Cytec Fiberite Limited

(Now known as Cytec Engineered Materials Limited)

Directors' report and financial statements

Registered number 2851421

31 December 2000



Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Cytec Fiberite Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000. On 1 October 2001 the company changed its name to Cytec Engineered Materials Limited.

Principal activities

The principal activities of the company are the manufacture and distribution of composites and adhesives for use, primarily, in the aerospace and leisure industries.

Business review

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

Research and development

The directors consider that research and development plays a vital role in the company's success. A significant part of the work of the company's technical services and laboratory staff is concentrated in this area.

The company's spending on research and development during the year was £260,000 (*1999: £255,000*).

Proposed dividend and transfer to reserves

The profit for the year after taxation was £6,360,000 (*1999: £5,341,000*). The directors do not recommend the payment of an ordinary dividend (*1999: £3,735,000*). Therefore, the profit for the year retained in the company was £6,360,000 (*1999: £1,606,000*).

Directors and directors' interests

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

Mr JP Cronin (Chairman)
Mr M Molyneux
Mr W Wood

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.

Directors' report *(continued)*

Employees

Good communication is considered essential, and all employees are kept well informed regarding the company'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 company made no political contributions during the year. Donations to UK charities amounted to £962 *(1999: £180)*.

Auditors

In accordance with Section 386 of the Companies Act 1985, a resolution has been passed resulting in the company not being required to reappoint its auditors annually. KPMG will continue as the company's auditors.

By order of the board

William A Wood

Mr W Wood
Director

Abenbury Way
Wrexham Industrial Estate
Wrexham
LL13 9UZ

29th October 2001

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 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 keeping 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 as 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
United Kingdom

Independent auditors' report to the members of Cytec Fiberite Limited

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the company is not disclosed.

Basis of audit 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 2000 and of the profit of the company for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

29 October 2001

Profit and loss account

for the year ended 31 December 2000

	Note	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Turnover	2	**26,960**	25,583
Cost of sales		**(14,860)**	(15,601)
Gross profit		**12,100**	9,982
Distribution costs		**(370)**	(316)
Administrative expenses		**(5,511)**	(4,356)
Other operating income		**2,078**	1,804
Operating profit		**8,297**	7,114
Other interest receivable and similar income	6	**804**	515
Profit on ordinary activities before taxation	3-6	**9,101**	7,629
Tax on profit on ordinary activities	7	**(2,741)**	(2,288)
Profit on ordinary activities after taxation		**6,360**	5,341
Dividends paid and proposed	8	**-**	(3,735)
Retained profit		**6,360**	1,606

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

The results for the year relate solely to continuing activities.

Balance sheet

at 31 December 2000

	Note	31 December 2000 £000	31 December 2000 £000	31 December 1999 £000	31 December 1999 £000
Fixed assets					
Tangible assets	9		**3,910**		4,047
Current assets					
Stocks	10	**2,793**		1,942	
Debtors	11	**21,011**		15,769	
Cash at bank and in hand		**3,932**		1,423	
		27,736		19,134	
Creditors: amounts falling due within one year	12	**(7,238)**		(5,123)	
Net current assets			**20,498**		14,011
Total assets less current liabilities			**24,408**		18,058
Accruals and deferred income	13		-		(10)
Net assets			**24,408**		18,048
Capital and reserves					
Called up share capital	15		**8,400**		8,400
Capital contribution reserve	16		**1,000**		1,000
Profit and loss account	16		**15,008**		8,648
Equity shareholders' funds			**24,408**		18,048

These financial statements were approved by the board of directors on 29th October 2001 and were signed on its behalf by:

William A Wood

Mr W Wood
Director

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.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Cytec UK Holdings Limited, which is registered in England and Wales, and its cash flows are included within the consolidated cash flow statement of that company.

Copies of that company's financial statements may be obtained from Companies House.

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% 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.

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 within 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.

Pension costs

The company operates a defined benefit pension scheme, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

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 year.

Notes *(continued)*

2 Analysis of turnover

The directors consider the company to have only one class of business being the manufacture and distribution of composites and adhesives for use, primarily, in the aerospace and leisure industries.

By geographical market	**Year ended 31 December 2000 £000**	Year ended 31 December 1999 £000
UK	**10,826**	9,400
Europe/Middle East	**15,633**	15,864
Rest of world	**501**	319
	26,960	25,583

3 Profit on ordinary activities before taxation

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration:		
Audit	**19**	23
Other services	**10**	15
Depreciation	**619**	625
Hire of plant and machinery - operating leases	**20**	16
Hire of other assets - operating leases	**123**	84
Research and development expenditure	**260**	255
Loss on disposal of fixed assets	**3**	-
Net exchange (gains)/losses	**(101)**	16

Notes *(continued)*

4 Remuneration of directors

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Directors' emoluments	**182**	102

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

	Number of directors	
	2000	1999
Defined benefit schemes	**-**	1

5 Staff numbers and costs

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

	Number of employees	
	2000	1999
Production	**86**	81
Sales and distribution	**18**	19
Management and administration	**18**	18
Research and development	**8**	8
	130	126

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Wages and salaries	**2,843**	2,474
Social security costs	**206**	188
Other pension costs (see note 19)	**233**	216
	3,282	2,878

6 Other interest receivable and similar income

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Bank interest receivable	**118**	95
Amounts due from group undertakings	**686**	420
	804	515

7 Tax on profit on ordinary activities

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
UK corporation tax at 30% *(1999: 31%)*	**2,741**	2,240
Deferred taxation	**-**	48
	2,741	2,288

In 1999 the corporation tax liability for the year was reduced by £31,000 representing tax losses surrendered from the immediate holding company for the purpose of group relief. No consideration was paid for these losses. No tax losses were surrendered in 2000.

Notes *(continued)*

8 Dividends paid and proposed

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Ordinary shares:		
Interim dividend paid	-	3,735

9 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Assets in course of construction £000	Total £000
Cost						
At beginning of year	1,995	3,647	1,417	41	161	7,261
Additions	-	-	-	-	488	488
Disposals	-	-	-	(22)	-	(22)
Transfer	-	230	176	-	(406)	-
At end of year	1,995	3,877	1,593	19	243	7,727
Depreciation						
At beginning of year	257	2,117	819	21	-	3,214
Charge for the year	42	408	158	11	-	619
Disposals	-	-	-	(16)	-	(16)
At end of year	299	2,525	977	16	-	3,817
Net book value						
At 31 December 2000	**1,696**	**1,352**	**616**	**3**	**243**	**3,910**
At 31 December 1999	1,738	1,530	598	20	161	4,047

Notes *(continued)*

10 Stocks

	2000 £000	1999 £000
Raw materials and consumables	**1,800**	1,448
Finished goods and goods for resale	**993**	494
	2,793	1,942

11 Debtors

	2000 £000	1999 £000
Trade debtors	**6,573**	5,604
Amounts owed by group undertakings	**14,136**	10,025
Other debtors	**116**	-
Prepayments and accrued income	**161**	140
Deferred tax	**25**	-
	21,011	15,769

12 Creditors: amounts falling due within one year

	2000 £000	2000 £000	1999 £000	1999 £000
Trade creditors		**1,501**		1,107
Amounts owed to group undertakings		**2,912**		1,834
Other creditors including taxation and social security:				
Corporation tax	**1,183**		1,069	
Other taxes and social security	**84**		66	
		1,267		1,135
Accruals and deferred income		**1,558**		1,047
		7,238		5,123

Notes *(continued)*

13 Accruals and deferred income

	2000 £000	1999 £000
Government grants		
At beginning of year	**10**	20
Credited to profit and loss account	**(10)**	(10)
At end of year	**-**	10

14 Deferred taxation

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

	2000		1999	
	Provided £000	**Unprovided £000**	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	**-**	**496**	-	495
Other timing differences	**-**	**10**	-	-
		506	-	495

15 Called up share capital

	2000 No.	1999 No.
Authorised		
Ordinary shares of £1 each	**12,000**	12,000
	£000	£000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**8,400**	8,400

Notes *(continued)*

16 Reserves

	Capital contribution reserve £000	Profit and loss account £000
At beginning of year	1,000	8,648
Retained profit for financial year	-	6,360
At end of year	1,000	15,008

17 Contingent liabilities

The company has guaranteed duty charges to HM Customs and Excise; the maximum liability at the year end was £100,000.

The company paid a royalty charge to an associated company, Cytec Technologies Corporation Inc, a US resident corporation, at the rate of 2% on qualifying sales for a number of years to the year ended 31 December 1999. The level of royalty income recognised by the US company is currently under review by the US tax authorities, which could result in additional royalty costs in the UK in respect of qualifying sales for the periods ended 30 November 1994 to 31 December 1999. It has been estimated that the maximum liability of Cytec Fiberite Limited is of the order of £2,801,000. Net of tax this will be in the order of £1,892,000.

18 Commitments

(i) Capital commitments at the end of the financial year for which no provision has been made:

	2000 £000	1999 £000
Contracted	**169**	42

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

	2000 £000	1999 £000
Operating leases which expire:		
Within one year	**20**	19
In the second to fifth years inclusive	**20**	65
	40	84

Notes *(continued)*

19 Pension scheme

As explained in the accounting policies set out on page 7, the company operates a pension scheme 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 company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit funding method. The most recent valuation was at 29 June 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

Investment return	-	5.75%-6.75% per annum
Earnings increases	-	4.25% per annum
Pension increases	-	2.5% per annum

The most recent actuarial valuation showed that the market value of the scheme's assets was £4,748,000 and that the actuarial value of those assets represented 102% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees will remain at 12% and 5% of earnings respectively.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

20 Reconciliation of movements in shareholders' funds

	2000	1999
	£000	£000
Profit for the year	**6,360**	5,341
Dividends	**-**	(3,735)
Retained profit for the financial year and net addition to shareholders' funds	**6,360**	1,606
Opening shareholders' funds	**18,048**	16,442
Closing shareholders' funds	**24,408**	18,048

Notes *(continued)*

21 Related party transactions

The company has taken advantage of the exemption not to disclose details regarding transactions with other group undertakings as permitted by FRS 8, as the company is a wholly owned subsidiary. The results of the company have been consolidated in the group financial statements of Cytec UK Holdings Limited which are publicly available from Companies House.

22 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.

The smallest group in which the results of the company are consolidated is that headed by Cytec UK Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Companies House after the statutory filing period.