**Lucite International Holdings Limited**

Annual report and financial statements

Year ended 31 December 2009

Registered number 03830184

**Contents**

## LUCITE INTERNATIONAL HOLDINGS LIMITED

**Report of the directors for the year ended 31 December 2009**

The directors present their annual report together with the audited financial statements for the year to 31 December 2009

**International Financial Reporting Standards ("IFRS")**

The financial statements are being reported under IFRS for the first time The impact of the adoption of IFRS on the Company's results and financial position is shown in note 4 to the financial statements accompanying this report

**Business overview and principal activities**

The principal activity of the Company is that of a holding company

**Current year performance**

The income statement is set out on page 5 and shows the result for the year ended 31 December 2009

During the year ended 31 December 2009, administrative expenses totalled \$0 5 million (2008 \$78 1 million), which in both years related to the net charge for increasing the provision for impairment of amounts due from group undertakings, such that the net receivable recognised was reduced to nil

During the year ended 31 December 2009 finance income of \$0 7 million was receivable (2008 \$5 3 million) This income related to interest earned on the balance due from related parties and decreased since 2008 due to a fall in variable interest rates In the year ended 31 December 2009, there was no foreign exchange movement on balances receivable as the balances remained fully impaired throughout the year In the year ended 31 December 2008, there was a foreign exchange loss of \$29 7 million which related to the period until the provision for impairment was established

On 28 May 2009, the Company's ultimate parent undertaking, Lucite International Group Limited, was acquired by Mitsubishi Rayon Co , Ltd

The directors do not recommend payment of a dividend on ordinary shares (2008 \$nil)

All audit and non audit fees payable to the Company's auditors are met by fellow group undertaking, Lucite International UK Limited

**Current year position**

At 31 December 2009, the Company had a gross amount receivable of \$87 1 million (2008 \$78 1 million) This increase was due to accrued interest and foreign exchange retranslation At the end of 2009 and 2008, an impairment provision has been established equal to the total amount receivable

**Directors**

The directors of the Company during the year were as follows

IR Lambert
AS Veerman
NL Sayers (resigned 25 March 2010)

**Post balance sheet event**

Effective 19 March 2010, Mitsubishi Chemical Holdings Corporation became the ultimate controlling party of the Company, by acquiring control of Mitsubishi Rayon Co , Ltd

**Principal risks and uncertainties**

The Company is subject to a number of risks A discussion of these is provided in note 2 to the financial statements accompanying this report

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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 IFRS as adopted by the European Union Further information on this conversion from UK Generally Accepted Accounting Principles is given in note 4 to the financial statements

The financial statements are required by law to 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 those 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 IFRS as adopted by the European Union 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, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that 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

**Disclosure of information to auditors**

So far as each of the directors are aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information

**Indemnification of directors**

The Company has taken out insurance for directors' liability in respect of losses resulting from claims relating to their responsibilities acting as officers of the Company

**On behalf of the Board**

**IR LAMBERT**
**Director**

**23 September 2010**

**Independent auditors' report to the members of Lucite International Holdings Limited**

We have audited the financial statements of Lucite International Holdings Limited for the year ended 31 December 2009 which comprise the income statement, the balance sheet, the statement of cash flows, the statement of changes in equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union

**Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 2 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 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

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

**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

**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 2009 and of its result and cash flows for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the directors 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

R Casson

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

23 September 2010

**Income statement for the year ended 31 December 2009**

| | Note | 2009 $'million | 2008 $'million |
|---|---|---|---|
| **Continuing operations** | | | |
| Administrative expenses | | (0 5) | (78 1) |
| **Operating loss** | 5 | (0 5) | (78 1) |
| Finance income | | 0 7 | 5 3 |
| Finance costs | | - | (29 7) |
| Finance income/(costs) – net | 7 | 0 7 | (24 4) |
| **Profit/(loss) before income tax** | | 0 2 | (102 5) |
| Income tax charge | 8 | (0 2) | - |
| **Loss for the year from continuing operations** | 12 | - | (102 5) |

There was no income or expense other than as presented above and therefore no statement of comprehensive income has been presented

There was no difference between the results presented above and their historical cost equivalents

The notes on pages 9 to 17 are an integral part of these financial statements

LUCITE INTERNATIONAL HOLDINGS LIMITED **Company number: 03830184**

**Balance sheet as at 31 December 2009**

| | Note | 2009 $'million | 2008 $'million | 2007 $'million |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Investments in subsidiaries | 9 | **334 0** | 334 0 | 334 0 |
| **Current assets** | | | | |
| Trade and other receivables | 10 | **-** | - | 102 5 |
| **Total assets** | | **334 0** | 334 0 | 436 5 |
| **Equity** | | | | |
| Ordinary shares | 11 | **283 0** | 283 0 | 283 0 |
| Retained earnings | 12 | **51 0** | 51 0 | 153 5 |
| **Total equity** | | **334 0** | 334 0 | 436 5 |
| **Total equity and liabilities** | | **334.0** | 334 0 | 436 5 |

The notes on pages 9 to 17 are an integral part of these financial statements

The financial statements on pages 5 to 17 were approved by the Board on 23 September 2010 and signed on its behalf by

**IR LAMBERT**
**Director**

**Statement of cash flows for the year ended 31 December 2009**

There were no cash transactions in the year, therefore there are no cash flows to present

**Statement of changes in equity for the year ended 31 December 2009**

| | Share capital $'million | Retained earnings $'million | Total equity $'million |
|---|---|---|---|
| **Balance at 1 January 2008** | 283 0 | 153 5 | 436 5 |
| **Comprehensive income** | | | |
| Profit or loss | - | (102 5) | (102 5) |
| **Total comprehensive income** | - | (102 5) | (102 5) |
| **Balance at 1 January 2009** | 283 0 | 51 0 | 334 0 |
| **Comprehensive income** | | | |
| Profit or loss | - | - | - |
| **Total comprehensive income** | - | - | - |
| **Balance at 31 December 2009** | 283 0 | 51 0 | 334 0 |

The notes on pages 9 to 17 form an integral part of these financial statements

## 1 Accounting policies

### General Information

Lucite International Holdings Limited (the "Company") is registered in England and Wales under the Companies Act 2006 The operations and principal activities are discussed in the Report of the directors The address of the registered office is

Queens Gate
15 – 17 Queens Terrace
Southampton
SO14 3BP

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The Company is not required to prepare consolidated IFRS financial statements under section 400 of the Companies Act 2006 and IAS27 "Presentation of consolidated financial statements" as it is a subsidiary of another entity that prepares consolidated IFRS financial statements As such the results presented here are for the Company as an individual undertaking and not of its group

These are the Company's first financial statements prepared in accordance with IFRS The disclosures required by IFRS 1, "First-time Adoption of International Financial Reporting Standards", concerning the transition to IFRS and its effect on the reported financial position, financial performance and cash flows, are given in note 4

The financial statements are prepared on the going concern basis under the historical cost convention

The financial statements are presented in US dollars and the prevailing exchange rate at the balance sheet date was $1 59 to £1 (2008 $1 44 to £1)

The accounting policies set out in this note have been applied consistently throughout the year and where applicable comparatives for 2008 and 2007 have been restated to IFRS The following principal accounting policies have been applied

### Taxation

The tax charge represents the sum of the current and deferred income tax

The charge for taxation is based on the taxable profit for the year and takes into account deferred income tax because of temporary differences between the treatment of certain items for taxation and for accounting purposes Current tax also includes any income receivable from fellow group undertakings in respect of group relief surrendered in the financial year

Deferred income tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date A net deferred income tax asset is regarded as recoverable and therefore recognised when, on the basis of all available evidence, taxable profits will be available against which deductible temporary differences can be utilised

**Foreign currencies**

Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded at the rate prevailing on the date of the transaction At each subsequent balance sheet date monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at rates of exchange prevailing at the end of the financial period Foreign exchange differences are taken to the income statement in the period in which they arise All exchange differences are charged/credited to the income statement

**Investments**

Investments held as fixed assets are stated at historical cost, which is the fair value of the consideration paid, less any provision for diminution in value Investments relating to equity share capital are translated at prevailing rate of exchange at the time of acquisition

**Hedging**

The Company does not use financial instruments to hedge its assets and liabilities that are denominated in foreign currencies

**Financial assets**

The Company's financial assets comprise receivables which are non-derivative assets with fixed or determinable payments that are not quoted in an active market They are included in current assets within trade and other receivables in the balance sheet

A provision for impairment of loans and receivables is established when on the basis of the evidence available the Company will not be able to collect all amounts due according to the terms of the receivables The amount of the provision is the difference between the assets cost and the estimated value of future cash flows

**Impact of future accounting standards**

The following standards, amendments and interpretations to existing standards have been published, endorsed by the EU and are mandatory for the Company's accounting years beginning on

*1 January 2010*

- Improvements to IFRSs (2009)
- IFRS 2, "Share based payments - Group cash-settled share-based payment transactions"
- IFRS 3 (revised), "Business combinations"
- IAS 27 (revised), "Consolidated and separate financial statements"
- Amendment to IAS 39, "Financial Instruments Recognition and measurement" on "Eligible hedged items"
- Amendment to IFRS 1 "First time adoption of IFRS" and IAS 27 "Consolidation and separate financial statements" on the "Cost of an investment in a subsidiary, jointly controlled entity or associate"
- IFRIC 12, "Service concession arrangements"
- IFIRC 15, "Agreements for construction of real estates"
- IFRIC 16, "Hedges of a net investment in a foreign operation"
- IFRIC 18, "Transfer of assets from customers"

*1 January 2011*

- Annual improvements 2010
- Amendment to IAS 32, "Financial instruments Presentation on classification of rights issues"
- Amendment to IFRIC 14, IAS 19, "Prepayments of a minimum funding requirement"
- IFRIC 19, "Extinguishing financial liabilities with equity investments"
- Amendment to IAS 24, "Related party disclosure"

The Company has not early adopted these and does not anticipate any material changes to its financial statements on their adoption

## 2 Financial Risk Management

The Company's activities expose it to a variety of financial risks and risk management is carried out by the Company under policies approved by the board of directors within a group governance framework The framework covers risk identification, management, mitigation and reporting

The Company is exposed to financial risks through its financial assets and liabilities The most important financial risks for the Company are those of foreign exchange risk, interest rate risk and liquidity risk

*Foreign exchange risk*

The Company is exposed to changes in the foreign exchange rate of US dollars in relation to sterling

*Interest rate risk*

The amounts due from related undertakings incur interest based upon relevant LIBOR rates and therefore the Company is exposed to movements in this rate

*Liquidity risk*

The Company is supported by the group parent Company who engages in full liquidity forecasting and management measures and so liquidity risk to the Company is considered minimal

## 3 Critical accounting estimates

The Company makes estimates and assumptions that are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances These accounting estimates will, by definition, seldom equal the related actual results

Management believes that the following accounting policy is a critical policy where the assumptions and judgements made could have a significant impact on the consolidated financial statements

*Provision for impairment*

Management assess the recoverability of investments and receivables based upon the information available When indicators exist that suggest an investment or receivable is impaired a provision for impairment is established The level of this impairment is judgemental and may not ultimately represent the amount subsequently recovered for an asset

## 4 Explanation of transition to IFRS as adopted by the E.U.

These financial statements are the first financial statements prepared in accordance with IFRS as adopted by the EU The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2009, the comparative information presented in these financial statements for the year ended 31 December 2008 and in the preparation of an opening IFRS balance sheet at 1 January 2008 (the date of transition)

In preparing opening IFRS balance sheets, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its previous basis of accounting (UK Generally Accepted Accounting Principles – "UK GAAP") An explanation of how the transition from UK GAAP to IFRS has affected the Company's position and financial performance is set out in the following tables and the notes that accompany the tables

Under the provisions of IAS21, "The Effects of Changes in Foreign Exchange Rates", the Directors consider the functional currency of the Company to be US dollars, where the operations of the Company could in effect be an extension of the activity of the UK holding company, the functional currency of which is also US dollars, being representative of the primary environment within which the group operates The equivalent "local currency" of the Company under UK GAAP, SSAP 20 "Foreign currency translation" was determined to be sterling The principal difference being that under IFRS there is, in most circumstances, a requirement for a non trading company to look to the parent company's functional currency

Upon adoption of IFRS monetary assets and liabilities have been converted at the exchange rate ruling at that date Non monetary assets and liabilities have been converted at the historic rate prevailing at the date of initial recognition

No other changes which have a material impact upon either equity or profit for the year have been identified from the results previously reported under UK GAAP

**Reconciliation of equity reported under UK GAAP to equity reported under IFRS**

As shown in the table below the effect of adopting IFRS has no impact upon the equity that has previously been reported under UK GAAP, at 31 December 2008 and at the date of transition

| | **2009** | 2008 |
|---|---|---|
| | **\$'million** | \$'million |
| Total equity at 1 January as previously reported | **334 0** | 436 5 |
| **Total equity at 1 January in accordance with IFRS** | **334 0** | 436 5 |

As a result of adopting IFRS, a balance sheet as at 31 December 2007 has been included in these financial statements

**Reconciliation of total recognised loss reported under UK GAAP to total comprehensive expense reported under IFRS**

As disclosed in the table below adopting IFRS has had no impact upon on the statement of comprehensive income that has previously been reported under UK GAAP, for the year ended 31 December 2008

| | 2008 |
|---|---|
| | \$'million |
| Total recognised loss reported under UK GAAP | 102 5 |
| **Total comprehensive expense in accordance with IFRS** | 102 5 |

## 5 Operating loss

| | 2009 $'million | 2008 $'million |
|---|---|---|
| **Operating loss is stated after charging** | | |
| Increase in provision for impairments (note 10) | **0.5** | 78 1 |

All audit and non audit fees payable to the Company's auditors are met by fellow group undertaking, Lucite International UK Limited

## 6 Employee benefit expense

There were no persons holding service contracts with the Company during the year (2008 none)

None of the directors received any remuneration from the Company during the year (2008 none)

## 7 Finance income and costs

| | 2009 $'million | 2008 $'million |
|---|---|---|
| Foreign exchange loss | - | (29 7) |
| **Finance costs** | **-** | (29 7) |
| Interest receivable from group undertakings | **0 7** | 5 3 |
| **Finance income** | **0.7** | 5 3 |
| **Net finance income/(costs)** | **0 7** | (24 4) |

## 8 Income tax charge

| | 2009 $'million | 2008 $'million |
|---|---|---|
| **Current tax:** | | |
| Group relief paid | **0 2** | - |
| **Income tax charge** | **0.2** | - |

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows

| | 2009<br>$'million | 2008<br>$'million |
|---|---|---|
| **Profit/(loss) before income tax** | **0 2** | (102 5) |
| Tax calculated at domestic rates applicable to profits – 28% (2008 28 5%) | **(0 1)** | 29 2 |
| Tax effects of | | |
| Expenses not deductible for tax purposes | **(0.1)** | (30 7) |
| Losses utilised from group companies | - | 1 5 |
| Tax charge | **(0.2)** | - |

The Company has no deferred income tax provided or unprovided for at the balance sheet date

During 2010, the UK government announced their intention to ultimately reduce the corporation tax rate in the UK to 24% The reduction is planned to be enacted in phases whereby the rate is reduced by 1% per annum over the next four tax years

## 9 Investments in subsidiaries

| | 2009<br>$'million | 2008<br>$'million |
|---|---|---|
| **Cost** | | |
| At 1 January | **334.0** | 334 0 |
| Additions | - | - |
| At 31 December | **334.0** | 334 0 |
| | | |
| **Accumulated impairment losses** | | |
| At 1 January | - | - |
| Increase in provision for impairment | - | - |
| Reversal of provision for impairment | - | - |
| At 31 December | - | - |
| | | |
| **Net book amount** | | |
| At 1 January | **334 0** | 334 0 |
| | | |
| At 31 December | **334 0** | 334 0 |

The following were subsidiary undertakings at the end of the year

| Name | Country of incorporation or registration | Proportion of voting rights and ordinary share capital held | Nature of business |
|---|---|---|---|
| Lucite International Holdco Limited | England and Wales | 100% | Holding company |
| Lucite International Finco Limited | England and Wales | 100% | Finance company |
| Lucite International Finance Limited | England and Wales | 100% | Non trading company |
| Lucite International US Finco LLC | USA | 100% | Non trading company |
| Lucite International Luxembourg Finance S à r l Limited | Luxembourg | 100% | Non trading company |

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration In the opinion of the directors, the value of the investments is not less than the book value

During August 2010, Lucite International Luxembourg Finance S à r l Limited was liquidated There was no material impact of this transaction on the results of the Company

## 10 Trade and other receivables

| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| Amount due from group undertakings | **87.1** | 78 1 |
| Less provision for impairment | **(87 1)** | (78 1) |
| Trade and other receivables - net | - | - |

The above amount due from group undertakings under financing agreements are unsecured, attract interest at a variable rate of UK LIBOR minus 0 125% and are repayable on demand The amount is denominated in sterling

During the year ended 31 December 2009, the directors reviewed of the performance of the related parties from which amounts are owed As a result of this the provision for impaired debtors has been increased to $87 1 million (2008 $78 1 million)

Movements on the provision for impairment of receivables are as follows

| | **2009** | 2008 |
|---|---|---|
| | **$'million** | $'million |
| **At 1 January** | **78.1** | - |
| Provision for receivables impairment | **0.5** | 78 1 |
| Currency translation adjustment | **8.5** | - |
| **At 31 December** | **87.1** | 78 1 |

Charges relating to the creation of provision for impaired receivables have been included in "administrative expenses" in the income statement

## 11 Called up share capital

| | Number | $'million |
|---|---|---|
| **Authorised, allotted and fully paid at 31 December 2009 and 2008** | | |
| Ordinary shares of £1 each | **175,016,700** | **283.0** |

## 12 Retained earnings

| | 2009<br>$'million | 2008<br>$'million |
|---|---|---|
| **At 1 January** | **51.0** | 153 5 |
| Loss for the year | - | (102 5) |
| **At 31 December** | **51.0** | 51 0 |

## 13 Related parties

***Amounts due from related parties***

| | 2009<br>$'million | 2008<br>$'million |
|---|---|---|
| Amounts due from indirect subsidiaries | | |
| **At 1 January** | - | 102 5 |
| Exchange differences | - | (29 7) |
| Interest receivable | **0.7** | 5 3 |
| Increase in provision for impairment | **(0 5)** | (78 1) |
| Amounts payable for group relief | **(0 2)** | - |
| **At 31 December** | - | - |

At 31 December 2009 provisions for impairments held against related parties were $87 1 million (2008 $78 1 million)

The above amount due from group undertakings under financing agreements are unsecured, attract interest at a variable rate of UK LIBOR minus 0 125% and are repayable on demand

There were no transactions with directors or key management personnel during the year ended 31 December 2009 (2008 none)

**14 Ultimate controlling party**

The immediate parent undertaking is Lucite International Investment Limited, a company registered and operating in England and Wales The parent company of the smallest group to consolidate these financial statements is MRC Group Holdings (UK) Limited Copies of these financial statements can be obtained from

The Company Secretary
MRC Group Holdings (UK) Limited
10 Norwich Street
London
EC4A 1BD

The ultimate parent undertaking and controlling party at the balance sheet date was Mitsubishi Rayon Co , Ltd , 6-41 Konan 1-Chome, Minato Ku, Tokyo, 108-8506 Japan

Effective 19 March 2010, Mitsubishi Chemical Holdings Corporation became the ultimate controlling party of the Company by acquiring control of Mitsubishi Rayon Co , Ltd