

Cytec UK Holdings Limited

**Directors' report and consolidated
financial statements**

Registered number 2834414

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002

Principal activities

The principal activities of the group are the manufacture and supply of anionic, nonionic and cationic polyacrylamides for use in the mining, paper, water treatment and oilfield industries, and the manufacture and distribution of composites and adhesives for use, primarily, in the aerospace and leisure industries.

Business review

On 22 February 2002 Cytec UK Holdings Limited acquired the 100% of the ordinary shared capital of Cytec Industries BV and 90% of the ordinary share capital of Cytec Engineered Materials GmbH as part of a worldwide restructuring of Cytec Industries Inc. Cytec Industries BV owns 100% of the share capital of Cytec Manufacturing BV and Cytec Industries France S.a.r.l.

Details of the group's results for the year, including those of the acquired operations, are set out in the consolidated profit and loss account on page 5.

Research and development

The directors consider that research and development plays a vital role in the group's success. A significant part of the work of the group's technical services and laboratory staff is concentrated in this area.

The group's spending on research and development during the year was £571,000 (2001: £267,000).

Proposed dividend

The profit for the year after taxation and minority interest was £4,070,000 (2001: £6,879,000)]. The directors do not recommend the payment of an ordinary dividend (2001: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

Mr A Cameron
Mr JP Cronin (Chairman)
Mr A Dodwell (appointed 23 September 2002)
Mr DM Drillock
Mr EF Jackman (resigned 31 December 2001)
Mr RD Smith (appointed 11 February 2002)
Mr W Wood (resigned 23 September 2002)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company, or the right to subscribe for shares in the company or another member of the group.

Directors' report *(continued)*

Employees

Good communication is considered essential, and all employees are kept well informed regarding the group's performance and activities. An open style of management is encouraged and employees are given the opportunity to express their views on matters that are likely to affect their interests. Employees are assessed on merit and equal opportunities for promotion and career progression are available to all.

It is group policy that people with disabilities have the same consideration as others with respect to recruitment, retention and personal development. Depending upon their skills and abilities, they enjoy the same career prospects as other employees and the same scope for realising potential. The group also makes every effort to continue to employ staff who may become disabled whilst employed.

Political and charitable contributions

The holding company made no political or charitable contributions during the year (2001: £nil). Details of donations made by subsidiary companies are disclosed in those entities' own accounts.

Auditors

Previously, in accordance with Section 386 of the Companies Act 1985, a resolution was passed resulting in the company not being required to reappoint its auditors annually, with KPMG continuing as the company's auditors. KPMG has since transferred its business to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 27 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Mr A Dodwell
Director



Abenbury Way
Wrexham Industrial Estate
Wrexham
LL13 9UZ

10 June 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss 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 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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 group and to prevent and detect fraud and other irregularities.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditors to the members of Cytec UK Holdings Limited

We have audited the financial statements on pages 5 to 32.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

1 July

2004

Consolidated profit and loss account
for the year ended 31 December 2002

	Note	2002		2001 (as restated)	
		£000	£000	£000	£000
Group Turnover	2,3				
Continuing operations		33,048		37,640	
Acquisitions		141,521		-	
		<hr/>		<hr/>	
Cost of sales	3		174,569 (153,385)		37,640 (24,101)
			<hr/>		<hr/>
Gross profit	3		21,184		13,539
Distribution costs	3		(4,649)		(473)
Administrative expenses	3		(12,798)		(9,620)
Other operating income	3		4,646		5,543
			<hr/>		<hr/>
Group operating profit	3				
Continuing operations		5,091		8,989	
Acquisitions		3,292		-	
		<hr/>		<hr/>	
Other interest receivable and similar income	7		8,383		8,989
Interest payable and similar charges	8		653 (4,659)		983 -
			<hr/>		<hr/>
Profit on ordinary activities before taxation	2-5		4,377		9,972
Tax on profit on ordinary activities	9		(264)		(3,093)
			<hr/>		<hr/>
Profit on ordinary activities after taxation			4,113		6,879
Minority interests			(43)		-
			<hr/>		<hr/>
Profit for the financial year			4,070		6,879
			<hr/>		<hr/>

Movement in reserves is shown in note 21

Consolidated balance sheet
at 31 December 2002

	Note	2002		2001 (as restated)	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	11		47,380		-
Tangible assets	12		47,235		20,440
			<hr/>		<hr/>
			94,615		20,440
Current assets					
Stocks	14	10,311		2,970	
Debtors	15	54,903		25,145	
Cash at bank and in hand		22,869		6,230	
		<hr/>		<hr/>	
		88,083		34,345	
Creditors: amounts falling due within one year	16	(28,160)		(6,849)	
		<hr/>		<hr/>	
Net current assets			59,923		27,496
			<hr/>		<hr/>
Total assets less current liabilities			154,538		47,936
Creditors: amounts falling due after more than one year	17		(97,373)		-
Provisions for liabilities and charges	18		(4,561)		(2,156)
			<hr/>		<hr/>
Net assets/[liabilities] excluding pension			52,604		45,780
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	20		10,000		10,000
Profit and loss account	21		42,381		35,780
			<hr/>		<hr/>
Equity shareholders' funds			52,381		45,780
Minority interests	22		223		-
			<hr/>		<hr/>
			52,604		45,780
			<hr/>		<hr/>

These financial statements were approved by the board of directors on behalf by:

2004 and were signed on its

A Dodwell
Director



Balance sheet
at 31 December 2002

	Note	2002	2001
		£000	£000
Fixed assets			
Investments	13	109,937	23,700
Current assets			
Debtors	15	721	-
Cash at bank and in hand		42	1
		<hr/>	<hr/>
Creditors: amounts falling due within one year	16	763 (6)	1 (4)
		<hr/>	<hr/>
Net current assets / (liabilities)		757	(3)
		<hr/>	<hr/>
Total assets less current liabilities		110,694	23,697
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	17	(73,123)	-
		<hr/>	<hr/>
Net assets		37,571	23,697
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	20	10,000	10,000
Profit and loss account	21	27,571	13,697
		<hr/>	<hr/>
Equity Shareholders' funds		37,571	23,697
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 10 JUNE 2004 and were signed on its behalf by:

A Dodwell
Director



Consolidated statement of total recognised gains and losses
for the year ended 31 December 2002

	2002 £000	2001 (as restated) £000
Profit for the financial year	4,070	6,879
Gross exchange differences on the retranslation of net investments and related borrowings	2,531	-
Total recognised gains and losses relating to the financial year	<u>6,601</u>	<u>6,879</u>
Prior year adjustment (as explained in note 18)	(429)	
Total gains and losses recognised since last annual report	<u><u>6,172</u></u>	

Reconciliations of movements in shareholders' funds
for the year ended 31 December 2002

	Group		Company	
	2002 £000	2001 (as restated) £000	2002 £000	2001 £000
Profit for the financial year	4,070	6,879	13,874	2,690
Other recognised gains and losses relating to the year (net)	2,531	-	-	-
Net addition to / (reduction in) shareholders' funds	<u>6,601</u>	<u>6,879</u>	<u>13,874</u>	<u>2,690</u>
Opening shareholders' funds (originally £39,296,000 restated for prior year adjustment of £395,000 – see note 18)	45,780	38,901	23,697	21,007
Closing shareholders' funds	<u><u>52,381</u></u>	<u><u>45,780</u></u>	<u><u>37,571</u></u>	<u><u>23,697</u></u>

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 group's financial statements except as noted below. The group has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements. The comparative figures have been restated accordingly. The group has followed the transitional arrangements of FRS 17 'Retirement benefits' in these financial statements.

Basis of preparation

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

The company is exempt from the requirements of Financial Reporting Standard No 1 (revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Cytec Industries Inc, and its cash flows are included within the consolidation cash flow statement of that company.

As the company is a wholly owned subsidiary of Cytec Industries Inc, the company has taken advantage of the exemptions contained in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Cytec Industries Inc within which this company is included can be obtained from the address given in note 26.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2002. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2.5 % per annum
Plant and machinery	-	10% per annum
Fixtures & fittings	-	10% – 33% per annum
Motor vehicles	-	20% per annum
Computer equipment	-	20% per annum

No depreciation is provided on freehold land and assets in the course of construction.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The group operates a number of pension schemes providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provisions of goods and services to customers during the year.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Notes (continued)

2 Segmental information

No segmental information is presented as in the consolidated financial statements of Cytec UK Holdings Limited as, in the opinion of the directors, the disclosure of the information required by SSAP25 – Segmental Reporting, would be seriously prejudicial to the interests of the Group.

3 Analysis of continuing and discontinued operations

	Continuing £000	2002 Acquired £000	Total £000	Continuing £000	2001 Acquired £000	Total £000
Group turnover	33,048	141,521	174,569	37,640	-	37,640
Cost of sales	(22,632)	(130,753)	(153,385)	(24,101)	-	(24,101)
Gross profit	10,416	10,768	21,184	13,539	-	13,539
Distribution costs	(499)	(4,150)	(4,649)	(473)	-	(473)
Administrative expenses	(9,472)	(3,326)	(12,798)	(9,620)	-	(9,620)
Other operating income	4,646	-	4,646	5,543	-	5,543
Group operating profit	5,091	3,292	8,383	8,989	-	8,989

4 Profit on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration - audit		
Group	300	31
Company	10	4
Auditors' remuneration – other services	125	3
Depreciation and other amounts written off tangible fixed assets	6,166	1,993
Amortisation of goodwill	2,098	-
Hire of plant and machinery - operating leases	210	69
Hire of other assets - operating leases	559	255
Research and development expenditure	571	267
Loss on disposal of fixed assets	295	5
Net exchange losses	17	50

Notes (continued)

5 Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments	172	344

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £106,469 (2001:£237,700)

	Number of directors 2002	2001
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	1	-

6 Staff numbers and costs

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

	Number of employees 2002	2001
Production	176	121
Sales & Distribution	320	62
Management and administration	136	76
Research and development	15	11
	647	270

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	17,038	7,277
Social security costs	2,770	562
Other pension costs	1,994	807
	21,802	8,646

Notes *(continued)*

7 Other interest receivable and similar income

	2002 £000	2001 £000
Receivable on amounts due from fellow Group undertakings	59	823
Bank interest receivable	365	160
Other interest receivable	229	-
	<u>653</u>	<u>983</u>

8 Interest payable and similar charges

	2002 £000	2001 £000
Payable on amounts due to fellow Group undertakings	(4,659)	-
	<u>(4,659)</u>	<u>-</u>

Notes (continued)

9 Taxation

Analysis of charge in period:

	2002		2001 (as restated)	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax (credit) / charge on income for the period	(388)		2,748	
Adjustments in respect of prior periods	(5)		(16)	
		(393)		2,732
<i>Foreign tax</i>		452		-
Total current tax		59		2,732
<i>Deferred tax (see note 18)</i>				
Origination/reversal of timing differences	212		359	
Adjustment in respect of previous years	(7)		2	
Total deferred tax		205		361
Tax on profit on ordinary activities		264		3,093

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2001: lower) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	4,377	9,972
Current tax at 30% (2001: 30%)	1,313	2,992
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	1,056	72
Income not chargeable to corporation tax	(68)	-
Transfer pricing adjustments	(1,109)	-
Capital allowances for period in excess of depreciation	(215)	(351)
Other timing differences	3	3
Higher tax rates on overseas earnings	252	-
Adjustments to tax charge in respect of previous periods	(1,173)	16
Total current tax charge (see above)	59	2,732

Notes (continued)

10 Profit attributable to Cytec UK Holdings Limited

The profit for the financial year before dividends dealt with in the accounts of the parent company, Cytec UK Holdings Limited, was £13,873,000 (2001: £2,690,000 profit). As permitted by section 230 of the Companies Act, a separate profit and loss account is not presented in respect of the parent company.

11 Intangible fixed assets

	Goodwill £000
Group	
Cost	
At beginning of year	-
Additions	49,478
	<hr/>
At end of year	49,478
	<hr/>
Amortisation	
At beginning of year	-
Charged in year	2,098
	<hr/>
At end of year	2,098
	<hr/>
Net book value	
At 31 December 2002	47,380
	<hr/>
At 31 December 2001	-
	<hr/>

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The goodwill which has arisen on the acquisitions of Cytec Industries BV and Cytec Engineered Materials GmbH is being written off over 20 years.

Notes (continued)

12 Tangible fixed assets

Group	Freehold land and buildings £000	Leasehold improvements £000	Plant and machinery £000	Fixtures, and fittings £000	Motor Vehicles £000	Assets in the course of construction £000	Total £000
Cost							
At beginning of year	9,130	-	20,253	2,264	19	185	31,851
Acquisitions in the year	9,972	511	55,021	11,640	63	1,617	78,824
Additions	7	-	192	-	-	3,653	3,852
Disposals	(2)	-	(980)	(78)	(19)	(63)	(1,142)
Transfers between items	1,303	-	2,246	600	-	(4,149)	-
Translation differences	657	34	3,622	766	4	106	5,189
At end of year	21,067	545	80,354	15,192	67	1,349	118,574
Depreciation							
At beginning of year	1,497	-	8,456	1,439	19	-	11,411
Acquisitions in the year	7,277	256	37,797	5,728	28	-	51,086
Charge for year	865	21	4,405	863	12	-	6,166
On disposals	-	-	(592)	(76)	(19)	-	(687)
Translation differences	479	17	2,488	377	2	-	3,363
At end of year	10,118	294	52,554	8,331	42	-	71,339
Net book value							
At 31 December 2002	10,949	251	27,800	6,861	25	1,349	47,235
At 31 December 2001	7,633	7,633	11,797	825	-	185	20,440

Company

No tangible fixed assets are held by the company

Notes (continued)

13 Fixed asset investments

Company	Share in group undertakings £000
Cost	
At beginning of year	23,700
Additions	86,237
	<hr/>
At end of year	109,937
	<hr/>
Provisions	
At beginning and end of year	-
	<hr/>
At end of year	-
	<hr/>
Net book value	
At 31 December 2002	109,937
	<hr/>
At 31 December 2001	23,700
	<hr/>

The Group holds no external investments

The undertakings in which the company's interest at the year end is more than 20% are as follows:

Company	Country of incorporation	Activity	Percentage and class of shares held
Direct subsidiary undertakings			
Cytex Industries UK Limited	England	Manufacture and distribution of polyacrylics	100% ordinary shares
Cytex Engineered Materials Limited	England	Manufacture and distribution of composites and adhesives	100% ordinary shares
Cytex Industries BV	Netherlands	Distributor and reseller of Polyacrylics, composites and adhesives	100% ordinary shares
Cytex Engineered Materials GmbH	Germany	Manufacture and distribution of composites and adhesives	90% ordinary shares
Indirect subsidiary undertakings			
Cytex Manufacturing BV ¹	Netherlands	Toll manufacturer	100% ordinary shares
Cytex Industries France S.a.r.l. ¹	France	Distributor of Polyacrylics, composites and adhesives	100% ordinary shares

¹ The investments in Cytex Manufacturing Bv and Cytex Industries France S.a.r.l. are held by Cytex Industries BV.

Notes (continued)

14 Stocks

	Group	
	2002 £000	2001 £000
Raw materials and consumables	3,983	2,270
Work in progress	153	-
Finished goods and goods for resale	6,175	700
	<u>10,311</u>	<u>2,970</u>

15 Debtors

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Trade debtors	32,492	7,151	-	-
Amounts owed by group undertakings	14,224	17,667	-	-
Other debtors	2,231	94	721	-
Prepayments and accrued income	5,956	233	-	-
	<u>54,903</u>	<u>25,145</u>	<u>721</u>	<u>-</u>

16 Creditors: amounts falling due within one year

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Trade creditors	4,802	1,012	-	-
Amounts owed to group undertakings	14,096	1,899	-	-
Corporation tax	157	-	-	-
Taxation and social security	704	1,718	-	-
Accruals and deferred income	8,401	2,220	6	4
	<u>28,160</u>	<u>6,849</u>	<u>6</u>	<u>4</u>

Notes (continued)

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Amounts owed to group undertakings	97,373	-	73,123	-

Amounts owed to group undertakings are all payable in more than five years.

18 Provisions for liabilities and charges

	Reorganisation costs	Pensions and similar obligations	Taxation including deferred taxation (as restated)	Other provisions	Total
	£000	£000	£000	£000	£000
Group					
At beginning of year	-	878	1,278	-	2,156
Amounts arising from acquisitions	1,108	1,348	-	-	2,456
Amounts utilised in the year	(763)	(537)	-	-	(1,300)
Charge for the year	-	872	205	10	1,087
Foreign exchange translation differences	73	89	-	-	199
At end of year	418	2,650	1,483	10	4,561

Included within pensions and similar obligations is £1,087,000 (2001: £878,000) being the excess of accumulated pension costs over the accumulation pensions paid for the Cytec Industries UK Pension Scheme (See note 25).

The remaining amounts within pension and similar contributions relate to the unfunded element of the employers contribution to pension schemes in the acquired business of Cytec Industries BV, Cytec Manufacturing BV and Cytec Engineered Materials GmbH.

The elements of deferred taxation are as follows:

	2002 £000	2001 £000
Difference between accumulated depreciation and amortisation and capital allowances	1,909	1,734
Other timing differences	(426)	(456)
Deferred tax liability	1,483	1,278

Following the adoption of FRS19 Taxation during 2002 deferred taxation has been provided for in full. This has given rise to a prior year adjustment. The impact of the prior year adjustment has been to increased deferred tax liability at 1 January 2001 by £395,000. The tax charge for the year ended 31 December 2001 has increased by £34,000 to record an increase in the deferred tax liability. Reserves at 1 January 2002 were restated by £429,000.

Notes (continued)

19 Acquisitions

On 22 February 2002, as part of a worldwide Group reorganisation, Cytec UK Holdings Limited acquired 100% of the ordinary share capital of Cytec Industries BV. On the date of acquisition, Cytec Industries BV held 100% of the ordinary share capital of Cytec Manufacturing BV and Cytec Industries France S.a.r.l.. As part of the same reorganisation Cytec UK Holdings Limited also acquired 90% of the ordinary share capital of Cytec Engineered Materials GmbH. The resulting goodwill of was capitalised and will be written off over the maximum allowed period of 20 years.

	Book Value and fair value		
	Cytec Industries BV and Subsidiaries £000	Cytec Engineered Materials GmbH £000	Total £000
Fixed assets			
Intangible	-	(569)	(569)
Tangible	25,654	2,084	27,738
Current assets			
Stock	12,277	1,652	13,929
Debtors	42,142	2,751	44,893
Cash	6,915	292	7,207
Total assets	86,988	6,210	93,198
Liabilities			
Creditors due within one year	(50,753)	(3,619)	(54,372)
Provisions for liabilities and charges	(1,640)	(816)	(2,456)
Total liabilities	(52,393)	(4,435)	(56,828)
Net assets	34,595	1,775	36,370
Minority interest	-	(180)	(180)
Net assets acquired	34,595	1,595	36,190
Goodwill	37,328	12,719	50,047
Purchase consideration and costs of acquisition	71,923	14,314	86,237

Notes (continued)

20 Called up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
20,000,000 Ordinary shares of £1 each	20,000	20,000
<i>Allotted, called up and fully paid</i>		
10,000,000 Ordinary shares of £1 each	10,000	10,000

21 Reserves

	Profit and loss account Group £000	Company £000
At beginning of year as previously stated	36,209	13,697
Prior year adjustment (see note 18)	(429)	-
	35,780	13,697
Retained profit for the year	4,070	13,874
Exchange adjustments	2,531	-
At end of year	42,381	27,571

22 Equity minority interests

	2002 £000	Group 2001 £000
At beginning of year	-	-
Acquisition of subsidiary undertakings	180	-
Retained profit for year	43	-
At end of year	223	-

23 Contingent liabilities

The Group, along with other European subsidiaries of Cytec Industries Inc, are jointly and severally liable for a £2,000,000 net value multi currency credit facility agreement in favour of those companies, together with a cash pooling agreement.

Subsidiary undertakings have given unsecured guarantees to third parties amounting to £305,000 (2002: £100,000)

Notes (continued)

24 Commitments

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Contracted	4,213	174	-	-

(b) Annual commitments under non-cancellable operating leases are as follows:

	2002		2001	
Group	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	46	568	-	77
In the second to fifth years inclusive	49	1,083	-	133
	95	1,651	-	210

The company does not have any commitments under non-cancellable operating leases

25 Pension scheme

The group operates a number of pensions schemes providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the group.

Cytec Engineered Materials Scheme

Requirements under SSAP24

Contributions to the Cytec Engineered Materials defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 29 June 2000.

For the purposes of assessing the pension charge for these accounts, the main assumptions adopted in the valuation were as follows:

Investment return	5.75% - 6.75% per annum
Salary increases	4.25% per annum
Pension increases	2.5% per annum

The most recent actuarial valuation showed that the market value of the scheme's assets was £4,748,000 at 29 June 2000 and that the actuarial value of those assets represented 102% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension charge for the period was £283,000 (2001: £235,000)

Notes (continued)

25 Pension scheme (continued)

Requirements under FRS17

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation was updated by the actuary on an FRS 17 basis as at 31 December 2002 and 31 December 2001.

The major assumptions used by the actuary in this valuation were:

	2002	2001
Rate of increase in salaries	3.9% per annum	4.0% per annum
Rate of increase in pensions in payment and deferred pensions	2.4% per annum	2.5% per annum
Discount rate applied to scheme liabilities	5.5% per annum	5.8% per annum
Inflation assumption	2.4% per annum	2.5 % per annum

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2002	Value at 31 December 2002 £000	Long term rate of return 2001	Value at 31 December 2001 £000
Gilts	4.5% per annum	273	4.9% per annum	350
Equities	7.5% per annum	2,971	7.9% per annum	3,334
Cash	4.5% per annum	127	4.9% per annum	376
Bonds	5.5% per annum	401	5.8% per annum	249
		<hr/>		<hr/>
		3,772		4,309
Present value of scheme liabilities		(6,702)		(5,768)
		<hr/>		<hr/>
Deficit in the scheme – Pension liability		(2,930)		(1,459)
Related deferred tax liability/asset		879		438
		<hr/>		<hr/>
Net pension liability		(2,051)		(1,021)
		<hr/>		<hr/>

The amount of this net pension liability would have a consequential effect on reserves.

Notes (continued)

25 Pension scheme (continued)

Movement in deficit during the year:

	2002 £000
Deficit in scheme at beginning of year	(1,459)
Current service cost	(298)
Contributions paid	285
Other finance costs	(22)
Actuarial loss	(1,436)
	<hr/>
Deficit in the scheme at end of year	(2,930)
	<hr/>

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit/loss

	2002 £000
Current service cost	298
	<hr/>

Analysis of amounts included in other finance costs:

	2002 £000
Expected return on pension scheme assets	322
Interest on pension scheme liabilities	(344)
	<hr/>
	(22)
	<hr/>

Analysis of amount recognised in statement of total recognised gains and losses

	2002	£000
	%	
Actual return less expected return on scheme assets		(1,162)
Percentage of year end scheme assets	(17%)	
Experience gains and losses arising on scheme liabilities		68
Percentage of present value of year end scheme liabilities	1%	
Changes in assumptions underlying the present value of scheme liabilities		(342)
Percentage of present value of year end scheme liabilities	(5%)	
		<hr/>
Actuarial gain loss recognised in statement of total recognised gains and losses		(1,436)
Percentage of present value of year end scheme liabilities	(21%)	
		<hr/>

Notes (continued)

25 Pension scheme (continued)

Cytec Industries UK Scheme

Requirements under SSAP24

Contributions to the Cytec Industries UK defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 31 December 1999.

For the purposes of assessing the pension charge for these accounts, the main assumptions adopted in the valuation were as follows:

Price inflation	2.9% per annum
Salary increases	4.8% per annum
Pension increases – pre 1997	0.0% per annum
Pension increases – post 1997	2.9% per annum
Investment return – pre retirement	6.9% per annum
Investment return – post retirement	4.9% per annum

The most recent actuarial valuation showed that the market value of the scheme's assets was £9,353,000 at 31 December 1999 and that the actuarial value of those assets represented 105% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The valuation was then updated on 31 December 2001 on an appropriate basis to allow for changes in market conditions and the actual return on assets.

The pension charge for the period was £678,000 (2001: £572,000).

A provision of £1,087,000 (2001: £878,000) is included within provisions for liabilities and charges (see note 18), this being the excess of the accumulated pension cost over the accumulated contributions paid.

Requirements under FRS17

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

A full actuarial valuation was carried out at 31 December 1999 by a qualified independent actuary. This valuation was updated on an FRS17 basis as at 31 December 2002. The major assumptions used by the actuary were:

	2002	2001
Rate of increase in salaries	3.9% per annum	4.5% per annum
Rate of increase in pensions in payment and deferred pensions	2.4% per annum	2.5% per annum
Discount rate applied to scheme liabilities	5.5% per annum	6.0% per annum
Inflation assumption	2.4% per annum	2.5% per annum

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes (continued)

26 Pension scheme (continued)

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2002	Value at 31 December 2002 £000	Long term rate of return 2001	Value at 31 December 2001 £000
Gilts	4.5% per annum	1,686	5.0% per annum	1,869
Equities	7.0% per annum	5,834	7.5% per annum	6,664
		<hr/>		<hr/>
		7,520		8,533
Present value of scheme liabilities		(12,349)		(10,581)
		<hr/>		<hr/>
Deficit in the scheme – Pension liability		(4,829)		(2,048)
Related deferred tax liability/asset		1,449		614
		<hr/>		<hr/>
Net pension liability		(3,380)		(1,434)
		<hr/>		<hr/>

The amount of this net pension liability would have a consequential effect on reserves.

Movement in deficit during the year:

	2002 £000
Deficit in scheme at beginning of year	(2,048)
Current service cost	(450)
Contributions paid	518
Past service cost	(49)
Other finance cost	(40)
Actuarial loss	(2,760)
	<hr/>
Deficit in the scheme at end of year	(4,829)
	<hr/>

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit/loss

	2002 £000
Current service cost	450
Past service cost	49
	<hr/>
	499
	<hr/>

Notes (continued)

25 Pension scheme (continued)

Analysis of amounts included in other finance costs:

	2002 £000
Expected return on pension scheme assets	614
Interest on pension scheme liabilities	(654)
	<hr/> (40) <hr/>

Analysis of amount recognised in statement of total recognised gains and losses

	2002
	% £000
Actual return less expected return on scheme assets	(2,288)
Percentage of year end scheme assets	(18%)
Experience gains and losses arising on scheme liabilities	216
Percentage of present value of year end scheme liabilities	2%
Changes in assumptions underlying the present value of scheme liabilities	(688)
Percentage of present value of year end scheme liabilities	(6%)
	<hr/>
Actuarial gain loss recognised in statement of total recognised gains and losses	(2,760)
Percentage of present value of year end scheme liabilities	(22%)
	<hr/>

Cytex Engineered Materials GmbH

Requirements under SSAP24

The Group operates 3 pension arrangements in Germany. A full actuarial valuation was carried out at 31 December 2002. The plans funding policy finances most benefits by way of book reserves. Employees do not contribute to the plans.

For the purposes of assessing the pension charge for these accounts, the main assumptions adopted in the valuation were as follows:

Price inflation	3.0% per annum
Salary increases	3.0% per annum
Rate of increase of pensions in payment	2.0% per annum

The pension charge for the period was £86,000.

Notes (continued)

26 Pension scheme (continued)

Requirements under FRS17

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

A full actuarial valuation was carried out at 31 December 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	2002	2001
Rate of increase in salaries	3.0% per annum	3.0% per annum
Rate of increase in pensions in payment and deferred pensions	2.0% per annum	2.0% per annum
Discount rate applied to scheme liabilities	5.75% per annum	5.75% per annum
Inflation assumption	3.0% per annum	3.0% per annum

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2002	Value at 31 December 2002 £000	Long term rate of return 2001	Value at 31 December 2001 £000
Bonds & Gilts	5.5% per annum	42	5.5% per annum	39
		42		39
Present value of scheme liabilities		(975)		(869)
		(933)		(830)
Deficit in the scheme – Pension liability		280		249
Related deferred tax asset				
Net pension liability		(653)		(581)

Notes (continued)

25 Pension scheme (continued)

The amount of this net pension liability would have a consequential effect on reserves.

Movement in deficit during the year:

	2002 £000
Deficit in scheme at beginning of year	(830)
Current service cost	(52)
Interest cost	(51)
	<hr/>
Deficit in the scheme at end of year	(933)
	<hr/>

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit/loss

	2002 £000
Current service cost	-
	<hr/>

Analysis of amounts included in other finance costs:

	2002 £000
Expected return on pension scheme assets	2
Interest on pension scheme liabilities	(53)
	<hr/>
	(51)
	<hr/>

Analysis of amount recognised in statement of total recognised gains and losses

	2002	£000
	%	
Actual return less expected return on scheme assets		-
Percentage of year end scheme assets	-	
Experience gains and losses arising on scheme liabilities		-
Percentage of present value of year end scheme liabilities	-	
Changes in assumptions underlying the present value of scheme liabilities		-
Percentage of present value of year end scheme liabilities	-	
		<hr/>
Actuarial gain loss recognised in statement of total recognised gains and losses		-
Percentage of present value of year end scheme liabilities	-	
		<hr/>

Notes (continued)

25 Pension scheme (continued)

Cytec Industries BV

Requirements under SSAP24

The Group has a defined benefit scheme in the Netherlands. Contributions were paid at a rate of 25% of Pensionable Salary. Employees also contribute between 2.25% and 4.50% of Pensionable Salary. For the purposes of assessing the pension charge for these accounts, the main assumptions adopted in the valuation were as follows:

Price inflation	2.0% per annum
Salary increases	2.5% per annum
Rate of increase of pensions in payment	1.33% per annum

The pension charge for the period was £1,552,000.

Requirements under FRS17

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

A full actuarial valuation was carried out at 31 December 2002. This valuation was updated on an FRS17 basis as at 31 December 2002. The major assumptions used by the actuary were:

	2002	2001
Rate of increase in salaries	2.5% per annum	2.5% per annum
Rate of increase in pensions in payment and deferred pensions	1.33% per annum	1.33% per annum
Discount rate applied to scheme liabilities	5.5% per annum	5.5% per annum
Inflation assumption	2.0% per annum	2.0% per annum

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2002	Value at 31 December 2002 £000	Long term rate of return 2001	Value at 31 December 2001 £000
Equities	7.25% per annum	5,293	7.25% per annum	5,695
Bonds & Gilts	5.25% per annum	22,677	5.25% per annum	20,521
		<hr/>		<hr/>
		27,970		26,216
Present value of scheme liabilities		(27,909)		(25,673)
		<hr/>		<hr/>
Surplus in the scheme – Pension asset		61		543
Related deferred tax liability		(18)		(163)
		<hr/>		<hr/>
Net pension asset		43		380
		<hr/>		<hr/>

Notes (continued)

25 Pension scheme (continued)

The amount of this net pension liability would have a consequential effect on reserves.

Movement in deficit during the year:

	2002 £000
Surplus in scheme at beginning of year	543
Current service cost	(1,018)
Contributions	1,895
Net return on assets	104
Actuarial loss	(1,463)
	<hr/>
Surplus in the scheme at end of year	61
	<hr/>

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit/loss

	2002 £000
Current service cost	1,018
Past service cost	-
	<hr/>

Analysis of amounts included in other finance costs:

	2002 £000
Expected return on pension scheme assets	1,528
Interest on pension scheme liabilities	(1,424)
	<hr/>
Net return on assets	104
	<hr/>

Analysis of amount recognised in statement of total recognised gains and losses

	2002
	% £000
Actual return less expected return on scheme assets	(1,114)
Percentage of year end scheme assets	4%
Experience gains and losses arising on scheme liabilities	(349)
Percentage of present value of year end scheme liabilities	1%
	<hr/>
Actuarial gain loss recognised in statement of total recognised gains and losses	(1,463)
Percentage of present value of year end scheme liabilities	5%
	<hr/>

Notes *(continued)*

26 Ultimate parent company and parent undertaking of larger group

The largest group in which the results of the company and sub group 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.