

# Cytec UK Holdings Limited

## REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 December 2005



Company Registration No 02834414

# Cytec UK Holdings Limited

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# Cytec UK Holdings Limited

## DIRECTORS AND ADVISORS

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### DIRECTORS

A Cameron

JP Cronin (Chairman)

DM Drillock

RD Smith

R Swaddle (appointed 5 May 2005)

### SECRETARY

Pinsent Masons Secretarial Limited

### REGISTERED OFFICE

Abenbury Way

Wrexham Industrial Estate

Wrexham

LL13 9UZ

### AUDITORS

KPMG LLP

St James Square

Manchester

M2 6DS

# Cytec UK Holdings Limited

## DIRECTORS' REPORT

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The directors submit their report and the group financial statements of Cytec UK Holdings Limited for the year ended 31 December 2005

### 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

### RESULTS AND DIVIDENDS

The directors do not recommend the payment of a dividend (*2004 £nil*) which leaves a profit of £1 547,000 to be retained (*2004 restated £1,726,000*)

### 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 £522,000 (*2004 £704,000*)

### EMPLOYEE INVOLVEMENT

Cytec UK Holdings Limited operates a policy of equal opportunity and continues to give full and fair consideration to applications for employment made by disabled persons. Employees who become disabled will, wherever possible and practicable, be retained in employment and, where necessary, appropriate training will be provided.

Employees are encouraged to gain an overall understanding of what is happening to the business that they work for. Considerable emphasis is placed on communications with employees and, in addition to regular briefings and updates, employees are provided with full details of major changes and events which may affect the stability of the company and the security of their employment.

### DIRECTORS

The following directors have held office since 1 January 2005

A Cameron  
JP Cronin (Chairman)  
DM Drillock  
RD Smith  
R Swaddle

# Cytec UK Holdings Limited

## DIRECTORS' REPORT

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### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of group companies

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year

### AUDITORS

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office

By order of the board

 R SWADLOW

Director

Abenbury Way  
Wrexham Industrial Estate  
Wrexham  
LL13 9UZ

5th July 2007

# Cytec UK Holdings Limited

## 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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 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 and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a 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*

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYTEC UK HOLDINGS LIMITED**

We have audited the group and parent company financial statements (the 'financial statements') of Cytec UK Holdings for the year ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliations of Movements in Shareholders Funds 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 Directors' Report and 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 4.

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 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement 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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's and 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 CYTEC UK HOLDINGS 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 group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended and
- have been properly prepared in accordance with the Companies Act 1985

*KPMG LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditors*

*6 July* 2007



# Cytec UK Holdings Limited

## Consolidated Profit and Loss Account

for the year ended 31 December 2005

	Note	2005 £000	2004 £000 (Restated)
TURNOVER – CONTINUING OPERATIONS	1	290,480	264,068
Cost of sales		(255,003)	(232,032)
GROSS PROFIT		35,477	32,036
Distribution costs		(6,545)	(6,489)
Administrative expenses		(24,565)	(20,378)
Other operating income		2,675	2,364
OPERATING PROFIT – CONTINUING OPERATIONS		7,042	7,533
Other interest receivable and similar income	2	1,160	995
Interest payable and similar charges	3	(5,882)	(5,136)
Other finance income	22	280	319
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1-5	2,600	3,711
Taxation	6	(1,176)	(2,085)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,424	1,626
EQUITY MINORITY INTERESTS	18	123	100
RETAINED PROFIT FOR THE YEAR		1,547	1,726

# Cytec UK Holdings Limited

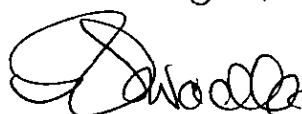
## Consolidated Balance Sheet

At 31 December 2005

	Note	2005		2004 (Restated)	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	8		39,866		42,348
Tangible assets	9		49,638		53,677
Investments	10		6		6
			<u>89,510</u>		<u>96,031</u>
<b>Current assets</b>					
Stocks	11	19,665		19,609	
Debtors	12	79,105		57,267	
Cash at bank and in hand		8,391		17,156	
		<u>107,161</u>		<u>94,032</u>	
<b>Creditors</b> Amounts falling due within one year	13	(67,738)		(58,159)	
		<u></u>		<u></u>	
<b>Net current assets</b>			<u>39,423</u>		<u>35,873</u>
<b>Total assets less current liabilities</b>			<u>128,933</u>		<u>131,904</u>
<b>Creditors:</b> Amounts falling due in more than one year	14	(69,437)		(69,905)	
<b>Provisions for liabilities and charges</b>	15	(837)		(1,496)	
		<u></u>		<u></u>	
<b>Net assets excluding pension liabilities</b>			<u>58,659</u>		<u>60,503</u>
<b>Pension liabilities</b>	22	(6,787)		(7,976)	
		<u></u>		<u></u>	
<b>Net Assets including pension liabilities</b>			<u>51,872</u>		<u>52,527</u>
			<u></u>		<u></u>
<b>Capital and reserves</b>					
Called up share capital	16	10,000		10,000	
Profit and loss account	17	41,548		42,080	
		<u></u>		<u></u>	
<b>Equity shareholders funds</b>			<u>51,548</u>		<u>52,080</u>
<b>Equity minority interests</b>	18	324		447	
		<u></u>	<u>51,872</u>		<u>52,527</u>
			<u></u>		<u></u>

Approved by the board on 5th July 2007

Director

 R. SWADLOW

# Cytec UK Holdings Limited

## Company Balance Sheet

at 31 December 2005

	Note	2005	2004
		£000	£000
<b>Fixed assets</b>			
Investments	10	112,754	112,754
<b>Current Assets</b>			
Debtors	12	6,541	4,745
Cash at bank and in hand		-	451
		<u>6,541</u>	<u>5,196</u>
<b>Creditors</b> Amounts falling due within one year	13	<u>(7,800)</u>	<u>(6,513)</u>
<b>Net current Liabilities</b>		(1,259)	(1,317)
<b>Total assets less current liabilities</b>		<u>111,495</u>	<u>111,437</u>
<b>Creditors</b> Amounts falling due in more than one year	14	<u>(69,437)</u>	<u>(69,905)</u>
<b>Net Assets</b>		<u>42,058</u>	<u>41,532</u>
<b>Capital and Reserves</b>			
Called up share capital	16	10,000	10,000
Profit and loss account	17	32,058	31,532
<b>Equity Shareholders Funds</b>		<u>42,058</u>	<u>41,532</u>

Approved by the board on 5th July 2007



Director

R. SWADDLE

# Cytec UK Holdings Limited

## Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31st December 2005

	Group		Company	
	2005	2004	2005	2004
		(Restated)		
	£000	£000	£000	£000
Profit/(loss) for the financial year	1,547	1 726	526	549
Actuarial gain/(loss) recognised in the pension scheme	887	(5,142)	-	-
Deferred tax arising on actuarial gain/(loss) in the pension scheme	(266)	1,543	-	-
	<u>2,168</u>	<u>(1,873)</u>	<u>526</u>	<u>549</u>
Other recognised gains and losses relating to the year	(2,700)	358	-	-
	<u>(532)</u>	<u>(1,515)</u>	<u>526</u>	<u>549</u>
Total recognised gains and losses relating to the year	(532)	(1,515)	526	549
Prior year adjustment ( <i>see below</i> )	5,259	-	-	-
	<u>4,727</u>	<u>(1,515)</u>	<u>526</u>	<u>549</u>
<b>Total gains and losses recognised since last annual report</b>	<u><u>4,727</u></u>	<u><u>(1,515)</u></u>	<u><u>526</u></u>	<u><u>549</u></u>

The recognition and measurement requirements of Financial Reporting Standard 17 'Retirement benefits' have also been adopted. previously the transitional disclosures of that standard have been followed. Opening reserves for the comparative period were restated as a result of the adoption of Financial Reporting Standard 17. At 31 December 2003 the deficit on the pension scheme was £8,115,000 and the related deferred tax asset was £2,435,000, therefore opening reserves for the comparative period were reduced by £5 681 000 being the net pension liability recorded under Financial Reporting Standard 17.

Opening reserves for the comparative period have also been increased for the release of £2,587,000 relating to the SSAP 24 pension provision and associated deferred tax at 31 December 2003 and reduced further by £5,681,000 upon recognition of the net Financial Reporting Standard 17 pension liability as detailed above, resulting in a net overall impact on the adoption of Financial Reporting Standard 17 of £3,094,000. In addition to the above, the profit reported for the 12 months ended 31 December 2004 has increased by £1,434,000 and the net asset at 31 December 2004 have reduced by £5,259,000.

An analysis of the pension liability can be seen in note 22.

# Cytec UK Holdings Limited

## Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2005	2004	2005	2004
	(Restated)			
	£000	£000	£000	£000
Profit for the financial year	1,547	1,726	526	549
Other recognised gains and losses (net)	(2,079)	(3,241)		
	<hr/>	<hr/>	<hr/>	<hr/>
Total recognised gains and losses recognised since the last annual report	(532)	(1,515)	526	549
Opening shareholders' funds (originally £56,689,000 restated for a prior year adjustment of £3,094,000 (see the Consolidated Statement of Total Recognised Gains and Losses above ))	52,080	53,595	41,532	40,983
	<hr/>	<hr/>	<hr/>	<hr/>
CLOSING SHAREHOLDERS' FUNDS	51,548	52,080	42,058	41,532
	<hr/>	<hr/>	<hr/>	<hr/>

# Cytec UK Holdings Limited

## Notes

*(forming part of the financial statements)*

### BASIS OF ACCOUNTING

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

The company is exempt from the requirements of Financial Reporting Standard 1 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 consolidated 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 8 and has therefore not disclosed transactions or balances with entities which form part of the Group

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

The recognition and measurement requirements of Financial Reporting Standard 17 Retirement benefits have also been adopted, previously the transitional disclosures of that standard have been followed. The impact of the adjustment is noted beneath the Consolidated Statement of Total Recognised Gains and Losses

An analysis of the pension liability can be seen in note 22

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of Cytec UK Holdings Limited and all of its subsidiary undertakings for the year. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised and written off on a straight line basis over its estimated economic life. Provision is made for impairment. All financial statements are made up to 31 December 2005

As permitted by Section 230(4) of the Companies Act 1985, the company has not presented its own profit and loss account

### PURCHASED GOODWILL

Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised and written off evenly over 20 years as in the opinion of the directors this represents the period over which the goodwill is effective

# Cytec UK Holdings Limited

## Notes (continued)

### TANGIBLE FIXED ASSETS

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

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

### INVESTMENTS

Fixed asset investments are stated at cost. Provision is made for any impairment in the value of fixed asset investments.

### 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 related.

### STOCKS AND WORK IN PROGRESS

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

### FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Assets, liabilities and results of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

### RESEARCH AND DEVELOPMENT

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

### DEFERRED TAXATION

Deferred tax is recognised in respect of all timing 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. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

## Notes (continued)

# Cytec UK Holdings Limited

## 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 profit and loss on a straight line basis over the lease term.

## RETIREMENT BENEFITS

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and in the statement of total recognised gains and losses, actuarial gains and losses.

## TURNOVER

Turnover represents the invoiced value net of sales taxes of goods and services provided to customers. Turnover is derived entirely from the company's principal activities. Revenue is recognised when substantially all of the obligations under a sales contract have been fulfilled.



# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The analysis of turnover and profit before taxation by class of business and the geographical analysis of turnover have not been given as in the opinion of the directors such disclosure would be severely prejudicial to the interests of the group

2	OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	2005 £000	2004 £000
	Inter-company interest receivable	806	207
	Bank interest receivable	354	691
	Other interest receivable	-	97
		<u>1,160</u>	<u>995</u>

3	INTEREST PAYABLE AND SIMILAR CHARGES	2005 £000	2004 £000
	Inter-company interest payable	5,722	4 565
	On bank loans and overdrafts	-	57
	Net exchange losses	160	514
		<u>5,882</u>	<u>5 136</u>

### 4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	2005 £000	2004 £000
Depreciation and amounts written off tangible fixed assets		
Charge for the year		
Owned assets	6,579	6 551
Loss on disposal of fixed assets	7	10
Amortisation of goodwill	2,502	2,502
Operating lease rentals		
Plant and machinery	239	431
Other	599	253
Auditors remuneration		
Audit services	225	174
Other services	38	38
Research and development	522	740
Redundancy costs	579	30

Fees paid by Cytec UK Holdings Limited to the auditors for audit services were £10 000 (2004 £10,000) and for other services were £nil (2004 £nil)

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

### 5 EMPLOYEES

The average monthly number of persons (including directors) employed by the group during the year was	2005 Number	2004 Number
Production	378	349
Sales and distribution	79	109
Management and administration	203	210
Research and development	9	16
	<u>669</u>	<u>684</u>

#### Staff costs for the above persons

	2005 £000	2004 £000 (as restated)
Wages and salaries	22,988	22,110
Social security costs	3,817	3,887
Other pension costs	2,491	2,274
	<u>29,296</u>	<u>28,271</u>

#### DIRECTORS' REMUNERATION

	2005 £000	2004 £000
Emoluments	<u>245</u>	<u>221</u>

	Number	Number
The number of directors to whom relevant benefits are accruing under		
Defined benefit pension schemes was	<u>1</u>	<u>1</u>

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

6	TAXATION	2005		2004 (restated)	
		£000	£000	£000	£000
	Current tax				
	UK corporation tax on profits of the year	1,701		2,192	
	Foreign tax	(44)		(466)	
	Total current tax		1,657		1,726
	Deferred tax				
	Origination and reversal of timing differences	(725)		(199)	
	Adjustments in respect of FRS17	244		558	
	Total deferred tax		(481)		359
	Tax on profit on ordinary activities		1,176		2,085
	Factors affecting tax charge for the year			2005	2004
				£000	£000
	The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below				
	Profit on ordinary activities before tax			2,600	3,711
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2004 30%)			780	1 113
	<i>Effects of</i>				
	Expenses not deductible for tax purposes			672	1,084
	Income not taxable			(29)	(27)
	Capital allowances less than/ (in excess of) depreciation			69	(14)
	Other timing differences			253	1,463
	Difference in overseas tax rate			(44)	(49)
	Adjustments in respect of previous periods			(44)	(731)
	Current tax charge for the year			1,657	1 726

### Factors that may affect future tax charges

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years

# Cytec UK Holdings Limited

For the year ended 31 December 2005

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## Notes (continued)

### 7 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit for the financial year before dividends dealt with in the accounts of the parent company, Cytec UK Holdings Limited, was £526,000 (2004 £549,000)

### 8 INTANGIBLE FIXED ASSETS

	Positive goodwill £000
<b>GROUP</b>	
<i>Cost</i>	
At beginning of year	49,388
Translation differences	20
	<hr/>
At end of year	49,408
	<hr/>
<i>Amounts written off</i>	
At beginning of year	7 040
Charge in the year	2,502
Translation differences	-
	<hr/>
At end of year	9,542
	<hr/>
<i>Net book value</i>	
<b>At 31 December 2005</b>	<b>39,866</b>
	<hr/>
At 31 December 2004	42 348
	<hr/>

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

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

### 9 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Leasehold improve- ments	Plant and machinery	Fixtures fittings tools and equipment	Motor vehicles	Assets in the course of con- struction	Total
GROUP	£000	£000	£000	£000	£000	£000	£000
<i>Cost</i>							
At beginning of year	26 145	683	93 937	14 547	73	2 958	138 343
Additions	3	-	776	15	-	3 721	4,515
Disposals	(30)	-	(727)	(59)	-	(723)	(1 539)
Reclassifications	701	-	3 829	64	-	(4 594)	-
Translation differences	(504)	(21)	(2 149)	(366)	(2)	(76)	(3 118)
At end of year	26 315	662	95 666	14 201	71	1 286	138,201
<i>Depreciation</i>							
At beginning of year	12 794	363	63 257	8 186	66	-	84 666
Charged in the year	1 112	23	4 816	625	3	-	6,579
Disposals	(21)	-	(573)	(57)	-	-	(651)
Translation differences	(316)	(11)	(1 504)	(198)	(2)	-	(2 031)
At end of year	13 569	375	65 996	8 556	67	-	88 563
<i>Net book value</i>							
At 31 December 2005	12,746	287	29,670	5,645	4	1,286	49,638
At 31 December 2004	13 351	320	30 680	6 361	7	2 958	53 677

# Cytec UK Holdings Limited

For the year ended 31 December 2005

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## Notes (continued)

### 10 FIXED ASSET INVESTMENTS

#### GROUP

Shares in  
group  
undertakings  
£000

#### *Cost*

At beginning and end of year

6

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The investment, held by the Group is an investment in Cytec Trading Limited and Cytec Coordination Centre BVBA. These investments are not consolidated.

#### COMPANY

Shares in  
subsidiary  
undertakings  
£000

#### *Cost*

At beginning and end of year

112,754

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#### *Amounts written off*

At beginning and end of year

-

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#### *Net book value*

**At 31 December 2005**

**112,754**

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At 31 December 2004

112,754

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# Cytec UK Holdings Limited

For the year ended 31 December 2005

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## Notes (continued)

### 10 FIXED ASSETS INVESTMENTS (continued)

The company holds more than 20% of the equity (and no other share or loan capital) of the following undertakings

Company	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Direct subsidiary undertakings</i>			
Cytec Industries UK Limited	England	Manufacture and distribution of polyacrylics	100% ordinary shares
Cytec Engineered Materials Limited	England	Manufacture and distribution of composites and adhesives	100% ordinary shares
Cytec Industries BV	Netherlands	Distributor and reseller of polyacrylics composites and adhesives	100% ordinary shares
Cytec Engineered Materials GmbH	Germany	Manufacture and distribution of composites and adhesives	90% ordinary shares
Cytec Trading Limited	England	Dormant	100% ordinary shares
<i>Indirect subsidiary undertakings</i>			
Cytec Manufacturing BV	Netherlands	Toll manufacturer	100% ordinary shares
Cytec Industries France S a r l	France	Distributor of polyacrylics composites and adhesives	100% ordinary shares

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

11	STOCKS	Group		Company	
		2005 £000	2004 £000	2005 £000	2004 £000
	Raw materials and consumables	5,680	5 865	-	-
	Work in progress	8	8	-	-
	Finished goods and goods for resale	13,977	13 736	-	-
		<u>19,665</u>	<u>19,609</u>	<u>-</u>	<u>-</u>
		<u><u>19,665</u></u>	<u><u>19,609</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
12	DEBTORS	Group		Company	
		2005 £000	2004 £000	2005 £000	2004 £000
	<i>Due within one year</i>				
	Trade debtors	43,590	40,757	-	-
	Amounts owed by group undertakings	23,734	8,171	4,099	3 000
	Corporation tax	858	286	2,442	1,745
	Other debtors	3,531	632	-	-
	Prepayments and accrued income	7,392	7,421	-	-
		<u>79,105</u>	<u>57,267</u>	<u>6,541</u>	<u>4,745</u>
		<u><u>79,105</u></u>	<u><u>57,267</u></u>	<u><u>6,541</u></u>	<u><u>4,745</u></u>
13	CREDITORS Amounts falling due within one year	Group		Company	
		2005 £000	2004 £000	2005 £000	2004 £000
	Trade creditors	9,960	9,713	-	-
	Amounts owed to group undertakings	45,147	40,428	7,800	6,509
	Other taxation and social security costs	981	791	-	-
	Other creditors	3,327	16	-	-
	Accruals and deferred income	8,323	7 211	-	4
		<u>67,738</u>	<u>58,159</u>	<u>7,800</u>	<u>6 513</u>
		<u><u>67,738</u></u>	<u><u>58,159</u></u>	<u><u>7,800</u></u>	<u><u>6 513</u></u>



# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

- 14 CREDITORS Amounts falling due in more than one year

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amounts owed to group undertakings	<b>69,437</b>	69,905	<b>69,437</b>	69,905

All amounts owed to group undertakings are payable in more than five years

- 15 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £000	Other provisions £000	Total £000
<b>GROUP</b>			
At beginning of year	1,322	174	1,496
Charge / (credit) for the year	(725)	70	(655)
Translation differences	-	(4)	(4)
<b>At end of year</b>	<b>597</b>	<b>240</b>	<b>837</b>

Provision for deferred tax has been made as follows

	(as restated)	
	2005	2004
	£000	£000
Excess of tax allowances over depreciation	<b>528</b>	1 253
Other timing differences	<b>69</b>	69
	<b>597</b>	1,322

Other provisions relate to future lease rentals payable for assets which are not anticipated to be of use in the ongoing business

Provisions for liabilities and charges included in the company balance sheet relate wholly to pensions and similar obligations in both 2005 and 2004

## DEFERRED TAX

	(as restated)	
	2005	2004
	£000	£000
Shown above	<b>597</b>	1,322
In relation to pension deficit	<b>(2,909)</b>	(3 418)
	<b>(2,312)</b>	(2,096)

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

16	SHARE CAPITAL	2005 £000	2004 £000
	Authorised Equity 20,000 000 ordinary shares of £1 each	20,000	20,000
	Allotted, issued and fully paid Equity 10,000 000 ordinary shares of £1 each	10,000	10,000
17	PROFIT AND LOSS ACCOUNT	Group (Restated) £000	Company £000
	At beginning of period	47 339	31,532
	Prior year adjustment	(5 259)	-
	At beginning of year as restated	42 080	31 532
	Profit/(loss) for the year	1,547	526
	Exchange differences arising on the retranslation of overseas undertakings	(2,700)	-
	Actuarial gain recognised in the pension scheme	887	-
	Deferred tax arising on gains in the pension scheme	(266)	-
	At end of year	41,548	32,058
18	EQUITY MINORITY INTERESTS		Group £000
	At beginning of year		447
	Minority share of loss for the year		(123)
	At end of year		324

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

### 19 CAPITAL COMMITMENTS

	2005 £000	2004 £000
Capital expenditure contracted for but not provided in the financial statements	Nil	404

### 20 COMMITMENTS UNDER OPERATING LEASES

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
At 31 December 2005 the group was committed to making the following payments during the next year under non-cancellable operating leases as follows				
Land and buildings				
Expiring after five years	183	17	-	-
Plant and machinery				
Expiring within one year	222	195	-	-
Expiring between two and five years	565	697	-	-
Expiring after five years	-	-	-	-
	<u>970</u>	<u>909</u>	<u>-</u>	<u>-</u>

### 21 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 £785,000 (2004 £594,000)

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

### 22 PENSION COMMITMENTS

#### *Cytec UK Holdings Scheme*

At 1<sup>st</sup> January 2004 the pension scheme of Cytec Industries UK Limited changed its name to Cytec UK Pension Plan. At the same time the employees of fellow group company Cytec Engineered Materials, who were previously members of the Cytec Engineered Materials Limited Retirement Benefits Plan transferred into the Cytec UK Pension Plan, effectively merging the individual schemes.

As a result of the merger of the two schemes, the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17.

Retirement benefits the scheme will be accounted for by the company. The deficit in the merged scheme at 31 December 2005 was £5,168,000 (2004: £8,253,000).

The balance sheet disclosures as at 31 December 2005 and 2004 were based on full valuations carried out at 31 December 2002 updated where necessary by the actuary on an FRS17 basis.

The following information gives details of the 'merged' Cytec UK Pension Plan (the 'Merged scheme') for 2005 which, as above, includes assets and liabilities relating to both Cytec Industries UK Limited and Cytec Engineered Materials Limited. However, the 2003 comparative information gives details of the pre-merger Cytec Industries UK Limited Pension Scheme (CUIK) and Cytec Engineered Materials Limited Retirement Benefits Plan (CEM) which includes only assets and liabilities related to Cytec Industries UK Limited and Cytec Engineered Materials respectively.

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

	<b>2005 Merged scheme</b>	<b>2004 Merged Scheme</b>	<b>2003 CUIK Individual Scheme</b>	<b>2003 CEM Individual scheme</b>
Rate of increase in salaries	<b>3.30% per annum</b>	4.25% per annum	4.15% per annum	3.90% per annum
Rate of increase in pensions in payment and deferred pensions	<b>2.55% per annum</b>	2.75% per annum	2.65% per annum	2.40% per annum
Discount rate applied to scheme liabilities	<b>4.75% per annum</b>	5.30% per annum	5.35% per annum	5.50% per annum
Inflation assumption	<b>2.55% per annum</b>	2.75% per annum	2.65% per annum	2.40% per annum

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

### 22 PENSION COMMITMENTS (continued)

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 2005	Value at 31 December 2005 Merged scheme £000	Long term rate of return 2004	Value at 31 December 2004 Merged Scheme £000	Long term rate of return 2003	Value at 31 December 2003 CUIK Individual scheme £000	Long term rate of return 2003	Value at 31 December 2003 CEM Individual scheme £000
Equities	7.00% per annum	18,762	7.25% per annum	14,565	7.30% per annum	7,638	7.25% per annum	4,002
Bonds and gilts	4.50% per annum	3,729	4.75% per annum	2,836	4.50% per annum	1,476	4.75% per annum	774
		<u>22,491</u>		<u>17,401</u>		<u>9,114</u>		<u>4,776</u>
Present value of scheme liabilities		<u>(27,659)</u>		<u>(25,654)</u>		<u>(13,872)</u>		<u>(7,920)</u>
Deficit in scheme – pension liability		(5,168)		(8,253)		(4,758)		(3,144)
Related deferred tax liability/asset		<u>1,550</u>		<u>2,476</u>		<u>1,427</u>		<u>943</u>
Net pension liability		<u><u>(3,618)</u></u>		<u><u>(5,777)</u></u>		<u><u>(3,331)</u></u>		<u><u>(2,201)</u></u>

#### Movement in deficit during the year

	2005 Merged scheme £000	2004 Merged scheme £000
Deficit in scheme at beginning of year	(8,253)	(3,144)
Deficit transferred in on merger of schemes	-	(4,758)
Current service cost	(1,149)	(1,089)
Contributions paid	1,393	1,772
Other finance costs	(197)	(184)
Actuarial gain/(loss)	3,038	(850)
<b>Deficit in the scheme at end of year</b>	<u><u>(5,168)</u></u>	<u><u>(8,253)</u></u>

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

### 22 PENSION COMMITMENTS (continued)

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

	2005 Merged scheme £000	2004 Merged scheme £000
Current service costs	1,149	1,089

Analysis of amounts included in other finance costs

	2005 Merged scheme £000	2004 Individual scheme £000
Expected return on pension scheme assets	1,193	1,010
Interest on pension scheme liabilities	(1,390)	(1 194)
<b>Net return on assets</b>	<b>(197)</b>	<b>(184)</b>

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

	2005 Merged scheme %	£000	2004 Merged scheme %	£000
Actual return less expected return on scheme assets		2,516		757
Percentage of year end scheme assets	11.19%		4.00%	
Experience gains and losses arising on scheme liabilities		2,706		(491)
Percentage of present value of year end scheme liabilities	9.78%		(2.00%)	
Changes in assumptions underlying the present value of scheme liabilities		(2,184)		(1,116)
Percentage of present value of year end scheme liabilities	(7.90%)		(4.00%)	
Actuarial gain or loss recognised in statement of total recognised gains and losses		3,038		(850)
Percentage of present value of year end scheme liabilities	10.98%		(2.00%)	

# Cytec UK Holdings Limited

For the year ended 31 December 2005

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## Notes (continued)

### 22 PENSION COMMITMENTS (continued)

#### *Cytec Engineered Materials GmbH*

A full actuarial valuation was carried out at 31 December 2002 by a qualified independent actuary. The valuation was updated on an FRS 17 basis as at 31 December 2005. The major assumptions used by the actuary were:

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

	2005	2004	2003
Rate of increase in salaries	<b>3.00% per annum</b>	3.00% per annum	3.00% per annum
Rate of increase in pensions in payment and deferred pensions	<b>1.75% per annum</b>	1.75% per annum	1.75% per annum
Discount rate applied to scheme liabilities	<b>4.25% per annum</b>	5.25% per annum	5.50% per annum
Inflation assumption	<b>3.00% per annum</b>	3.00% per annum	3.00% 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.

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

### 22 PENSION COMMITMENTS (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 2005	Value at 31 December 2005 £000	Long term rate of return 2004	Value at 31 December 2004 £000	Long term rate of return 2003	Value at 31 December 2003 £000
Equities	7.25% per annum	-	7.25% per annum	-	7.25% per annum	-
Bonds and gilts	4.00% per annum	33	5.25% per annum	32	5.25% per annum	31
Cash	4.75% per annum	-	4.75% per annum	-	4.75% per annum	-
Others	5.25% per annum	-	5.25% per annum	-	7.25% per annum	-
		<u>33</u>		<u>32</u>		<u>31</u>
Present value of scheme liabilities		<u>(1,707)</u>		<u>(1,339)</u>		<u>(1,098)</u>
Deficit in the scheme— pension liability		<u>(1,674)</u>		<u>(1,307)</u>		<u>(1,067)</u>
Related Deferred tax asset		<u>502</u>		<u>392</u>		<u>320</u>
Net pension liability		<u><u>(1,172)</u></u>		<u><u>(915)</u></u>		<u><u>(747)</u></u>
Movement in deficit during the year						
				2005 £000		2004 £000
Deficit in scheme at beginning of year				(1,307)		(1,067)
Contributions				10		-
Current service cost				(85)		(88)
Net return on assets				(66)		(59)
Actuarial loss				(226)		(93)
Deficit in the scheme at end of year				<u><u>(1,674)</u></u>		<u><u>(1,307)</u></u>



# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

### 22 PENSION COMMITMENTS (continued)

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

	2005 £000	2004 £000
Current service costs	(85)	(88)

Analysis of amounts included in other finance costs

	2005 £000	2004 £000
Expected return on pension assets	2	2
Interest on pension scheme liabilities	(68)	(61)
<b>Net return on assets</b>	<b>(66)</b>	<b>(59)</b>

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

	2005 %	£000	2004 %	£000
Actual return less expected return on scheme assets		-		(1)
Percentage of year end scheme assets	-		(3.00%)	
Experience gains and losses arising on scheme liabilities		61		88
Percentage of present value of year end scheme liabilities	3.57%		6.60%	
Actuarial gain or loss recognised in statement of total recognised gains and losses		(226)		(92)
Percentage of present value of year end scheme liabilities	(15.56%)		7.00%	

# Cytec UK Holdings Limited

For the year ended 31 December 2005

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## Notes (continued)

### 22 PENSION COMMITMENTS (continued)

#### *Cytec Industries BV*

A full actuarial valuation was carried out at 31 December 2002. The valuation was updated on an FRS 17 basis as at 31 December 2005.

The major assumptions used by the actuary were

	2005	2004	2003
Rate of increase in salaries	<b>2.50% per annum</b>	2.50% per annum	2.50% per annum
Rate of increase in pensions in payment and deferred pensions	<b>1.33% per annum</b>	1.33% per annum	1.33% per annum
Discount rate applied to scheme liabilities	<b>4.25% per annum</b>	5.50% per annum	5.50% per annum
Inflation assumption	<b>2.00% per annum</b>	2.00% per annum	2.00% 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.

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

### 22 PENSION COMMITMENTS (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 2005	Value at 31 December 2005 £000	Long term rate of return 2004	Value at 31 December 2004 £000	Long term rate of return 2003	Value at 31 December 2003 £000
Equities	7.25% per annum	5,243	7.25% per annum	5,599	7.25% per annum	5,794
Bonds and gilts	5.25% per annum	33,361	5.25% per annum	24,132	5.25% per annum	24,825
Cash	-	-	4.75% per annum	3,252	-	-
Others	5.25% per annum	93	5.25% per annum	611	7.25% per annum	-
		<u>38,697</u>		<u>33,594</u>		<u>30,619</u>
Present value of scheme liabilities		<u>(41,551)</u>		<u>(35,430)</u>		<u>(29,765)</u>
Deficit in the scheme – pension (liability)/asset		<u>(2,854)</u>		<u>(1,836)</u>		<u>854</u>
Related deferred tax asset/(liability)		<u>856</u>		<u>551</u>		<u>(256)</u>
Net pension liability		<u>(1,998)</u>		<u>(1,285)</u>		<u>598</u>

#### Movement in deficit during the year

	2005 £000	2004 £000
Surplus in scheme at beginning of year	(1,836)	854
Current service cost	(1,257)	(1,097)
Contributions	1,621	2,042
Net return on assets	543	562
Actuarial loss	(1,925)	(4,197)
Deficit in the scheme at end of year	<u>(2,854)</u>	<u>(1,836)</u>

# Cytec UK Holdings Limited

For the year ended 31 December 2005

## Notes (continued)

### 22 PENSION COMMITMENTS (continued)

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

	2005 £000	2004 £000
Current service costs	(1,257)	(1,097)

Analysis of amounts included in other finance costs

	2005 £000	2004 £000
Expected return on pension assets	2,266	2178
Interest on pension scheme liabilities	(1,723)	(1,616)
<b>Net return on assets</b>	<b>543</b>	<b>562</b>

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

	2005		2004		2003	
	%	£000	%	£000	%	£000
Actual return less expected return on scheme assets		2,941		(581)		(2 783)
Percentage of year end scheme assets	(7.63%)		(1.70%)		(9.00%)	
Experience gains and losses arising on scheme liabilities		(712)		(737)		635
Percentage of present value of year end scheme liabilities	(1.72%)		(3.80%)		(7.00%)	
Changes in assumption underlying the present value of scheme liabilities		(304)		(2 882)		-
<b>Actuarial gain or loss recognised in statement of total recognised gains and losses</b>		<b>(1,925)</b>		<b>(4 200)</b>		<b>(2 148)</b>
Percentage of present value of year end scheme liabilities	(4.77%)		(11.90%)		(7.00%)	

# Cytec UK Holdings Limited

For the year ended 31 December 2005

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## Notes (continued)

### 23 ULTIMATE PARENT COMPANY

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.

### 24 POST BALANCE SHEET EVENT

On 21 March 2007 the UK Corporation Tax rate was reduced from 30% to 28%. The revised corporation tax, which will impact the calculation of deferred tax assets and liabilities, will be effective from 1 April 2008.