

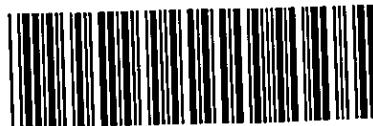
Cytec UK Holdings Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2006

Company Registration No 02834414

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Cytec UK Holdings Limited

CONTENTS

DIRECTORS AND ADVISORS	1
DIRECTORS' REPORT	2
DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS	3
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYTEC UK HOLDINGS LIMITED	4
PROFIT AND LOSS ACCOUNT	6
BALANCE SHEET	7
RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS	8
NOTES TO THE FINANCIAL STATEMENTS	9

Cytec UK Holdings Limited

DIRECTORS AND ADVISORS

DIRECTORS

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

SECRETARY

Pinsent Masons Secretarial Limited
A Schiebroek

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

The directors submit their report and financial statements of Cytec UK Holdings Limited for the year ended 31 December 2006

PRINCIPAL ACTIVITIES

The principal activities of the company is that of a holding company for subsidiaries involved in the manufacture and supply of anionic, nonionic and cationic polyacrylamides, for use in the mining, paper, water treatment and oilfield industries, for the manufacture and distribution of composites and adhesives for use, primarily, in the aerospace and leisure industries and for distribution of Coating, Bonding and Printing Chemicals to the Automotive and General Construction Industry.

RESULTS AND DIVIDENDS

The directors do not recommend the payment of a dividend (2005 £0) which leaves a profit of £3,075,000 to be retained (2005 £526,000)

DIRECTORS

The following directors have held office since 1 January 2006

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

DISCLOSURE OF INFORMATION TO AUDITORS

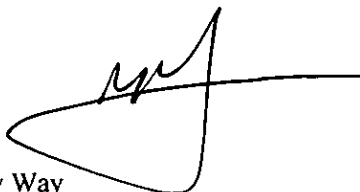
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and that they has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

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

By order of the board

Director



Abenbury Way
Wrexham Industrial Estate
Wrexham
LL13 9UZ

9 April 2008

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 company's financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss 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 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 company 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 financial statements (the "financial statements") of Cytec UK Holdings for the year ended 31 December 2006 which comprise the Profit and Loss Account, Company Balance Sheet, the Reconciliations of Movements in Shareholder's 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 3.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 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 parent company's affairs as at 31 December 2006 and of the profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors

10 April 2008

Cytec UK Holdings Limited

Profit and Loss Account

for the year ended 31 December 2006

	Note	2006 £000	2005 £000
TURNOVER – CONTINUING OPERATIONS		-	-
Cost of sales		-	-
		<hr/>	<hr/>
GROSS PROFIT		-	-
Distribution costs		-	-
Administrative expenses		(34)	(20)
Other operating income		-	-
		<hr/>	<hr/>
OPERATING LOSS – CONTINUING OPERATIONS		(34)	(20)
Other interest receivable and similar income	1	195	200
Interest payable and similar charges	2	(4,130)	(5,401)
Other finance income		-	-
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	1-4	(3,969)	(5,221)
Taxation	5	(356)	2,547
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(4,325)	(2,674)
		<hr/>	<hr/>
Dividends		7,400	3,200
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,075	526
		<hr/>	<hr/>

Cytec UK Holdings Limited

Company Balance Sheet at 31 December 2006

		2006	2005
	Note	£000	£000
Fixed assets			
Investments	6	123,749	112,754
Current Assets			
Debtors	7	5,167	6,541
Cash at bank and in hand		2,606	-
		<u>7,773</u>	<u>6,541</u>
Creditors Amounts falling due within one year	8	<u>(16,411)</u>	<u>(7,800)</u>
Net current Liabilities		<u>(8,638)</u>	<u>(1,259)</u>
Total assets less current liabilities		<u>115,111</u>	<u>111,495</u>
Creditors Amounts falling due in more than one year	9	<u>(69,978)</u>	<u>(69,437)</u>
Net Assets		<u>45,133</u>	<u>42,058</u>
Capital and Reserves			
Called up share capital	11	10,000	10,000
Profit and loss account	12	35,133	32,058
Shareholder's Funds		<u>45,133</u>	<u>42,058</u>

Approved by the board on 9 April 2008

Director



Cytec UK Holdings Limited

Reconciliation of movements in shareholder's funds

	2006	2005
	£000	£000
Profit for the financial year	3,075	526
Other recognised gains and losses (net)	-	-
	<hr/>	<hr/>
Total recognised gains and losses recognised since the last annual report	3,075	526
Opening shareholder's funds	42,058	41,532
	<hr/>	<hr/>
Closing shareholder's funds	45,133	42,058
	<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 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 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

EXEMPTION FROM CONSOLIDATION

Effective for accounting periods beginning on or after 1 January 2005, UITF abstract 43 'The interpretation of equivalence for the purpose of section 228A of the Companies Act 1985', exempts subject to certain conditions, an intermediate UK parent company from the requirements to prepare consolidated accounts where they are owned by a parent undertaking outside the European Union (EU) and are included in the consolidated accounts of that non-EU parent

Management have considered the conditions set out in UITF Abstract 43 and have concluded that these conditions are met. Therefore for the year ended 31 December 2006 the company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 228 of the companies Act 1985 because it is a wholly owned subsidiary of Cytec Industries Inc, which prepares consolidated financial statements which are publicly available, see note 15

INVESTMENTS

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

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

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

Cytec UK Holdings Limited

For the year ended 31 December 2006

Notes (continued)

1	OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	2006 £000	2005 £000
	Bank interest receivable	15	14
	Other interest receivable	180	186
		<u>195</u>	<u>200</u>
2	INTEREST PAYABLE AND SIMILAR CHARGES	2006 £000	2005 £000
	Inter-company interest payable	4,101	5,401
	On bank loans and overdrafts	29	-
		<u>4,130</u>	<u>5,401</u>
3	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
	Profit on ordinary activities before taxation is stated after charging	2006 £000	2005 £000
	Depreciation and amounts written off tangible fixed assets		
	Loss on Disposal of Investments	5,172	-
	Auditors' remuneration		
	Audit of these financial statements	4,500	10,000
	Other services	-	-
		<u>4,500</u>	<u>10,000</u>

Fees paid by Cytec UK Holdings Limited to the auditors for audit services were £4,500 (2005 £10,000) and for other services were £nil (2005 £nil)

Cytec UK Holdings Limited

For the year ended 31 December 2006

Notes (continued)

4 EMPLOYEES

The average monthly number of persons (including directors) employed during the year was

	2006 Number	2005 Number
Production	-	-
Sales and distribution	-	-
Management and administration	-	-
Research and development	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Staff costs for the above persons

	2006 £000	2005 £000
Wages and salaries	-	-
Social security costs	-	-
Other pension costs	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

DIRECTORS' REMUNERATION

	2006 £000	2005 £000
Emoluments	-	-
	<u>-</u>	<u>-</u>

The number of directors to whom relevant benefits are accruing under

	Number	Number
Defined benefit pension schemes was	-	-
	<u>-</u>	<u>-</u>

Cytec UK Holdings Limited

For the year ended 31 December 2006

Notes (continued)

5	TAXATION	2006		2005	
		£000	£000	£000	£000
	Current tax				
	UK corporation tax on profits of the year		-		-
	Foreign tax	-		-	
		<u> </u>		<u> </u>	
	Total current tax		-		-
	Deferred tax				
	Adjustment in respect of prior periods	(1,547)		-	
	Origination and reversal of timing differences	1,191		2,547	
		<u> </u>		<u> </u>	
	Total deferred tax		(356)		2,547
			<u> </u>		<u> </u>
	Tax on profit on ordinary activities		(356)		2,547
			<u> </u>		<u> </u>
	Factors affecting tax charge for the year			2006	2005
				£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				
	Loss on ordinary activities before tax			(3,969)	(5,221)
				<u> </u>	<u> </u>
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2005 30%)			(1,191)	(1,566)
	Effects of				
	Creation of tax losses			1,191	1,566
	Income not taxable			-	-
	Other timing differences			-	-
				<u> </u>	<u> </u>
	Current tax charge for the year			-	-
				<u> </u>	<u> </u>

Cytec UK Holdings Limited

For the year ended 31 December 2006

Notes (continued)

6 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £000
<i>Cost</i>	
At beginning and end of year	112,754
<i>Acquisitions</i>	11,000
<i>Disposals</i>	(5)
<i>Net book value</i>	
At 31 December 2006	123,749
At 31 December 2005	112,754

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 Surface Specialties UK Ltd	UK	Distributor and reseller of Coatings, Bonding and Printing Chemicals	100% ordinary shares
Cytec Engineered Materials GmbH	Germany	Manufacture and distribution of composites and adhesives	90% 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

On 1 October 2006 Cytec Industries UK disposed of its Business Assets in Bradford, UK To Kemira Chemicals UK Limited

Cytec UK Holdings Limited

For the year ended 31 December 2006

Notes (continued)

7 DEBTORS

	2006 £000	2005 £000
<i>Due within one year</i>		
Amounts owed by group undertakings	3,082	4,099
Deferred tax (see note 10)	2,085	2,442
	<u>5,167</u>	<u>6,541</u>

8 CREDITORS Amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	-	-
Amounts owed to group undertakings	16,400	7,800
Accruals and deferred income	11	-
	<u>16,411</u>	<u>7,800</u>

9 CREDITORS Amounts falling due in more than one year

	2006 £000	2005 £000
Amounts owed to group undertakings	<u>69,978</u>	<u>69,437</u>

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

Cytec UK Holdings Limited

For the year ended 31 December 2006

Notes (continued)

10 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £000	Other provisions £000	Total £000
At beginning of year	2,442	-	2,442
Credit for the year	(356)	-	(356)
At end of year	2,085	-	2,085

Provision for deferred tax has been made as follows:

	2006 £000	2005 £000
Tax losses	2,085	2,442
	2,085	2,442

11 SHARE CAPITAL

	2006 £000	2005 £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

Cytec UK Holdings Limited

For the year ended 31 December 2006

Notes (continued)

12	PROFIT AND LOSS ACCOUNT	£000
	At beginning of year	32,058
	Profit for the year	3,075
		<hr/>
	At end of year	35,133
		<hr/>

13	CAPITAL COMMITMENTS		
		2006	2005
		£000	£000
	Capital expenditure contracted for but not provided in the financial statements	-	-
		<hr/>	<hr/>

14 CONTINGENT LIABILITIES

The company has given unsecured guarantees to third parties amounting to £Nil (2005 £Nil)

15 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

16 PENSIONS

The subsidiary companies of Cytec UK Holdings Ltd have three pension schemes. However, since the holding company has no employees and is not a sponsoring employer it has no liability in respect of any of these schemes

17 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