sheet date to determine whether there is any indication of impairment. During the year, the company received a dividend from its immediate subsidiary undertaking, Avecia Holdings LLC, of £1.585 million and this was credited against the carrying value of the investment because the carrying value was not supportable following the distribution.

#### 9. Debtors

	2012 £000	2011 £000
<b>Due after more than one year</b>		
Other debtors	-	2,009
	<u>          </u>	<u>          </u>
<b>Due within one year</b>		
Other debtors	1,904	1,012
	<u>          </u>	<u>          </u>

Other debtors represent deferred disposal proceeds held in escrow in respect of potential warranty claims following the disposal of Avecia Biotechnology Inc. totalling \$3.1 million (2011: \$4.6 million), of which \$1.5 million (£1.0 million) was received during the year and the remaining \$3.1 million (£1.9 million) was received on 8 February 2013.

#### 10. Creditors

##### Amounts falling due within one year

	2012 £000	2011 £000
Amounts owed to group undertakings	-	823
Social security and other taxes	5	4
Other creditors and accruals	637	622
	<u>          </u>	<u>          </u>
	<u>642</u>	<u>1,449</u>

## AVECIA INVESTMENTS LIMITED

### Notes to the financial statements For the year ended 31 December 2012

#### 11. Share capital

	2012 £000	2011 £000
<b>Allotted, called up and fully paid</b>		
1 (2011 10,000,001) Ordinary share of £1	-	10,000

During December 2012, there was a reduction in the company's share capital by way of a cancellation of 10,000,000 fully paid £1 Ordinary shares. Under the Companies (Reduction of Share Capital) Order 2008, this reduction was supported by a solvency statement and was made with the intention that it be distributable, and therefore has been recognised in the profit and loss reserve.

#### 12. Reserves

	<b>Profit and loss account £000</b>
At 1 January 2012	6,957
Loss for the year	(1,122)
Dividends	(5,800)
Capital reduction (see note 11)	10,000
At 31 December 2012	10,035

#### 13. Reconciliation of movement in shareholders' funds

	2012 £000	2011 £000
Opening shareholders' funds	16,957	83,720
(Loss)/profit for the year	(1,122)	137
Dividends (note 14)	(5,800)	(66,900)
Shares cancelled during the year	(10,000)	-
Capital reduction transfer	10,000	-
Closing shareholders' funds	10,035	16,957

#### 14. Dividends

	2012 £000	2011 £000
Dividends paid on equity capital	5,800	66,900

## **AVECIA INVESTMENTS LIMITED**

### **Notes to the financial statements For the year ended 31 December 2012**

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#### **15. Contingent liabilities**

The company has acted as the principal vendor for a number of business divestments within the Avecia group of companies since 2002. As part of these divestments the company has agreed to provide certain warranties, covenants and undertakings to the purchasers. The last of these undertakings lapsed subsequent to 31 December 2012.

#### **16. Related party transactions**

The ultimate parent undertaking of the company, Avecia (Jersey) Limited, is controlled jointly by affiliates of the Investcorp Limited ('Investcorp') and Cinven Limited ('Cinven') groups of companies.

During the year monitoring fees of £50,000 (2011: £50,000) were charged by Investcorp, and £50,000 (2011: £50,000) charged by Cinven.

#### **17. Post balance sheet events**

A £1.9 million retention due to the company from the sale of Avecia Biotechnology Inc was received on 8 February 2013.

In March 2013, the company paid a dividend to its immediate parent undertaking, Avecia Finance Limited, of £7.6 million.

#### **18. Ultimate parent undertaking and controlling party**

The company is a subsidiary undertaking of Avecia Finance Limited which is incorporated in the United Kingdom. The ultimate parent company is Avecia (Jersey) Limited, a company registered and incorporated in Jersey.

The largest and smallest group in which the results of the company are consolidated is that headed by Avecia Holdings Limited which is incorporated in the United Kingdom. The consolidated financial statements of Avecia Holdings Limited can be obtained from Avecia Holdings Limited, Webber House, 26-28 Market Street, Altrincham, Cheshire, WA14 1PF.