

# **Cytec UK Holdings Limited**

**Directors' report and financial statements**

**31 December 1997**

Registered number 2834414



# Cytec UK Holdings Limited

## Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1-2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes	8-19

# Cytec UK Holdings Limited

## Directors' report

The directors present their report and the audited financial statements for the 12 months ended 31 December 1997. The previous accounting period was for the 13 months ended 31 December 1996.

### 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

In 1995 Cytec Industries UK Limited ceased trading directly with customers and became a toll manufacturer of polyacrylamides. The subsequent results arise wholly from tolling activities.

Cytec Fiberite Limited had 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 will continue.

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

### 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.

### Proposed dividend and transfer to reserves

The profit for the period retained in the group was £4,359,000 (1996: £3,555,000).

The directors do not recommend the payment of a dividend (1996: £Nil).

### 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 period was £346,000 (1996: £356,000).

# Cytec UK Holdings Limited

## Directors' report *(continued)*

### Directors and directors' interests

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

JP Cronin (Chairman)	
B Brine	
RC Smith	resigned 13 February 1997
DM Drillock	
EF Jackman	
A Cameron	appointed 13 February 1997

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

### 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

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*

Abenbury Way  
Wrexham Industrial Estate  
Wrexham  
LL13 9UZ

# 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 group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group 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 group 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 19.

### *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 and the group's affairs as at 31 December 1997 and of the profit of the group for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

Chartered Accountants  
Registered Auditors

3 August 1998



# Cytec UK Holdings Limited

## Consolidated profit and loss account for the thirteen months ended 31 December 1997

	<i>Note</i>	<b>12 months ended 31 December 1997 £000</b>	<b>13 months ended 31 December 1996 £000</b>
<b>Turnover</b>			
Cost of sales	2	41,023 (28,101)	41,883 (29,719)
<b>Gross profit</b>		<b>12,922</b>	<b>12,164</b>
Distribution costs		(316)	(335)
Administrative expenses		(7,403)	(7,710)
Other operating income		998	944
<b>Operating profit</b>	3-5	<b>6,201</b>	<b>5,063</b>
Other interest receivable and similar income	6	1,222	1,098
Interest payable and similar charges	7	(529)	(607)
<b>Profit on ordinary activities before taxation</b>		<b>6,894</b>	<b>5,554</b>
Tax on profit on ordinary activities	8	(2,535)	(1,999)
<b>Profit on ordinary activities after taxation and retained profit for the financial period</b>		<b>4,359</b>	<b>3,555</b>

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

A reconciliation of shareholders' funds is shown in note 22 to the financial statements.

The results for the period relate solely to continuing activities.

The notes on pages 8 to 19 form part of these financial statements.

# Cytec UK Holdings Limited

## Balance sheet at 31 December 1997

		Group 31 December 1997		Company 31 December 1997		Group 31 December 1996		Company 31 December 1996	
	Notes	£000	£000	£000	£000	£000	£000	£000	£000
<b>Fixed assets</b>									
Tangible assets	9	11,197		-		8,414		-	
Investments	10	-		20,400		-		20,400	
			11,197		20,400		8,414		20,400
<b>Current assets</b>									
Stocks	11	3,898		-	3,526		-		
Debtors	12	21,318		362	18,692		189		
Cash at bank and in hand		4,114		10	3,838		10		
			29,330		372		26,056		199
<b>Creditors: amounts falling due within one year</b>	13	(7,900)		(6)	(6,851)		(50)		
<b>Net current assets</b>			21,430		366		19,205		149
<b>Total assets less current liabilities</b>			32,627		20,766		27,619		20,549
<b>Provision for liabilities &amp; charges</b>			(675)		-		-		-
<b>Creditors: amounts falling due after more than one year</b>	14		(8,116)		(8,116)		(8,072)		(8,072)
<b>Accruals and deferred income</b>	15		(30)		-		(100)		-
<b>Net assets</b>			23,806		12,650		19,447		12,477
<b>Capital and reserves</b>									
Called up share capital	17		10,000		10,000		10,000		10,000
Profit and loss account	18		13,806		2,650		9,447		2,477
<b>Shareholders' funds</b>			23,806		12,650		19,447		12,477

These financial statements were approved by the board of directors on 3 August 1998 and were signed on its behalf by:



**B Brine**  
Director

The notes on pages 8 to 19 form part of these financial statements.



# Cytec UK Holdings Limited

## Consolidated cash flow statement for the thirteen months ended 31 December 1997

	<i>Note</i>	<b>12 months ended 31 December 1997</b>		<b>13 months ended 31 December 1996</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Operating activities</b>					
Net cash inflow from operating activities	23		5,911		3,515
<b>Returns on investments and servicing of finance</b>					
Interest received		1,222		1,098	
Interest paid		(525)		(569)	
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>			697		529
<b>Taxation</b>					
Tax paid		(2,198)		(1,988)	
			(2,198)		(1,988)
<b>Investing activities</b>					
Payments to acquire tangible fixed assets		(4,134)		(1,266)	
Proceeds from disposal of tangible fixed assets		-		22	
<b>Net cash outflow from investing activities</b>			(4,134)		(1,244)
<b>Net cash inflow/(outflow) before financing</b>			276		812
<b>Net cash outflow from financing</b>			-		-
<b>Increase in cash and cash equivalents</b>	24		276		812

# 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.

#### ***Basis of consolidation***

The consolidated accounts include accounts of the company and both of its subsidiaries up to 31 December 1997. 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

	12 months ended 31 December 1997 £000	13 months ended 31 December 1996 £000
<i>By class of business</i>		
Manufacture and distribution of:		
Polyacrylamides	16,835	19,418
Composites and adhesives	24,188	22,465
	<u>41,023</u>	<u>41,883</u>
<i>By geographical market</i>		
UK	9,302	7,753
Europe/Middle East	30,639	32,760
United States of America	-	-
Latin America	-	-
Far East	-	-
Rest of world	1,082	1,370
	<u>41,023</u>	<u>41,883</u>

### 3 Profit on ordinary activities before taxation

	12 months ended 31 December 1997 £000	13 months ended 31 December 1996 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	31	30
Other services	4	7
Depreciation and other amounts written off owned tangible fixed assets	1,283	1,275
Exchange losses	4	38
Hire of plant and machinery - rentals payable under operating leases	29	36
Hire of other assets - operating leases	246	232
Research and development expenditure	346	356
Loss on disposal of fixed assets	9	-
<i>after crediting</i>		
Exchange gains	21	18
Profit on disposal of fixed assets	-	4

# Cytec UK Holdings Limited

## Notes (continued)

### 4 Remuneration of directors

	12 months ended 31 December 1997 £000	13 months ended 31 December 1996 £000
Directors' emoluments	149	139

Retirement benefits are accruing to the following number of directors under:

	Number of directors	
	1997	1996
Defined benefit schemes	3	3

### 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:

	Number of employees	
	1997	1996
Production	122	118
Sales and distribution	61	61
Management and administration	88	90
Research and development	10	10
	281	279

The aggregate payroll costs of these persons were as follows:

	1997 £000	1996 £000
Wages and salaries	6,289	6,491
Social security costs	493	531
Other pension costs (see note 21)	526	469
	7,308	7,491

# Cytec UK Holdings Limited

## Notes (continued)

### 6 Other interest receivable and similar income

	12 months ended 31 December 1997 £000	13 months ended 31 December 1996 £000
Bank interest receivable	458	186
Interest receivable from group undertakings	764	912
	<u>1,222</u>	<u>1,098</u>

### 7 Interest payable and similar charges

	12 months ended 31 December 1997 £000	13 months ended 31 December 1996 £000
Interest payable to group undertakings	525	569
Net exchange loss	4	38
	<u>529</u>	<u>607</u>

### 8 Taxation

	12 months ended 31 December 1997 £000	13 months ended 31 December 1996 £000
UK corporation tax at 31% on the profit for the year on ordinary activities	2,212	1,999
Deferred taxation	40	-
Prior year		
UK corporation tax overprovided	(43)	-
Deferred taxation	326	-
	<u>2,535</u>	<u>1,999</u>

# Cytec UK Holdings Limited

Notes (continued)

9

Tangible fixed assets	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Motor vehicles	Assets in construction	Total
	£000	£000	£000	£000	£000	£000
Group						
Cost						
Opening	3,314	6,437	1,458	37	716	11,963
Additions	-	-	-	-	4,134	4,134
Transfer	1,338	3,420	(141)	21	(3,632)	1,006
Disposals	-	(285)	-	-	-	(285)
Closing	4,652	9,572	1,317	58	1,218	16,818
Depreciation						
Opening	451	2,309	780	8	-	3,548
Charge	143	902	227	10	-	1,282
Transfer	262	983	(239)	-	-	1,006
Disposals	-	(215)	-	-	-	(215)
Closing	856	3,979	768	18	-	5,621
Net book value						
At 31 December 1997	3,796	5,593	550	40	1,218	11,197
At 31 December 1996	2,863	4,128	679	29	716	8,415
Company						

No tangible fixed assets are held by the company.

# Cytec UK Holdings Limited

## Notes (continued)

### 10 Fixed asset investments

	31 December 1997 £000	31 December 1996 £000
<b>Group</b>		
The group holds no external investments		
<b>Company</b>		
Cytec Industries UK Limited	11,000	11,000
Cytec Aerospace Limited	9,400	9,400
	<u>20,400</u>	<u>20,400</u>

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 Fiberite Ltd	England

### 11 Stocks

	Group 31 December 1997 £000	Company 31 December 1997 £000	Group 31 December 1996 £000	Company 31 December 1996 £000
Raw materials and consumables	3,398	-	2,724	-
Finished goods and goods for resale	500	-	802	-
	<u>3,898</u>	<u>-</u>	<u>3,526</u>	<u>-</u>



# Cytec UK Holdings Limited

## Notes (continued)

### 12 Debtors

	Group 31 December 1997 £000	Company 31 December 1997 £000	Group 31 December 1996 £000	Company 31 December 1996 £000
Trade debtors	5,230	-	4,722	-
Amounts owed by group undertakings	15,598	-	13,545	-
Taxation and social security:				
Corporation tax	-	-	-	189
Other debtors	237	362	220	-
Prepayments and accrued income	186	-	97	-
Deferred tax (see note 16)	67	-	108	-
	<u>21,318</u>	<u>362</u>	<u>18,692</u>	<u>189</u>
<i>The amounts owed by group undertaking comprise:</i>				
Parent and fellow subsidiary undertakings	<u>15,598</u>	<u>-</u>	<u>13,545</u>	<u>-</u>

### 13 Creditors: amounts falling due within one year

	Group 31 December 1997 £000	Company 31 December 1997 £000	Group 31 December 1996 £000	Company 31 December 1996 £000
Trade creditors	2,741	-	2,453	-
Amounts owed to group undertakings	<u>795</u>	-	<u>635</u>	<u>44</u>
	3536		3088	
Other creditors including taxation and social security:				
Corporation tax	2,182	-	1,838	-
Other taxes and social security	<u>315</u>	<u>-</u>	<u>255</u>	<u>-</u>
	2,497	-	2,093	-
Accruals and deferred income	<u>1,867</u>	<u>6</u>	<u>1,670</u>	<u>6</u>
	<u>7,900</u>	<u>6</u>	<u>6,851</u>	<u>50</u>

# Cytec UK Holdings Limited

## Notes (continued)

	Group 31 December 1997 £000	Company 31 December 1997 £000	Group 31 December 1996 £000	Company 31 December 1996 £000
<i>Amounts owed to group undertakings comprise:</i>				
Parent and fellow subsidiary undertakings	795	-	259	-

### 14 Creditors: amounts falling due after more than one year

	Group 31 December 1997 £000	Company 31 December 1997 £000	Group 31 December 1996 £000	Company 31 December 1996 £000
Intercompany loan from Cytec Global Holding Inc	8,116	8,116	8,072	8,072

### 15 Accruals and deferred income

	Group 31 December 1997 £000	Company 31 December 1997 £000	Group 31 December 1996 £000	Company 31 December 1996 £000
<i>Government grants</i>				
At beginning of the period	100	-	100	-
Debited to profit and loss account	(70)	-	-	-
	30	-	100	-

### 16 Deferred taxation

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

	Group 31 December 1997		Group 31 December 1996	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	440	526	-	883
Other timing differences	(182)	-	(108)	-
	258	526	(108)	883

# Cytec UK Holdings Limited

## Notes (continued)

### 17 Called up share capital

	31 December 1997 £000	31 December 1996 £000
<i>Authorised</i>		
Ordinary shares of £1 each	20,000	20,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	10,000	10,000

### 18 Reserves

	Group Profit and loss account £000	Company Profit and loss account £000
At beginning of the period	9,447	2,477
Retained profit/(loss) for financial period	4,359	173
	13,806	2,650

### 19 Contingent liabilities

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

### 20 Commitments

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

	Group 31 December 1997 £000	Company 31 December 1997 £000	Group 31 December 1996 £000	Company 31 December 1996 £000
Contracted	1,205	-	741	-

# Cytec UK Holdings Limited

## Notes (continued)

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

	Group 31 December 1997 £000	Company 31 December 1997 £000	Group 31 December 1996 £000	Company 31 December 1996 £000
Operating leases which expire:				
Within one year	102	-	51	-
In the second to fifth years inclusive	140	-	195	-
	<u>242</u>	<u>-</u>	<u>246</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 31 December 1997 an accrual of £350,000 (1996: £142,000) is included in creditors being the deficit of the amount funded over the pension cost for the period.

## 22 Reconciliation of movement in shareholders' funds

	1997 £000	1996 £000
Retained profit for the financial period	4,359	3,555
Net addition to shareholders' funds	<u>4,359</u>	<u>3,555</u>
Opening shareholders' funds	19,447	15,892
Closing shareholders' funds	<u>23,806</u>	<u>19,447</u>

# Cytec UK Holdings Limited

## Notes (continued)

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

	12 months ended 31 December 1997 £000	13 months ended 31 December 1996 £000
Operating profit	6,201	5,063
Depreciation	1,283	1,275
Net exchange differences	(4)	(38)
(Profit)/loss on disposal of fixed assets	69	(4)
(Increase)/decrease in stocks	(372)	(869)
(Increase) in debtors	(2,667)	(1,852)
Decrease in creditors	891	(60)
Movement in provisions	510	-
Net cash inflow from operating activities	<u>5,911</u>	<u>3,515</u>

### 24 Analysis of changes in net debt during the period

Balance at 31 December 1996	3,838	3,026
Net cash inflow	276	812
Balance at 31 December 1997	<u>4,114</u>	<u>3,838</u>

### 25 FRS 8, Related party transactions

The company has taken advantage of the exemption not to disclose details regarding transactions with other group undertakings as permitted by FRS8, as the company is a wholly owned subsidiary. The results of the company have been consolidated in the group financial statements which are publicly available.

### 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.