

**Cytec UK Holdings Limited**

**Directors' report and financial statements**

31 December 1998

Registered number 2834414



## **Directors' report and financial statements**

### **Contents**

Directors' report	1
Statement of directors' responsibilities	3
Consolidated profit and loss account	5
Balance sheets	6
Consolidated cash flow statement	7
Notes	8

## **Directors' report**

The directors present their report and the audited consolidated financial statements for the year ended 31 December 1998.

### **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 distribution of composites and adhesives for use in, primarily, the aerospace and leisure industries.

### **Business review**

There has been an increase in the profits of Cytec Fiberite Limited caused principally by higher sales of USA-manufactured products sold into the European market. UK-manufactured sales were at the same level as 1997. Boeing aircraft build rates are expected to remain at a similar level for 1999.

There has been a fall in the profits of Cytec Industries UK Limited, despite entering into a new tolling agreement, where it ceased to purchase or own any raw or packaging materials, resulting in a lower tolling fee.

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 £4,868,000 (1997: £4,359,000).

The directors do not recommend the payment of a dividend (1997: £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 £278,000 (1997: £346,000).

## **Directors' report** *(continued)*

### **Directors and directors' interests**

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

JP Cronin (Chairman)  
B Brine  
DM Drillock  
EF Jackman  
A Cameron

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.

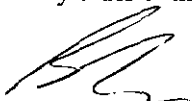
### **Year 2000**

A detailed review has been undertaken of the Year 2000 issue. Modifications have been made to the software to ensure that it is Year 2000 compliant. Confirmations have also been obtained from the hardware and software suppliers that systems are now compliant. Whilst the system had not been tested for compliance, no significant problems are currently anticipated in this area. No significant costs have been incurred or are anticipated.

### **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*

*30 July 1999*

Abenbury Way  
Wrexham Industrial Estate  
Wrexham  
LL13 9UZ

## **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

## **Report of the auditors to the members of Cytec UK Holdings Limited**

We have audited the financial statements on pages 5 to 21.

### *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 1998 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.

Chartered Accountants  
Registered Auditors

18 August 1999

## **Consolidated profit and loss account**

*for the year ended 31 December 1998*

	<i>Note</i>	<b>Year ended 31 December 1998 £000</b>	Year ended 31 December 1997 £000
<b>Turnover</b>	2	<b>30,942</b>	41,023
Cost of sales		<b>(21,598)</b>	(28,101)
<b>Gross profit</b>		<b>9,344</b>	12,922
Distribution costs		<b>(305)</b>	(316)
Administrative expenses		<b>(7,176)</b>	(7,403)
Other operating income		<b>4,328</b>	998
<b>Operating profit</b>	3-5	<b>6,191</b>	6,201
Other interest receivable and similar income	6	<b>1,062</b>	1,222
Interest payable and similar charges	7	<b>(277)</b>	(529)
<b>Profit on ordinary activities before taxation</b>		<b>6,976</b>	6,894
Tax on profit on ordinary activities	8	<b>(2,108)</b>	(2,535)
<b>Profit on ordinary activities after taxation and retained profit for the financial period</b>		<b>4,868</b>	4,359

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

The results for the period relate solely to continuing activities.

The notes on pages 8 to 21 form part of these financial statements.

## Balance sheets

at 31 December 1998

		Group		Company		Group		Company	
	Notes	31 December 1998		31 December 1998		31 December 1997		31 December 1997	
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Fixed assets</b>									
Tangible assets	9	12,795		-		11,197		-	
Investments	10	-		20,400		-		20,400	
			12,795		20,400		11,197		20,400
<b>Current assets</b>									
Stocks	11	3,135		-		3,898		-	
Debtors	12	19,321		-		21,251		362	
Cash at bank and in hand		3,236		10		4,114		10	
			25,692		10		29,263		372
<b>Creditors: amounts falling due within one year</b>	13	(8,930)		(1,893)		(7,900)		(6)	
<b>Net current assets</b>			16,762		(1,883)		21,363		366
<b>Total assets less current liabilities</b>			29,557		18,517		32,560		20,766
<b>Creditors: amounts falling due after more than one year</b>	14		-		-		(8,116)		(8,116)
<b>Accruals and deferred income</b>	15		(20)		-		(30)		-
<b>Provision for liabilities &amp; charges</b>	16		(863)		-		(608)		-
<b>Net assets</b>			28,674		18,517		23,806		12,650
<b>Capital and reserves</b>									
Called up share capital	17		10,000		10,000		10,000		10,000
Profit and loss account	18		18,674		8,517		13,806		2,650
<b>Shareholders' funds</b>			28,674		18,517		23,806		12,650

The notes on pages 8 to 21 form part of these financial statements.

These financial statements were approved by the board of directors on 30 July 1999 and were signed on its behalf by:



**B Brine**  
Director



**Consolidated cash flow statement**  
*for the year ended 31 December 1998*

	<i>Note</i>	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
<b>Operating activities</b>			
Net cash inflow from operating activities	23	3,442	5,911
<b>Returns on investments and servicing of finance</b>			
Interest received		1,062	1,222
Interest paid		(277)	(525)
		<hr/>	<hr/>
Net cash inflow/(outflow) from returns on investments and servicing of finance		785	697
<b>Taxation</b>			
Tax paid		(2,023)	(2,198)
		<hr/>	<hr/>
		(2,023)	(2,198)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(3,265)	(4,134)
Proceeds from disposal of tangible fixed assets		183	-
		<hr/>	<hr/>
Net cash outflow from capital expenditure		(3,082)	(4,134)
Net cash (outflow) /inflow before financing		<hr/>	<hr/>
		(878)	276
<b>(Decrease)/increase in cash</b>	24	<hr/>	<hr/>
		(878)	276

## 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 1998. 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.

**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.

**Notes** *(continued)*

**2 Segmental analysis of turnover**

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
<i>By class of business</i>		
Manufacture and distribution of:		
Polyacrylamides	6,946	16,835
Composites and adhesives	23,996	24,188
	<hr/> 30,942	<hr/> 41,023
<i>By geographical market</i>		
UK	9,828	9,302
Europe/Middle East	20,391	30,639
United States of America	-	-
Latin America	-	-
Far East	723	-
Rest of world	-	1,082
	<hr/> 30,942	<hr/> 41,023

**3 Profit on ordinary activities before taxation**

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	31	31
Other services	15	4
Depreciation and other amounts written off owned tangible fixed assets	1,661	1,283
Hire of plant and machinery - rentals payable under operating leases	27	29
Hire of other assets - operating leases	246	246
Research and development expenditure	278	346
Loss on disposal of fixed assets	1	69
Redundancy costs	600	-
<i>after crediting</i>		
Net exchange gains	29	17

**Notes** *(continued)*

**4 Remuneration of directors**

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Directors' emoluments	158	149

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

	Number of directors 1998	1997
Defined benefit schemes	2	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 1998	1997
Production	117	122
Sales and distribution	62	61
Management and administration	80	88
Research and development	9	10
	<u>268</u>	<u>281</u>

The aggregate payroll costs of these persons were as follows:

	1998 £000	1997 £000
Wages and salaries	6,155	6,289
Social security costs	480	493
Other pension costs (see note 21)	562	526
	<u>7,197</u>	<u>7,308</u>

**Notes** *(continued)*

**6 Other interest receivable and similar income**

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Bank interest receivable	231	458
Interest receivable from group undertakings	831	764
	<u>1,062</u>	<u>1,222</u>

**7 Interest payable and similar charges**

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Interest payable to group undertakings	277	529
	<u>277</u>	<u>529</u>

**8 Taxation**

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
UK corporation tax at 31% on the profit for the year on ordinary activities	2,158	2,212
Deferred taxation	63	40
<i>Prior year</i>		-
UK corporation tax	(124)	(43)
Deferred taxation	11	326
	<u>2,108</u>	<u>2,535</u>

## 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
<b>Group</b>						
<i>Cost</i>						
Opening	4,652	9,572	1,318	58	1,218	16,818
Additions	-	-	-	-	3,265	3,265
Transfer	931	2,998	439	-	(4,368)	-
Disposals	(15)	(377)	-	(17)	-	(409)
Closing	5,568	12,193	1,757	41	115	19,674
<i>Depreciation</i>						
Opening	856	3,979	768	18	-	5,621
Charge	121	1,126	229	7	-	1,483
Transfer	54	(36)	(18)	-	-	-
Disposals	(7)	(207)	-	(11)	-	(225)
Closing	1,024	4,862	979	14	-	6,879
<i>Net book value</i>						
At 31 December 1998	4,544	7,331	778	27	115	12,795
At 31 December 1997	3,796	5,593	550	40	1,218	11,197
<b>Company</b>						

No tangible fixed assets are held by the company.

**Notes** (continued)

**10 Fixed asset investments**

	1998 £000	1997 £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 1998 £000	Company 1998 £000	Group 1997 £000	Company 1997 £000
Raw materials and consumables	2,489	-	3,398	-
Finished goods and goods for resale	646	-	500	-
	<u>3,135</u>	<u>-</u>	<u>3,898</u>	<u>-</u>



## Notes (continued)

### 12 Debtors

	Group 1998 £000	Company 1998 £000	Group 1997 £000	Company 1997 £000
Trade debtors	5,521	-	5,230	-
Amounts owed by group undertakings	12,828	-	15,598	-
Other debtors	848	-	237	362
Prepayments and accrued income	124	-	186	-
	<u>19,321</u>	<u>-</u>	<u>21,251</u>	<u>362</u>
<i>The amounts owed by group undertaking comprise:</i>				
Parent and fellow subsidiary undertakings	12,828	-	15,598	-
	<u>12,828</u>	<u>-</u>	<u>15,598</u>	<u>-</u>

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

	Group 1998 £000	Company 1998 £000	Group 1997 £000	Company 1997 £000
Trade creditors	1,686	-	2,741	-
Amounts owed to group undertakings	<u>2,451</u>	<u>1,887</u>	<u>795</u>	<u>-</u>
	4,137	1,887	3,536	-
Other creditors including taxation and social security:		-		-
Corporation tax	2,184	-	2,182	-
Other taxes and social security	460	-	315	-
	<u>2,644</u>	<u>1,887</u>	<u>2,497</u>	<u>-</u>
Accruals and deferred income	2,149	6	1,867	6
	<u>8,930</u>	<u>1,893</u>	<u>7,900</u>	<u>6</u>

**Notes (continued)**

**13 Creditors: amounts falling due within one year (continued)**

	Group 1998 £000	Company 1998 £000	Group 1997 £000	Company 1997 £000
<i>Amounts owed to group undertakings comprise:</i>				
Parent and fellow subsidiary undertakings	564	-	795	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

	Group 1998 £000	Company 1998 £000	Group 1997 £000	Company 1997 £000
Intercompany loan from Cytec Global Holding Inc	-	-	8,116	8,116
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**15 Accruals and deferred income**

	Group 1998 £000	Company 1998 £000	Group 1997 £000	Company 1997 £000
<i>Government grants</i>				
At beginning of the period	30	-	100	-
Debited to profit and loss account	(10)	-	(70)	-
	<u>20</u>	<u>-</u>	<u>30</u>	<u>-</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**16 Provision for liabilities and charges (group)**

	Pension provision £000	1998 Deferred taxation £000	Total £000
At beginning of year	350	258	608
Utilised during the year	(169)	-	(169)
Charge for the year	350	74	424
At end of year	<u>531</u>	<u>332</u>	<u>863</u>
	<u>          </u>	<u>          </u>	<u>          </u>

**16 Provision for liabilities and charges (group) (continued)**

***Deferred taxation***

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

	Group 1998		Group 1997	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	604	529	440	526
Other timing differences	(272)	(82)	(182)	(82)
	<u>332</u>	<u>447</u>	<u>258</u>	<u>444</u>

**17 Called up share capital**

	1998 £000	1997 £000
<b><i>Authorised</i></b>		
Ordinary shares of £1 each	20,000	20,000
<b><i>Allotted, called up and fully paid</i></b>		
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 year	13,806	2,650
Retained profit for the year	4,868	5,867
<b>At end of the year</b>	<u>18,674</u>	<u>8,517</u>

## Notes (continued)

### 19 Contingent liabilities

The group paid royalty charges 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 1998. 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 to the group in respect of qualifying sales for the periods ended 30 November 1994 to 31 December 1998. It has been estimated that the maximum liability of the group is of the order of £3,313,000. Net of tax this will be in the order of £2,220,000.

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 1998 £000	Company 1998 £000	Group 1997 £000	Company 1997 £000
Contracted	160	-	1,205	-
	<u>160</u>	<u>-</u>	<u>1,205</u>	<u>-</u>

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

	Group 1998 £000	Company 1998 £000	Group 1997 £000	Company 1997 £000
Operating leases which expire:				
Within one year	75	-	102	-
In the second to fifth years inclusive	133	-	140	-
	<u>208</u>	<u>-</u>	<u>242</u>	<u>-</u>

## Notes (continued)

### 21 Pension schemes

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.

For Cytec Fiberite Limited, 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 1 January 1998. 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	-	9.0% per annum
Earnings increases	-	7.5% per annum
Pension increases	-	4.0% per annum
Dividend increases (to value assets)	-	5.0% per annum

The most recent actuarial valuation showed that the market value of the scheme's assets was £3,145,492 and that the actuarial value of those assets represented 98.7% 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 11% and 5% of earnings respectively.

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

For Cytec Industries UK Limited the most recent formal actuarial valuation of the Scheme was undertaken as at 1 April 1997. The valuation was carried out using the projected unit method with the Scheme's assets being valued by discounting the expected future income generated by them.

An appropriate review of the funding position was carried out as at 1 January 1998 for the purpose of determining the pension charge. The main assumptions are as follows :-

Price inflation	-	4.5% per annum
Salary increases	-	7.0% per annum
Pension increases	-	4.0% per annum
Investment return	-	9.0% per annum

As at 1 April 1997 the market value of the assets of the Scheme was £5,990,000 and the actuarial value of the assets was sufficient to cover 100% of the benefits that had accrued to members, after allowing for expected future increases in salaries. The next formal valuation is due to be undertaken as at 1 April 2000.

The contributions of the Company were at 5% of Scheme salaries for the period 1 January to 31 May 1998 and at 10% of salaries thereafter. Employees also contribute 5% of Scheme salaries.

The total pension charge of to the group of both schemes for the period was £562,000 (1997: £526,000).

At 31 December 1998 a provision of £531,000 (1997: £350,000) is included in provisions for liabilities and charges, this being the excess of the pension cost over the amount funded for the Scheme for Cytec Industries UK Limited.

**Notes** (continued)

**22 Reconciliation of movement in shareholders' funds**

	Group 1998 £000	Company 1998 £000	Group 1997 £000	Company 1997 £000
Retained profit for the financial period	4,868	5,867	4,359	173
Net addition to shareholders' funds	4,868	5,867	4,359	173
Opening shareholders' funds	23,806	12,650	19,447	12,477
Closing shareholders' funds	28,674	18,517	23,806	12,650

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

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Operating profit	6,191	6,201
Depreciation	1,483	1,283
Net exchange differences	(29)	(4)
Loss on disposal of fixed assets	1	69
Decrease/(increase) in stocks	763	(372)
Decrease/(increase) in debtors	1,930	(2,667)
(Decrease)/increase in creditors	(7,088)	891
Movement in provisions	191	510
Net cash inflow from operating activities	3,442	5,911

**24 Analysis of changes in net funds during the period**

	Year ended 31 December 1998 Cash £000	Year ended 31 December 1997 Cash £000
<i>Net funds</i>		
Balance at beginning of year	4,114	3,838
Net cash (outflow)/inflow	(878)	276
Balance at end of year	3,236	4,114

**Notes** *(continued)*

**25      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 and its group have been consolidated in the group financial statements of Cytec Industries Inc. 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.