

Cytec UK Holdings Limited

Directors' report and financial statements

31 December 1996

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 13 months ended 31 December 1996. The previous accounting period was for the 12 months 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

In 1995 Cytec Industries UK Limited ceased trading directly with customers and became a toll manufacturer of polyacrylamides. The 1996 results arise wholly from tolling activities.

Cytec Aerospace 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 company was £3,555,000 (1995: £3,545,000).

The directors do not recommend the payment of a dividend (1995:£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 £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 period 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 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 Cyttec 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's affairs as at 31 December 1996 and of its profit for the financial period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

13 August 1997



Cytec UK Holdings Limited

Consolidated profit and loss account for the thirteen months ended 31 December 1996

	Note	13 months ended 31 December 1996 £000	12 months ended 30 November 1995 £000
Turnover	2	41,883	51,868
Cost of sales		(29,719)	(40,699)
Gross profit		12,164	11,169
Distribution costs		(335)	(893)
Administrative expenses		(7,710)	(5,530)
Other operating income		944	770
Operating profit	3-5	5,063	5,516
Other interest receivable and similar income	6	1,098	571
Interest payable and similar charges	7	(607)	(580)
Profit on ordinary activities before taxation		5,554	5,507
Tax on profit on ordinary activities	8	(1,999)	(1,962)
Profit on ordinary activities after taxation and retained profit for the financial period		3,555	3,545

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 1996

		Group		Company		Group		Company	
		31 December 1996		31 December 1996		30 November 1995		30 November 1995	
	Notes	£000	£000	£000	£000	£000	£000	£000	£000
Fixed assets									
Tangible assets	9		8,414	-	-	8,441	-	-	-
Investments	10		-	20,400	-	-	20,400	-	-
			<u>8,414</u>	<u>20,400</u>		<u>8,441</u>	<u>20,400</u>		
Current assets									
Stocks	11	3,526	-	-	-	2,657	-	-	-
Debtors	12	18,692	189	16,840	192	16,840	192		
Cash at bank and in hand		3,838	10	3,026	17	3,026	17		
		<u>26,056</u>	<u>199</u>	<u>22,523</u>	<u>209</u>				
Creditors: amounts falling due within one year	13	(6,851)	(50)	(6,900)	(6)				
Net current assets			<u>19,205</u>	<u>149</u>		<u>15,623</u>	<u>203</u>		
Total assets less current liabilities			<u>27,619</u>	<u>20,549</u>		<u>24,064</u>	<u>20,603</u>		
Creditors: amounts falling due after more than one year	14	(8,072)	(8,072)	(8,072)	(8,072)				
Accruals and deferred income	15	(100)	-	(100)	-				
Net assets			<u>19,447</u>	<u>12,477</u>		<u>15,892</u>	<u>12,531</u>		
Capital and reserves									
Called up share capital	17	10,000	10,000	10,000	10,000				
Profit and loss account	18	9,447	2,477	5,892	2,531				
Shareholders' funds			<u>19,447</u>	<u>12,477</u>		<u>15,892</u>	<u>12,531</u>		

These financial statements were approved by the board of directors on

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 1996

	Note	13 months ended 31 December 1996		12 months ended 30 November 1995	
		£000	£000	£000	£000
Operating activities					
Net cash inflow from operating activities	23		3,515		827
Returns on investments and servicing of finance					
Interest received		1,098		362	
Interest paid		(569)		(564)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			529		(202)
Taxation					
Tax paid		(1,988)		(1,086)	
			(1,988)		(1,086)
Investing activities					
Payments to acquire tangible fixed assets		(1,266)		(622)	
Proceeds from disposal of tangible fixed assets		22		30	
Net cash outflow from investing activities			(1,244)		(592)
Net cash inflow/(outflow) before financing			812		(1,053)
Financing					
Repayment of intercompany loan		-		(2,329)	
Net cash outflow from financing			-		(2,329)
Increase/(decrease) in cash and cash equivalents	24		812		(3,382)

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 1996. 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

	13 months ended 31 December 1996 £000	12 months ended 30 November 1995 £000
<i>By class of business</i>		
Manufacture and distribution of:		
Polyacrylamides	19,418	33,064
Composites and adhesives	22,465	18,804
	<u>41,883</u>	<u>51,868</u>
<i>By geographical market</i>		
UK	7,753	6,023
Europe/Middle East	32,760	38,621
United States of America	-	4,220
Latin America	-	1,210
Far East	-	504
Rest of world	1,370	1,290
	<u>41,883</u>	<u>51,868</u>

3 Profit on ordinary activities before taxation

	13 months ended 31 December 1996 £000	12 months ended 30 November 1995 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	30	33
Other services	7	6
Depreciation and other amounts written off owned tangible fixed assets	1,275	1,235
Exchange losses	38	7
Hire of plant and machinery - rentals payable under operating leases	36	23
Hire of other assets - operating leases	232	220
Research and development expenditure	356	276
Loss on disposal of fixed assets	-	6
<i>after crediting</i>		
Exchange gains	18	209
Profit on disposal of fixed assets	4	-

Cytec UK Holdings Limited

Notes (continued)

4 Remuneration of directors

	13 months ended 31 December 1996 £000	12 months ended 30 November 1995 £000
Directors' emoluments		
As directors	139	125

The emoluments including pension contributions of the Chairman were £nil (1995: £nil) and those of the highest paid director were £80,382 (1995: £71,225).

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

		1996	Number of directors 1995
£0	- £5,000	3	3
£50,001	- £55,000	-	1
£65,001	- £70,000	1	-
£70,001	- £75,000	-	1
£80,001	- £85,000	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:

	1996	Number of employees 1995
Production	118	112
Sales and distribution	61	66
Management and administration	90	88
Research and development	10	10
	<u>279</u>	<u>276</u>

The aggregate payroll costs of these persons were as follows:

	1996 £000	1995 £000
Wages and salaries	6,491	6,011
Social security costs	531	491
Other pension costs (see note 21)	469	423
	<u>7,491</u>	<u>6,925</u>

Cytec UK Holdings Limited

Notes (continued)

6 Other interest receivable and similar income

	13 months ended 31 December 1996 £000	12 months ended 30 November 1995 £000
Bank interest receivable	186	362
Interest receivable from group undertakings	912	209
	<u>1,098</u>	<u>571</u>

7 Interest payable and similar charges

	13 months ended 31 December 1996 £000	12 months ended 30 November 1995 £000
Interest payable to group undertakings	569	580
Net exchange loss	38	-
	<u>607</u>	<u>580</u>

8 Taxation

	13 months ended 31 December 1996 £000	12 months ended 30 November 1995 £000
UK corporation tax at 33% on the profit for the period on ordinary activities	1,999	1,962

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>						
	At beginning of period	3,273	5,882	1,276	56	249	10,736
	Additions	-	-	-	-	1,266	1,266
	Transfers between items	41	555	183	19	(798)	-
	Disposals	-	-	(1)	(39)	-	(40)
	At end of period	<u>3,314</u>	<u>6,437</u>	<u>1,458</u>	<u>36</u>	<u>717</u>	<u>11,962</u>
	<i>Depreciation and diminution in value</i>						
	At beginning of period	290	1,459	524	22	-	2,295
	Charge for period	161	850	256	8	-	1,275
	On disposals	-	-	-	(22)	-	(22)
	At end of period	<u>451</u>	<u>2,309</u>	<u>780</u>	<u>8</u>	<u>-</u>	<u>3,548</u>
	<i>Net book value</i>						
	At 31 December 1996	<u>2,863</u>	<u>4,128</u>	<u>678</u>	<u>28</u>	<u>717</u>	<u>8,414</u>
	At 30 November 1995	<u>2,983</u>	<u>4,423</u>	<u>752</u>	<u>34</u>	<u>249</u>	<u>8,441</u>
	Company						
	No tangible fixed assets are held by the company.						

Cytec UK Holdings Limited

Notes (continued)

10 Fixed asset investments

	31 December 1996 £000	30 November 1995 £000
Group		
The group holds no external investments		
Company		
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 Aerospace Ltd	England

11 Stocks

	Group 31 December 1996 £000	Company 31 December 1996 £000	Group 30 November 1995 £000	Company 30 November 1995 £000
Raw materials and consumables	2,724	-	2,100	-
Finished goods and goods for resale	802	-	557	-
	<u>3,526</u>	<u>-</u>	<u>2,657</u>	<u>-</u>

Cytec UK Holdings Limited

Notes (continued)

12 Debtors

	Group 31 December 1996 £000	Company 31 December 1996 £000	Group 30 November 1995 £000	Company 30 November 1995 £000
Trade debtors	4,722	-	4,926	-
Amounts owed by group undertakings	13,545	-	11,238	-
Taxation and social security:				
Corporation tax	-	189	-	192
Other debtors	220	-	293	-
Prepayments and accrued income	97	-	122	-
Deferred tax (see note 16)	108	-	261	-
	<u>18,692</u>	<u>189</u>	<u>16,840</u>	<u>192</u>
<i>The amounts owed by group undertaking comprise:</i>				
Parent and fellow subsidiary undertakings	13,545	-	11,238	-
	<u>13,545</u>	<u>-</u>	<u>11,238</u>	<u>-</u>

13 Creditors: amounts falling due within one year

	Group 31 December 1996 £000	Company 31 December 1996 £000	Group 30 November 1995 £000	Company 30 November 1995 £000
Trade creditors	2,453	-	2,228	-
Amounts owed to group undertakings	635	44	1,165	-
Other creditors including taxation and social security:				
Corporation tax	1,838	-	1,827	-
Other taxes and social security	255	-	171	-
	<u>2,093</u>	<u>-</u>	<u>1,998</u>	<u>-</u>
Accruals and deferred income	1,670	6	1,509	6
	<u>6,851</u>	<u>50</u>	<u>6,900</u>	<u>6</u>

Cytec UK Holdings Limited

Notes (continued)

	Group 31 December 1996 £000	Company 31 December 1996 £000	Group 30 November 1995 £000	Company 30 November 1995 £000
<i>Amounts owed to group undertakings comprise:</i>				
Parent and fellow subsidiary undertakings	259	-	1,165	-
	<u>259</u>	<u>-</u>	<u>1,165</u>	<u>-</u>

14 Creditors: amounts falling due after more than one year

	Group 31 December 1996 £000	Company 31 December 1996 £000	Group 30 November 1995 £000	Company 30 November 1995 £000
Intercompany loan from Cytec Global Holding Inc	8,072	8,072	8,072	8,072
	<u>8,072</u>	<u>8,072</u>	<u>8,072</u>	<u>8,072</u>

15 Accruals and deferred income

	Group 31 December 1996 £000	Company 31 December 1996 £000	Group 30 November 1995 £000	Company 30 November 1995 £000
<i>Government grants</i>				
At beginning of the period	100	-	100	-
Debited to profit and loss account	-	-	-	-
	<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 31 December 1996		Group 30 November 1995	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	-	883	-	829
Other timing differences	(108)	-	(261)	-
	<u>(109)</u>	<u>883</u>	<u>(261)</u>	<u>829</u>

Cytec UK Holdings Limited

Notes (continued)

17 Called up share capital

	31 December 1996	30 November 1995
	£000	£000
<i>Authorised</i>		
Ordinary shares of £1 each	20,000	20,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>

18 Reserves

	Group Profit and loss account £000	Company Profit and loss account £000
At beginning of the period	5,892	2,531
Retained profit/(loss) for financial period	3,555	(54)
	<hr/>	<hr/>
	9,447	2,477
	<hr/>	<hr/>

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 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 1996 £000	Company 31 December 1996 £000	Group 30 November 1995 £000	Company 30 November 1995 £000
Contracted	741	-	153	-
Authorised but not contracted	1,045	-	2,080	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,786	-	2,233	-
	<hr/>	<hr/>	<hr/>	<hr/>

Cytec UK Holdings Limited

Notes (continued)

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

	Group 31 December 1996 £000	Company 31 December 1996 £000	Group 30 November 1995 £000	Company 30 November 1995 £000
Operating leases which expire:				
Within one year	51	-	51	-
In the second to fifth years inclusive	195	-	276	-
	<u>246</u>	<u>-</u>	<u>327</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 1996 an accrual of £142,000 (1995: £33,000) 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

	1996 £000	1995 £000
Retained profit for the financial period	3,555	3,545
Net addition to shareholders' funds	<u>3,555</u>	<u>3,545</u>
Opening shareholders' funds	15,892	12,347
Closing shareholders' funds	<u>19,447</u>	<u>15,892</u>

Cytec UK Holdings Limited

Notes (continued)

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

	13 months ended 31 December 1996 £000	12 months ended 30 November 1995 £000
Operating profit	5,063	5,516
Depreciation	1,275	1,236
Net exchange differences	(38)	(202)
(Profit)/loss on disposal of fixed assets	(4)	6
(Increase)/decrease in stocks	(869)	558
Increase in debtors	(1,852)	(3,705)
Decrease in creditors	(60)	(2,582)
Net cash inflow from operating activities	<u>3,515</u>	<u>827</u>

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

Balance at 1 December 1995	3,026
Net cash inflow	812
Balance at 31 December 1996	<u>3,838</u>

25 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.