

Cytec UK Holdings Limited
(formerly Simco 548 Limited)

Directors' report and financial statements

30 November 1995

Registered number 2834414



Cytec UK Holdings Limited

Directors' report and financial statements

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Cytec UK Holdings Limited

Directors' report

The directors present their report and the audited financial statements for the period ended 30 November 1995.

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 supply of composites and adhesives for use in, primarily, the aerospace and leisure industries.

Business review

As expected, there was an increase in profits caused principally by a large increase in turnover. The aerospace industry has been healthy and it is expected that in the forthcoming year the growth experienced will be continued.

Details of the group's results for the period are set out in the profit and loss account on page 5.

During the year, a subsidiary of the group, Cytec Industries UK Limited, recovered its share of legal costs in relation to the defence of a patent infringement claim instigated against the group. The costs, which were primarily expensed in 1994, were recovered from the company's ultimate parent undertaking Cytec Industries Inc.

Significant changes in fixed assets

Capital investment during the period amounted to £1,313,000. Other changes in tangible fixed assets are detailed in note 9 to the financial statements.

Market value of land and buildings

In the opinion of the directors the market value of the land and buildings of the company on an existing use basis is not materially different from the book value of these assets.

Post balance sheet events

Details of the post balance sheet event are given in note 19 on page 12.

Proposed dividend and transfer to reserves

The profit for the year retained in the company was £3,545,000 (1994: £2,347,000).

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 £276,476.

Cytec UK Holdings Limited

Directors' report *(continued)*

Directors and directors' interests

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

Directors

JP Cronin (Chairman)
B Brine
RC Smith
DM Drillock
EF Jackman

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company.

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.

Political and charitable contributions

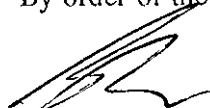
The holding company made no political or charitable contributions during the period. Details of donations made by subsidiary companies are disclosed in those entities own accounts.

Auditors

KPMG were appointed as the first auditors of the holding company during the period.

In accordance with Section 386 of the Companies Act 1985, the holding company has dispensed with the obligation to re-appoint auditors annually.

By order of the board



B Brine
Director

10/11/93

Cytec UK Holdings Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in business.

The directors are responsible for maintaining 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 which are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



St James' Square
Manchester
M2 6DS

Auditors' report to the members of Cytec UK Holdings Limited

We have audited the financial statements on pages 5 to 20.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 November 1995 and of its profit for the period from 8 July 1993 (date of incorporation) to 30 November 1995 and have been properly prepared in accordance with the Companies Act 1985.

K P A K

Chartered Accountants
Registered Auditors

- 3 MAY 1996



Cytec UK Holdings Limited

Consolidated profit and loss account for the period ended 30 November 1995

	Note	Period ended 30 November 1995 £000	Period ended 30 November 1994 £000
Turnover	2	51,868	42,557
Cost of sales		(40,699)	(32,352)
Gross profit		11,169	10,205
Distribution expenses		(893)	(826)
Administrative expenses		(5,530)	(6,054)
Other operating income		770	611
Operating profit	3-5	5,516	3,936
Other interest receivable and similar income	6	571	148
Interest payable and similar charges	7	(580)	(651)
Profit on ordinary activities before taxation		5,507	3,433
Tax on profit on ordinary activities	8	(1,962)	(1,086)
Profit on ordinary activities after taxation and retained profit for the financial period		3,545	2,347

There were no recognised gains or losses other than profit for the period.

A reconciliation of shareholders' funds is shown in note 21 to the financial statements.

Cytec UK Holdings Limited

Balance sheet at 30 November 1995

	Note	Group 1995		Company 1995		Group 1994		Company 1994	
		£000	£000	£000	£000	£000	£000	£000	£000
Fixed assets									
Tangible assets	9		8,441		-		9,091		-
Investments	10		-		20,400		-		20,400
			<u>8,441</u>		<u>20,400</u>		<u>9,091</u>		<u>20,400</u>
Current assets									
Stocks	11	2,657			-		3,215		-
Debtors	12	16,840			192		12,874		213
Cash at bank and in hand		3,026			17		6,408		6
			<u>22,523</u>		<u>209</u>		<u>22,497</u>		<u>219</u>
Creditors: amounts falling due within one year	13	(6,900)			(6)		(8,740)		(5)
Net current assets			<u>15,623</u>		<u>11</u>		<u>13,757</u>		<u>214</u>
Total assets less current liabilities			<u>24,064</u>		<u>20,411</u>		<u>22,848</u>		<u>20,614</u>
Creditors: amounts falling due after more than one year	14		(8,072)		(8,072)		(10,401)		(10,401)
Accruals and deferred income	15		(100)		-		(100)		-
Net assets			<u>15,892</u>		<u>12,339</u>		<u>12,347</u>		<u>10,213</u>
Capital and reserves									
Called up share capital	17		10,000		10,000		10,000		10,000
Profit and loss account	18		5,892		2,531		2,347		213
			<u>15,892</u>		<u>12,531</u>		<u>12,347</u>		<u>10,213</u>

These financial statements were approved by the board of directors on 3 MAY 1996 and were signed on its behalf by:



B Brine
Director

Cytec UK Holdings Limited

Consolidated cash flow statement for the period ended 30 November 1995

	Note	1995 £000	1994 £000
Operating activities			
Net cash inflow from operating activities	23	827	4,986
Returns on investments and servicing of finance			
Interest received		362	148
Interest paid		(564)	(651)
		(202)	(503)
Net cash outflow from returns on investments and servicing of finance		625	4,483
Tax paid		(1,086)	-
Investing activities			
Purchase of division		-	(17,373)
Payments to acquire tangible fixed assets		(622)	(1,313)
Proceeds from disposal of tangible fixed assets		30	210
Net cash outflow from investing activities		(592)	(18,476)
Net cash outflow before financing		(1,053)	(13,993)
Financing			
Proceeds from issue of shares	25	-	10,000
Intercompany loan		(2,329)	10,401
Net cash inflow from financing		(2,329)	20,401
Increase in cash and cash equivalents	25	(3,382)	6,408

Cytec UK Holdings Limited

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 company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, as modified by the revaluation of certain assets.

Basis of consolidation

The consolidated accounts include accounts of the company and both of its subsidiaries up to 30 November 1995. No profit and loss account is presented for the company as provided by section 230 of the Companies Act 1985.

Fixed assets and depreciation

Depreciation is provided by the company 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 and fittings	-	10-20 % 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.

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 rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Government grants

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

Cytec UK Holdings Limited

Notes (continued)

1 Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions and other post-retirement benefits

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

Research and development expenditure

Expenditure on research and development is written off against profits in the period 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 is used. For work in progress and finished goods manufactured by the company, 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 period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

Turnover

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

Cytec UK Holdings Limited

Notes (continued)

2 Segmental analysis of turnover

	1995	1994
	£000	£000
<i>By class of business</i>		
Manufacture and distribution of:		
Polyacrylamides	33,064	28,709
Composites and adhesives	18,804	13,848
	<u>51,868</u>	<u>42,557</u>
<i>By geographical market</i>		
UK	6,023	4,702
Europe/Middle East	38,621	30,194
United States of America	4,220	4,545
Latin America	1,210	1,808
Far East	504	529
Rest of world	1,290	779
	<u>51,868</u>	<u>42,557</u>

3 Profit on ordinary activities before taxation

	1995	1994
	£000	£000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	33	36
Other services	6	10
Depreciation and other amounts written off owned tangible fixed assets	1,235	1,098
Exchange losses	7	416
Hire of plant and machinery - rentals payable under operating leases	23	18
Hire of other assets - operating leases	220	155
Research and development expenditure	276	227
Loss on disposal of fixed assets	6	67
<i>after crediting</i>		
Exchange gains	209	412

Cytec UK Holdings Limited

Notes (continued)

4 Remuneration of directors

	1995 £000	1994 £000
Directors' emoluments		
As directors	<u>178</u>	<u>154</u>

The emoluments including pension contributions of the Chairman were £nil (1994: £nil) and those of the highest paid director were £71,225 (1994: £68,134).

The emoluments including pension contribution of the directors (including the Chairman and highest paid director) were within the following ranges:

	1995	Number of directors 1994
£0 - £5,000	3	4
£5,001 - £10,000	-	1
£10,001 - £15,000	1	1
£15,001 - £20,000	1	-
£20,001 - £25,000	-	1
£25,001 - £30,000	1	-

5 Staff numbers and costs

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

	1995	Number of employees 1994
Production	112	109
Sales and distribution	66	76
Management and administration	88	83
Research and development	10	9
	<u>276</u>	<u>277</u>

The aggregate payroll costs of these persons were as follows:

	1995 £000	1994 £000
Wages and salaries	6,011	4,903
Social security costs	491	406
Other pension costs (see note 19)	423	429
	<u>6,925</u>	<u>5,738</u>

Cytec UK Holdings Limited

Notes (continued)

6 Other interest receivable and similar income

	1995 £000	1994 £000
Interest receivable	362	148
Net exchange gain	209	-
	<u>571</u>	<u>148</u>

7 Interest payable and similar charges

	1995 £000	1994 £000
Interest payable	580	645
Net exchange loss	-	6
	<u>580</u>	<u>651</u>

8 Taxation

	1995 £000	1994 £000
UK corporation tax at 33% on the profit for the period on ordinary activities	<u>1,962</u>	<u>1,086</u>

Cytec UK Holdings Limited

Notes (continued)

9	Tangible fixed assets	Freehold land and buildings	Plant and machinery	Fixtures fittings and equipment	Motor vehicles	Assets in course of construction	Total
		£000	£000	£000	£000	£000	£000
	Group						
	<i>Cost</i>						
	Beginning of year	3,270	5,385	1,129	106	299	10,189
	Additions	-	-	-	-	622	622
	Transfers between items	3	497	155	17	(672)	-
	Disposals	-	-	(8)	(67)	-	(75)
	At end of year	3,273	5,882	1,276	56	249	10,736
	<i>Depreciation and diminution in value</i>						
	At beginning of year	140	653	269	36	-	1,098
	Charge for period	150	806	256	24	-	1,236
	On disposals	-	-	(1)	(38)	-	(39)
	At end of period	290	1,459	524	22	-	2,295
	<i>Net book value</i>						
	At 30 November 1995	2,983	4,423	752	34	249	8,441

Company

No tangible fixed assets are held by the company.

Cytec UK Holdings Limited

Notes (continued)

10 Fixed asset investments

	£000
Group	
The group holds no external investments	
Company	
Cytec Industries UK Limited	11,000
Cytec Aerospace Limited	9,400
	<hr/>
	20,400
	<hr/>

Details of subsidiary undertakings are set out below. All subsidiaries are owned 100% by Cytec UK Holdings Limited.

Activity	Company	Country of incorporation or registration and principal operation
Manufacture and distribution of polyacrylamides	Cytec Industries UK Ltd	England
Manufacture and distribution of composites and adhesives	Cytec Aerospace Ltd	England

11 Stocks

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Raw materials and consumables	2,100	-	1,600	-
Work in progress	-	-	49	-
Finished goods and goods for resale	557	-	1,566	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,657	-	3,215	-
	<hr/>	<hr/>	<hr/>	<hr/>

Cytec UK Holdings Limited

Notes (continued)

12 Debtors

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Trade debtors	4,926	-	7,131	-
Amounts owed by parent and fellow subsidiary undertakings	11,238	-	5,214	-
Taxation and social security:				
Corporation tax	-	192	-	213
Other debtors	293	-	398	-
Prepayments and accrued income	122	-	131	-
Deferred tax (see note 16)	261	-	-	-
	<u>16,840</u>	<u>192</u>	<u>12,874</u>	<u>213</u>

13 Creditors: amounts falling due within one year

	Group 1995 £000		Company 1995 £000		Group 1994 £000		Company 1994 £000	
Trade creditors	2,228		-		2,011			
Amounts owed to parent and fellow subsidiary undertakings	1,165		-		3,900			
Taxation and social security:								
Corporation tax	1,827		-		1,086		-	
Other taxes and social security	171		-		189		-	
	<u>1,998</u>		<u>-</u>		<u>1,275</u>		<u>-</u>	
Accruals and deferred income	1,509		6		1,554		5	
	<u>6,900</u>		<u>6</u>		<u>8,740</u>		<u>5</u>	

14 Creditors: amounts falling due after more than one year

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Intercompany loan from Cytec Global Holding Inc	8,072	8,072	10,401	10,401
	<u>8,072</u>	<u>8,072</u>	<u>10,401</u>	<u>10,401</u>

Cytec UK Holdings Limited

Notes (continued)

15 Accruals and deferred income

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
<i>Government grants</i>				
At beginning of the year	100	-	35	-
Debited to profit and loss account	-	-	65	-
	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>

16 Deferred taxation

The amounts provided for deferred taxation and the amounts not provided are set out below:

	Group 1995		Group 1994	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	-	829	-	861
Other timing differences	(261)	-	-	18
	<u>(261)</u>	<u>829</u>	<u>-</u>	<u>879</u>

17 Called up share capital

	1995 £000	1994 £000
<i>Authorised</i>		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

Cytec UK Holdings Limited

Notes (continued)

18 Reserves

	Group Profit and loss account £000	Company Profit and loss account £000
At beginning of the year	2,347	213
Retained profit for financial period	3,545	2,531
	<u>5,892</u>	<u>2,744</u>

19 Contingent liabilities

A subsidiary of the group, Cytec Aerospace Limited, has guaranteed duty charges to HM Customs and Excise; the maximum liability at the year end was £100,000.

20 Commitments

- (i) Capital commitments at the end of the financial period for which no provision has been made.

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Contracted	153	-	239	-
Authorised but not contracted	2,080	-	215	-
	<u>2,233</u>	<u>-</u>	<u>454</u>	<u>-</u>

Cytec UK Holdings Limited

Notes (continued)

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

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Operating leases which expire:				
Within one year	51	-	40	-
In the second to fifth years inclusive	276	-	247	-
	<u>327</u>	<u>-</u>	<u>283</u>	<u>-</u>

21 Pension scheme

The group operates two pension schemes in the United Kingdom, 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. The contributions are determined by a qualified actuary on the basis of triennial valuations using the project unit method. Actuarial valuations were undertaken on 1 January 1995 and 1 April 1994. The assumptions which have the most significant effect on the return on investments and the rates of increase in salaries and pensions.

Investment return	-	9% per annum
Earnings increases	-	7-7.5% per annum
Pension increases	-	3-4% per annum

At the date of the latest actuarial valuations the market value of the assets of the UK schemes was £5,256,000 and that the actuarial value of those assets represented 106% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

There were no outstanding or prepaid contributions at the beginning of the financial period. At 30 November 1995 an accrual of £33,000 (1994: £56,000 prepayment) is included in creditors being the deficit of the amount funded over the pension cost for the period.

Cytec UK Holdings Limited

Notes (continued)

22 Reconciliation of movement in shareholders' funds

	1995 £000	1994 £000
Retained profit for the financial period	3,545	2,347
Net addition to shareholders' funds	3,545	2,347
Opening shareholders' funds	12,347	10,000
Closing shareholders' funds	15,892	12,347

23 Reconciliation of operating profit to net cash outflow from operating activities

	1995 £000	1994 £000
Operating profit	5,576	3,936
Depreciation	1,236	1,098
Net exchange differences	(202)	4
Loss on disposal of fixed assets	6	67
Decrease in stocks	558	171
Increase in debtors	(3,705)	(160)
Decrease in creditors	(2,582)	(130)
Net cash inflow from operating activities	827	4,986

Cytec UK Holdings Limited

Notes (continued)

24 Analysis of changes in cash and cash equivalents during the period

	1995 £000	1994 £000
At beginning of the year	6,408	-
Net cash outflow	(3,382)	6,408
	<u>3,026</u>	<u>6,408</u>
Balance at 30 November 1995		

25 Analysis of changes in financing during the period

	Share Capital £000	Loans £000	Total £000
At beginning of the year	10,000	10,401	20,401
Loan from ultimate parent company	-	(2,329)	(2,329)
	<u>10,000</u>	<u>8,072</u>	<u>18,072</u>
Balance at 30 November 1995			

26 Ultimate parent company and parent undertaking of larger group of which the company is a member

The largest group in which the results of the company are consolidated is that headed by Cytec Industries Inc, incorporated in the United States of America. The consolidated accounts of this group are available to the public and may be obtained from Five Garret Mountain Plaza, West Paterson, NJ 07424, USA.