

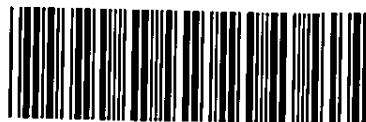
Cytec Surface Specialties UK Limited

**Directors' report and financial
statements**

Registered number 01637885

31 December 2007

SATURDAY



A21

A50N15FN

06/12/2008

17

COMPANIES HOUSE

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of Cytec Surface Specialties UK Limited	4
Profit and Loss Account	6
Balance Sheet	7
Reconciliation of Movements in Shareholders' Funds	8
Notes	9

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

Business review and principal activities

The Company is a wholly-owned subsidiary of Cytec Industries Inc. and operates as part of the Group's Surface Specialties division.

The Company's principal activity is to act as a sales agent for Cytec coating, bonding and printing chemicals to the paper, automotive and general construction industries in the UK and Europe. There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not, at the date of this report, aware of any likely major changes in the Company's activities in the next year.

As shown in the Company's profit and loss account on page 6, the Company's turnover has remained virtually unchanged on the prior year, but gross margin and profit after tax have decreased by just over 2%. The major factors resulting in the decrease were the increasingly difficult market conditions during the year putting pressure on margins and an increase in operating costs due to one off costs following relocation of some internal functions, however despite these factors margins remain in line with current group expectations,

The balance sheet on page 7 of the financial statements shows that the Company's financial position at the year-end is broadly consistent with the prior year. The Company has nonetheless translated profit into improved working capital.

Cytec Industries Inc. manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Surface Specialties division of Cytec Industries Inc., which includes the company, is discussed in Cytec Industries Inc's Annual Report which does not form part of this Report.

Principal risks and uncertainties

Competitive pressure in the UK and Europe is a continuing risk for the Company, which could result in it losing sales to its key competitors. To manage this risk, the Company strives to provide added-value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers.

The Company's businesses may be affected by fluctuations in the price and supply of key raw materials to the Group, although Group purchasing policies and practices seek to mitigate, where practicable, such risks.

The Company is a member of the Cytec UK Pension Plan which is a multi-employer UK defined benefit pension plan, which is currently in deficit. The funding level of this pension plan is subject to adverse change resulting from movements in the actuarial assumptions underlying the calculation of plan liabilities, including decreasing discount rates and increasing longevity of plan members, as well as declines in the market value of plan investments. The pension plan is closed to new members and future benefit accrual by existing members. Deficit-reduction contributions in addition to the normal cash contributions due are being made under the terms of a repayment schedule agreed with the plan trustee. Significant adverse changes in the actuarial assumptions underlying the plan valuation and the Company's share of any deficit-reduction contributions to the plan could materially impact the Company's trading results.

The Company meets its day to day working capital requirements through the use of an overdraft facility which is repayable on demand.

Environment

The Cytec Industries Inc. Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Cytec Industries Inc. policies, as noted in Cytec Industries Inc's Annual Report, which does not form part of this Report. Initiatives aimed at minimising the Group's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Directors' report *(continued)*

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend (2006: £nil).

Directors and directors' interests

The following directors held office during the year and subsequently:

J P Cronin (resigned 01 June 2007)
A Schiebroek
M Hulligan (appointed 27 February 2007)

Political and charitable contributions

The Company made no political or charitable donations during the year (2006: £nil).

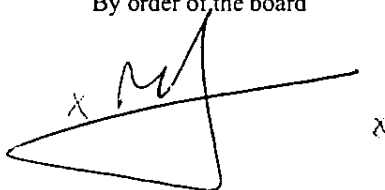
Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Elective resolutions

Elective resolutions exempting the Directors from the need to lay accounts and reports before the company in general meetings, exempting the company from holding annual general meetings and exempting the company from annually re-appointing its auditors remain in force.

By order of the board

A handwritten signature in black ink, appearing to be 'M Hulligan', written over a horizontal line. There are small 'x' marks on either side of the signature.

M Hulligan
Director

Abenbury Way
Wrexham Industrial Estate
Wrexham
LL13 9UZ

1ST DECEMBER 2008 x

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 UK Accounting Standards.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Cytec Surface Specialties UK Limited

We have audited the financial statements of Cytec Surface Specialties UK Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Cyttec Surface Specialties
UK Limited (continued)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

4 December 2008

Profit and Loss Account
for the year ended 31 December 2007

	<i>Notes</i>	2007 £'000	2006 £'000
Turnover	<i>1</i>	24,001	23,561
Cost of sales		(22,403)	(21,524)
Gross profit		1,598	2,037
Operating costs		(869)	(456)
Operating profit		729	1,581
Interest receivable	<i>3</i>	45	29
Interest payable	<i>4</i>	(129)	(59)
Profit on ordinary activities before taxation	<i>2-5</i>	645	1,551
Tax on profit on ordinary activities	<i>6</i>	(161)	(494)
Profit on ordinary activities after tax		484	1,057

The company has no recognised gains or losses other than the profit for the year reported above. All activities relate to continuing operations.

Balance Sheet
at 31 December 2007

	<i>Notes</i>	2007 £'000	2006 £'000
Fixed assets			
Intangible	7	335	357
Tangible	8	14	15
		<u>349</u>	<u>372</u>
Current assets			
Stocks	9	753	733
Debtors	10	5,047	5,699
Cash at bank and in hand		-	-
		<u>5,800</u>	<u>6,432</u>
Creditors: Amounts falling due within one year	11	<u>(3,548)</u>	<u>(4,687)</u>
Net current assets		<u>2,252</u>	<u>1,745</u>
Net assets		<u>2,601</u>	<u>2,117</u>
Capital and reserves			
Called up equity share capital	12	-	-
Profit and loss account	13	2,601	2,117
Equity shareholders' funds		<u>2,601</u>	<u>2,117</u>

The notes on pages 9 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 01.12.2008 and were signed on its behalf by:


M Hurligan
 Director

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2007

	2007 £'000	2006 £'000
Profit for the financial year	484	1,057
Net addition to shareholders' funds	484	1,057
Opening shareholders' funds	2,117	1,060
Closing shareholders' funds	2,601	2,117

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 accounting rules.

Under Financial Reporting Standard 1 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 published consolidated financial statements.

As the company is a wholly owned subsidiary of Cytec Industries Inc., the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Cytec Industries Inc., within which this company is included, can be obtained from the address given in note 16.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Plant and machinery	13 years
---------------------	----------

Intangible fixed assets

Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired on acquisition of a business is capitalised.

Amortisation is calculated so as to write off the cost of the asset over the directors' estimate of its useful economic life as follows:

Goodwill	20 years
----------	----------

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving items.

Taxation

The charge for taxation is based on the profit for the year and takes into account 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 FRS 19.

Notes (continued)

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The company participates in a joint pension scheme, with fellow group companies Cytec Industries UK Limited and Cytec Engineered Materials Limited, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Foreign currencies

Transactions expressed in foreign currencies have been translated into sterling at the rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities have been translated at rates ruling at the balance sheet date. Exchange differences have been included in operating profit.

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.

Turnover

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

2 Profit on ordinary activities before taxation

	2007 £'000	2006 £'000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration – Audit of these financial statements	15	16
Depreciation	1	1
Amortisation of goodwill	22	22
Hire of other assets – operating leases	21	25
	<hr/>	<hr/>

Notes (continued)

3 Interest receivable

	2007 £'000	2006 £'000
Interest received on cash deposits	45	29
	<u>45</u>	<u>29</u>

4 Interest payable

	2007 £'000	2006 £'000
Bank	129	59
	<u>129</u>	<u>59</u>

5 Staff numbers and costs

	2007 No.	2006 No.
The average monthly number of persons (including directors) employed by the company during the year was:	7	6
	<u>7</u>	<u>6</u>

	2007 £'000	2006 £'000
Staff costs for the above persons were as follows:		
Wages and salaries	339	236
Social security costs	34	21
Other pension costs	47	47
	<u>420</u>	<u>304</u>

None of the directors received any remuneration in respect of their services to the company in either year.

6 Taxation

	2007 £'000	2006 £'000
Corporation tax:		
Current tax	190	467
Adjustments in respect of prior years	(29)	27
	<u>161</u>	<u>494</u>

Notes (continued)

6 Taxation (continued)

The tax charge assessed for the period is lower (2006: higher) than the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are explained below:

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	645	1,551
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	194	465
Effects of:		
Expenses not deductible for tax purposes	5	10
Capital allowances in excess of depreciation	(9)	(8)
Adjustments in respect of prior years	(29)	27
Current tax charge for the period (as above)	161	494

7 Intangible fixed assets

	Goodwill £'000
Cost	
At 31 December 2006 and 31 December 2007	444
Amortisation	
At 31 December 2006	87
Charged in the year	22
At 31 December 2007	109
Net book value	
At 31 December 2007	335
At 31 December 2006	357

Notes (continued)

8 Tangible fixed assets

	Plant & machinery £ £'000
Cost	
At 31 December 2006	24
Disposals	-
	<hr/>
At 31 December 2007	24
	<hr/>
Depreciation	
At 31 December 2006	9
Charged in the year	1
	<hr/>
At 31 December 2007	10
	<hr/>
Net book value	
At 31 December 2007	14
	<hr/> <hr/>
At 31 December 2006	15
	<hr/> <hr/>

9 Stocks

	2007 £'000	2006 £'000
Goods for resale	753	733
	<hr/> <hr/>	<hr/> <hr/>

10 Debtors

	2007 £'000	2006 £'000
Trade debtors	4,727	5,596
Amounts owed by group undertakings	311	89
Prepayments and accrued income	9	14
	<hr/>	<hr/>
	5,047	5,699
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

11 Creditors: Amounts falling due within one year

	2007 £'000	2006 £'000
Bank Overdraft	1,362	2,006
Trade creditors	-	4
Amounts owed to group undertakings	1,352	1,493
Corporation tax	140	503
Other taxation and social security	431	492
Accruals and deferred income	263	189
	<u>3,548</u>	<u>4,687</u>

12 Equity share capital

	2007 £	2006 £
<i>Authorised:</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, issued and fully paid:</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

13 Profit and loss account

	2007 £'000	2006 £'000
At 1 January 2007	2,117	1,060
Profit for the financial year	<u>484</u>	<u>1,057</u>
At 31 December 2007	<u>2,601</u>	<u>2,117</u>

14 Commitments under operating leases

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows:

	2007 Plant and machinery £'000	2006 Plant and machinery £'000
Expiring:		
within 1 year	-	3
within 2-5 years	<u>21</u>	<u>16</u>
	<u>21</u>	<u>19</u>

Notes (continued)

15 Pension scheme

The company is a member of the Cytec UK Pension Plan which provides benefits based on final pensionable pay. As the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for, in these financial statements, as if the scheme was a defined contribution scheme.

The latest full actuarial valuation of the scheme was carried out at 31 December 2007. The estimated surplus in the group scheme at 31 December 2007 was £388k (2006: deficit of £957k).

As at 31 December 2006, the decision was taken to close the scheme. In the future, contributions will be made to a defined contribution scheme. The pension cost charge for the year represents contributions to the defined contribution scheme for the year and amounted to £47k (contributions to defined benefit scheme in 2006: £47k).

There were no outstanding or prepaid contributions at the year end (2006: £nil).

16 Ultimate parent company

The largest and smallest group in which the results of the company are consolidated is that headed by 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, West Paterson, NJ 07424, USA.