



Yule Catto & Co plc
Temple Fields, Harlow
Essex CM20 2BH
Tel: 01279 442791
Fax: 01279 641360
www.yulecatto.com



One of the most successful UK speciality chemical companies with interests worldwide.

Yule Catto is an international group of companies whose business interests are in four distinct market sectors:

polymer chemicals; pharma and fine chemicals; performance chemicals and building products.

An enviable reputation has been established over many years for strong financial performance and sound management.

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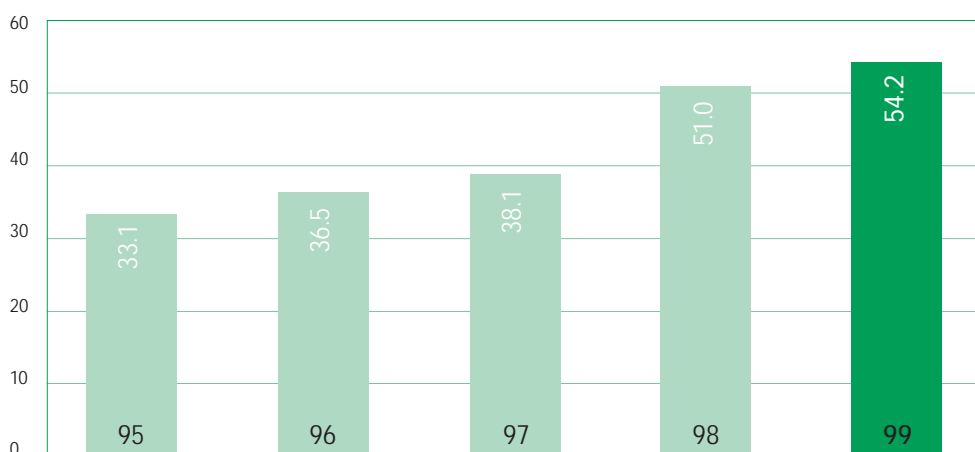
Financial Highlights

	Notes	1999 £000	1998 £000
Total turnover	1	532,191	532,276
Ebitda	1&2	82,553	78,946
Operating profit before amortisation	1	66,057	63,897
Total operating profit	1	55,261	54,198
Profit before taxation	1&3	54,210	50,969
Profit on ordinary activities before taxation	1	43,414	41,270
Profit attributable to shareholders	1	26,935	25,417
Net borrowings		(202,374)	(166,529)
Free cash flow before dividends		36,385	27,776
Adjusted earnings per share		24.5p	24.1p
Earnings per share – FRS3		17.5p	17.5p
Dividends per share		11.2p	11.0p

Notes:

- 1 Including attributable share of joint ventures.
- 2 Earnings before interest, tax, depreciation and amortisation of goodwill.
- 3 Before amortisation of goodwill.

Profit before taxation
£m



Polymer Chemicals

Yule Catto companies are world leaders in the development and application of waterbased polymer science. Success has come through the consistent approach of working in partnerships with customers to develop new products for use in technically demanding applications.

Polymer Chemicals continues to be the largest sector within the Yule Catto operation. 1999 saw this sector strengthen through strategic acquisitions and major investment in maximising plant efficiencies.

Key Products

- Waterbased polymer dispersions
- Emulsions
- Synthetic latices
- Adhesives
- Natural rubber latex
- Liquid polybutadiene
- Polyvinyl alcohol
- Polyvinyl acetate
- Alkyd and polyester resins

Pharma & Fine Chemicals

The future for this sector is bright as growing demand, particularly in the life science industry, provides exciting opportunities over the next few years. We serve some of the world's largest and most technically advanced companies.

The division comprises Yule Catto's pharmaceutical group of companies now operating under the UQUIFA name together with the flavour and fragrance ingredient activities of Oxford Chemicals and PFW Aroma Chemicals.

Key Products

- Generic and ethical pharmaceutical actives
- Development and manufacture of clinical phase compounds
- Flavour and fragrance ingredients

Performance Chemicals

Companies under the Performance banner are focussed upon sustaining their strong niche market positions through satisfying the needs of customers with products of the highest quality.

A wide range of speciality chemicals are manufactured including colorants, photographic chemicals, metal salts, sulphur dioxide derivatives, inks, industrial cleaning products and engineering maintenance chemicals.

Key Products

- Ultramarine pigments, dyestuffs and intermediates, photographic chemicals, sulphur dioxide derivatives, inorganic intermediates, colour dispersions, inks
- Cleaning and engineering maintenance chemicals
- Services - contract aerosol filling, cleaning services

Building Products

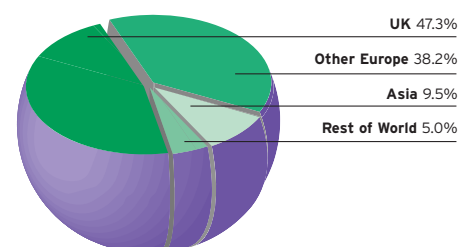
The group has built up leadership in several market areas through close attention to customer service and high specification of product's service provision.

Companies specialising in the design, manufacture and installation of roof daylight systems, office partitioning and furniture systems, and distribution of sheet plastics.

Key Products

- Office partitioning
- Office screen systems
- Thermoplastic rooflights
- Continuous roof glazing
- Waterproof roofing systems
- Sheet plastic distribution

Sales by Origin %



Number of employees worldwide 4,800
 Exporting to over 100 countries
 Located in 15 countries

Markets

- Surface coatings
- Dipping - e.g. gloves
- Carpets and non-woven textiles
- Paper
- Adhesives
- PVC manufacture

Geographic scope

- UK and Continental Europe
- Asia
- Middle East
- South Africa



Turnover
 £176.8m 33.2%

Operating Profit
 £27.3m 38.4%

Markets

- Major pharmaceutical manufacturers
- Generic drugs
- Food industries
- Fragrances
- Toiletries
- Detergents

Geographic scope

- Europe
- North America
- South East Asia & Far East



Turnover
 £95.9m 18.0%

Operating Profit
 £18.6m 26.3%

Markets

- Plastics
- Household chemicals
- Surface coatings
- Timber treatments
- Photographic
- Cosmetics and hair dyes
- Textiles
- Toiletries
- Engineering consumables
- Janitorial supplies

Geographic scope

- UK and Continental Europe
- South East Asia & Far East
- North America
- Middle East
- Africa



Turnover
 £156.0m 29.3%

Operating Profit
 £17.3m 24.4%

Markets

- Construction
- Office interiors

Geographic scope

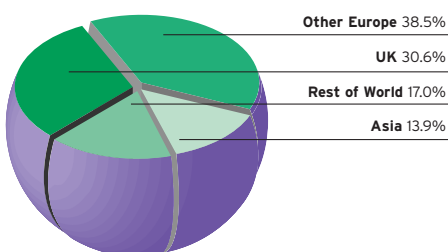
- UK and Continental Europe



Turnover
 £103.5m 19.5%

Operating Profit
 £7.7m 10.9%

Sales by Destination %



Turnover Outer circle
Operating Profit Inner circle

Chairman's Statement

“A year of sound achievement with strong earnings, excellent cash generation and the nineteenth consecutive year of dividend growth... solid foundation to deliver the group's long term growth prospects.”

We reflect on 1999 as a year of sound achievement when efforts were directed at creating a solid foundation for future growth. Strong management focus again provided excellent cash generation which is a long established attribute of the group. We are delighted to have secured full control over the synthetic latex operations of Synthomer Ltd and Synthomer GmbH by purchasing the outstanding shares in these companies from our joint venture partner, Reichhold Inc.. This acquisition removes geographic restrictions and provides exciting opportunities in the rapidly growing global market for speciality latex.

Profit before taxation advanced by 6.4% and profit attributable to shareholders by 6.0%. The quality of our operations was once again demonstrated by their resilience in less than favourable conditions. Adjusted earnings per share were pegged at 24.5 pence for the year by a higher number of shares in issue. Prospects for the group remain strong and your directors have declared an increased final dividend of 6.7 pence per share, making a total of 11.2 pence for 1999, compared with 11.0 pence in the previous year.

Turnover of £532.2 million is at the same level as 1998 reflecting the planned withdrawal from certain highly competitive markets to concentrate upon more technically demanding application areas. We have enjoyed strong growth for our speciality products, but an increase in raw material costs in the second half contributed to a small reduction in margins.

Operating profit for the year, before amortisation of goodwill, was 3.4% higher at £66.1 million. Many of our operations have paid close attention to productivity efficiencies through investment in process improvements and by rationalisation initiatives. The number of new product launches is particularly encouraging and we have developed new customers, increasing our market share in speciality sectors. The year ended with demand running at high levels in several of our important markets.

Cash management consistently receives a high level of attention with strict controls over working capital requirements and a closely targeted capital investment programme. Our capital requirement was lower during 1999 with the primary focus being on capacity expansion of our chemicals businesses. Ongoing reductions in stock levels within the Holliday companies, coupled with increased all round co-operation with our suppliers, played a significant part in achieving improvements in working capital efficiency. Free cash flow before dividends, was a very satisfying £36.4 million.

Net debt at the year end of £202.4 million is after investing £61.5 million on the outstanding 50% shareholdings in the Synthomer companies. During the year we have taken measures to create longer term security on our borrowing requirements. Specifically, we undertook a Private Placement which extended the term of £100 million of debt to a ten year average life, and we have tightened our hedging strategy by fixing the interest rate on a further £75 million of debt for periods of five and ten years.



Our approach towards the introduction of the latest Corporate Governance requirements, contained in the Turnbull Report, is outlined on page 23. Employee health and safety, along with the environment, are subjects that receive high priority, and I am pleased to highlight our SHE Report, which details further initiatives that have been introduced. The preparation of our information technology systems for a smooth transition through the Year 2000 was successful in every respect.

The new Millennium starts with significant changes to the Board of Directors. Having reached retirement age in March 2000, Allister McLeish will leave the group. Under Allister's prudent financial stewardship, the group has generated significant cash to enable numerous acquisitions and to support a dividend policy that has seen growth in every one of his nineteen years' tenure. Jan Michiel Hessels has resigned as a non-executive director, effective 1 March 2000 and Lee Hau Hian will resign from the board and become an alternate director on 23 May 2000. On behalf of the Board of Directors I would like to thank Allister, Jan Michiel and Hau Hian for their invaluable contribution during their years of service. Sean Cummins has been appointed to the board and will assume the position of Finance Director in March. Richard Hunting and John Napier joined the board as non-executive directors on 4 February and 6 March 2000 respectively.

After forty years as chairman of Yule Catto & Co plc, and its predecessor Yule Catto & Co Ltd, I have decided to step down at the Annual General Meeting in May. Over that period I have seen many changes and our group has grown and prospered. I take this opportunity to wish my old and new colleagues continued success, to you our shareholders a fond farewell and to our staff all over the world many thanks for their hard work and loyalty. Anthony Richmond-Watson, who has been a non-executive director for many years, will take over as Chairman.

Global economic confidence is high, and is being reflected in our market sectors. The volume growth that we experienced towards the end of 1999 has carried through to the start of this year. There remains uncertainty over the fair valuation of the euro, a key trading currency within our group, and the sustainability of the current oil price, which adds to inflationary concerns and raw material pricing pressures. However, we have considerable experience of successfully managing businesses at all stages of the economic cycle and there is every reason to believe that we shall continue to prosper. Your board remains confident in the group's long term growth prospects.

Catto

7 March 2000

Review of Operations



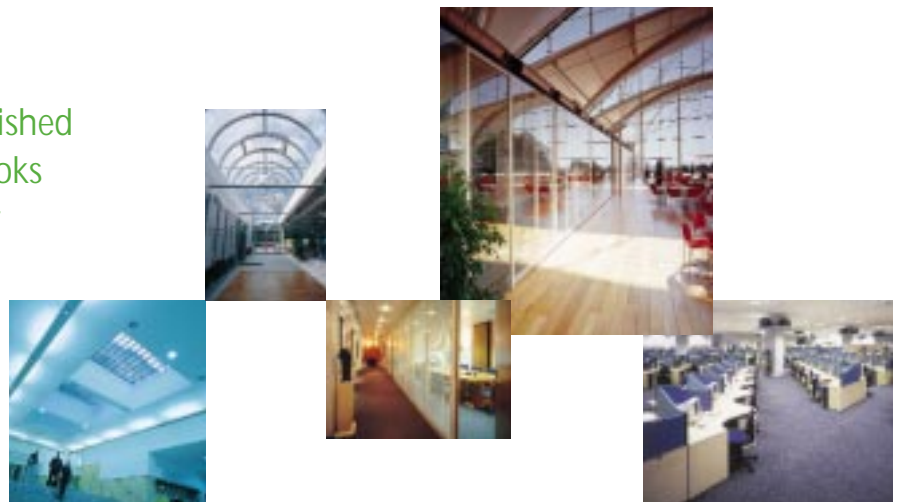
Polymer Chemicals "The results showed good progress as the sector continued to benefit from the focus on more technically demanding speciality products."

Pharma and Fine Chemicals "A single focussed approach towards marketing and product development... will leverage our ability to service the changing needs of our growing customer base."



Performance Chemicals "The benefits of strong action initiated to counteract adverse market conditions emerged progressively during the year."

Building Products "All businesses finished the year with strong order books providing a good platform for the year 2000."





Yule Catto companies are world leaders in the development and application of waterbased polymer science. Success has come through the consistent approach of working in partnerships with customers to develop new products for use in technically demanding applications.



One of the longest standing and strongest sectors in which the group operates was significantly enhanced in November last year with Yule Catto taking full control of Synthomer Ltd and Synthomer GmbH from its joint venture partner Reichhold Inc., for a consideration of US\$95 million. By means of this change, Synthomer will be able to operate free from restriction in the global market. This will be supported by the early establishment of manufacturing facilities in the Far East and a commercial infrastructure in other parts of the world.

The results from the Polymer Chemicals sector showed good progress last year on the back of continued benefits from the focus on the more technically demanding speciality products. This performance was achieved despite the major raw materials, styrene, butadiene, acrylonitrile and vinyl acetate showing steady upward price movement since March 1999. Against all predictions, this trend has continued into 2000 fuelled by an oil price that has seen Brent crude reaching post-Gulf war highs. In response to this challenge actions are already in place to protect margins.

The strength of sterling had a positive influence on the input price of raw materials to UK operations, but overall it was not beneficial due to its impact on UK export prices and the translation of overseas profit.

Moderate capital investment was undertaken in 1999, mainly directed to capacity upgrade and SHE items. A major programme of investment, including geographic expansion of production facilities, is planned in 2000.

Synthetic Rubber Latices

Overall demand in the market has been strong, with all producers reporting high levels of plant utilisation. Volumes in Synthomer Ltd and Synthomer GmbH, which were constrained by plant capacity, moved forward following plant commissioning at Stallingborough, UK in May 1999 as well as through production efficiencies in Langelsheim, Germany. The installation of a fully integrated management information system, as well as a new process computer at the Stallingborough factory, will further increase the effectiveness of the businesses.

In the dipped goods sector, notably thin skin gloves, substantial growth was achieved as the progressive replacement of natural rubber-based products continued, driven by certain technical

advantages, as well as concerns with allergic reaction. Although sales for coated paper applications remain an important contributor, the major growth continues to be in the speciality sectors. Consumption in glass fibre and technical textiles, as well as in construction, showed a very pleasing development.

In the carpet sector, the market has been somewhat sluggish, partially influenced by the current fashion towards hard flooring, e.g. wood laminates and ceramic tiles. The inability of UK mills to compete with low cost European tufted producers was further exacerbated by the strength of sterling. In the second half of last year demand returned in Continental Europe enabling growth to be achieved through good performance in automotive and speciality carpet applications.

Emulsions

In the UK, Harlow Chemical Company Ltd turned in a fine performance with high demand in the paints and adhesives sectors. Good progress was also recorded in exports for speciality applications. In expectation of continuing growth, further investment in the Stallingborough, UK facility is scheduled for early 2000.

In Saudi Arabia our joint venture, DCI Harco, has commissioned a further reactor, together with increased raw material and finished goods handling. As well as strong growth in the Kingdom, increased penetration of other Gulf states was achieved.

In South Africa it is pleasing to report a significant increase in demand. Falling interest rates, although still high by global standards, combined with a new realism in labour relations, are leading to real economic benefit. A recovery in tourism is driving the need for improved infrastructures and major trials have been successfully completed in northern Kwa Zulu Natal using polymers in the construction of low cost access roads. This will have a very positive impact on rural economies.

For Revertex Belgium SA the recently commissioned polymerisation plant is having real benefit, and is fuelling the growth of our industrial adhesives business into a wider geographic area.

In the Far East there has been a general improvement in the Malaysian economy helping emulsion volume to move forward by 10% over the very depressed levels of 1998. A reduction in operating costs and attention to margin resulted in a performance ahead

of expectations at this point in the recovery cycle. Revertex (Guangdong) Chemicals Co Ltd has continued to enjoy a steady improvement in sales volume. However, margin erosion has been severe in the face of strong competition and rising raw material costs.

Natural Rubber Latices

An imbalance in the market due to overstocking of dipped examination gloves impacted unfavourably on both volume and margin last year. After extensive review, the decision was implemented by Revertex (Malaysia) Sdn Bhd to cease manufacture of centrifuge latex and concentrate resources on an extended range of natural latex compounds. Better market conditions existed in Thailand where steady progress was achieved.

Polyvinyl Acetate/Alcohol

Record sales were achieved in Alcotex primary stabilisers for PVC production and, with the launch of a water-dilutable secondary stabiliser, good growth is assured in 2000 and beyond. The pre-eminence of PVC in many applications, particularly in developing countries, assures the growth in demand for this polymer well into the future. New grades for use in printing plate and ink jet applications have been well received in the market. Expansion of the Alcotex manufacturing facility commenced in 1999, with commissioning of the additional 25% capacity expected in early 2000.

Active marketing of the Mowilith polyvinyl acetate has further broadened our customer base and geographic coverage leading to record sales achievement.

Other Speciality Products

The adhesives business of Revertex Finewaters Sdn Bhd grew significantly in 1999. While this was assisted by the general growth in the local economies, the management has seized every opportunity by sustaining a concentration on strong marketing and high levels of customer service.

Revertex (Malaysia) Sdn Bhd saw an improvement in its alkyd and polyester resin business after the extremely poor results of the previous year. Margins have not recovered to previous levels, but market share remains high in a period of strengthening sales volume.

The joint venture with Exxon to manufacture plasticisers in Malaysia was dissolved in 1999 against a background of depressed prices and demand. The company has been reorganised as a wholly owned subsidiary of Revertex (Malaysia) Sdn Bhd providing a toll manufacturing service to Exxon against a fixed price long-term contract.

Despite a decline in the demand for Lithene polybutadiene in the chlorinated rubber market, Revertex Chemicals Ltd achieved a creditable growth in other applications, notably encapsulants, surface coatings and automotive sealants.

Turnover



Operating Profit



Pharma & Fine Chemicals

The future for this sector is bright as growing demand, particularly in the life science industry, provides exciting opportunities over the next few years. We serve some of the world's largest and most technically advanced companies.



Overall, the future is bright for our businesses in this sector. However, a setback was experienced in 1999 due to the rapid consolidation within the life science industry impacting upon the timing of projects. The efforts directed towards widening and deepening the range of generic products saw good progress in the second half of last year and further benefit is anticipated in the near and medium term.

Working capital has come under close management scrutiny and, while this brought pleasing results in terms of cash generation, the substantial reduction in stock levels was a negative factor on profits.

The world flavour and fragrance market has not seen the same level of corporate restructuring and our companies are benefiting from good demand and increased momentum towards outsourcing by the major Flavour and Fragrance houses.

Pharma

A reorganisation of the management structure of our pharmaceutical operations was completed towards the end of last year to enhance our ability to service the ever demanding requirements of the life science market. All the Yule Catto pharmachem companies have been brought together under one name, Uquifa. A single focussed approach towards marketing and product development from our strong base in Barcelona will leverage our ability to service the changing needs of our growing customer base.

Union Quimico Farmaceutica SA (UQUIFA) experienced a year of mixed fortunes with the changing face of the world's pharmaceutical industry slowing the rate of product approvals and altering the requirements of the larger ethical customers. In contrast, the strong base of generic actives saw good progress. The market for anti-ulcer actives is strong and the company continues to hold a dominant position in an expanding Ranitidine market. As expected, there was pricing pressure during 1999, but volumes have grown significantly to more than counteract the impact. It is envisaged that this growth will be sustained by demand through the OTC sector of the market.

Uquifa Italia SpA saw a weakness in the antibiotic sector balanced by ethical products. The outlook for antibiotics brightened towards the end of last year, but the position for other products looks less certain in the coming months.

Uquifa Mexico S.A.C.V. has seen a continued slowdown in the offtake for veterinary products. The response to this has been to accelerate the development of generic products and increase the manufacture of intermediates in support of our other pharmaceutical operations. With the majority of sales in US dollars, the unexpected strength of the Mexican peso increased operating costs and placed pressure on margins.

Continued capital investment at all our manufacturing sites has provided a technological base with capacity to respond to the fast track new development programmes prevalent today. We continue to pursue a strategy of having free capacity on the ground to meet customers' short and medium term requirements. In addition, we are now in a position to undertake development under cGMP right from preclinical to product launch. Investment in additional pilot plant facilities is planned in 2000 to enhance this capability.

While 1999 has seen some disappointments, there are a number of very interesting projects in phase 2 and 3 of drug development programmes. These are likely to bear fruit in the next few years and will provide a significant boost to our overall earnings. The objective for the generic market is to add two to three new products per annum. The position is already building steadily and our increasing product portfolio underwrites our future potential in this sector.

We believe our companies are well placed to benefit from the growing demands of the life science industry as drug discovery and launch programmes increase over the coming years.

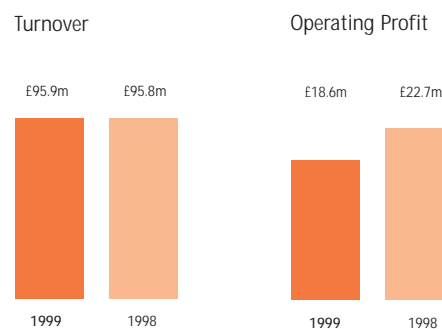
Flavours and Fragrances

Oxford Chemicals recorded strong growth throughout last year. Progress was achieved in all major markets with product quality and customer service overcoming the difficulties of a strong UK currency.

Internal rationalisation within the major flavour and fragrance companies is creating significant opportunities. The new plant commissioned in 1999 and dedicated to odour critical products on a bulk scale is already enjoying good utilisation.

PFW Aroma Chemicals BV benefited throughout last year from strong demand for polycyclic musks in the fabric and personal care sectors. This required investment in a debottlenecking programme to release additional capacity. Further investment is planned for 2000 due to continuing demand for these products.

Opportunities in domestic fabric care and housewares have been identified and the launch of a range of novel products began in 1999 and will be expanded in 2000.



Performance Chemicals

Companies under the Performance banner are focussed upon sustaining their strong niche market positions through satisfying the needs of customers with products of the highest quality.

The benefits of strong action initiated to counteract adverse market conditions for a number of the Performance Chemicals businesses emerged progressively last year. Opportunities for operating cost reductions are being pursued into the year 2000, entailing both investment and restructuring.

Consumer Products and Services

The challenges of a weak UK market were well met by our consumer chemical companies to achieve improved results. The name of Yule Catto Consumer Chemicals Ltd was changed to Reabrook Ltd and preparations were made throughout 1999 to merge with Greenhill Chemical Products Ltd in order to release operational efficiencies. The modern, recently enlarged facilities at the Greenhill factory form the base for this consolidation which will bring together all production and warehouse units with attendant cost savings.

Autoclenz Ltd had another good year with both sales and profits advancing strongly despite a softening demand in the last few weeks of the year due to the much-publicised slowdown in new car registrations. The small Brencliffe Ltd operation moved forward to post record profits.

Inorganic Chemicals

With trading conditions remaining far from easy, William Blythe Ltd continued to focus upon reducing the operating cost base and this was a major factor in the company's improved profitability. The timber treatment business enjoyed a record year and sales to the pharmaceutical industry were buoyant. Copper product sales were slightly disappointing, but prospects for 2000 are brighter following industry rationalisation.

Sulphur dioxide derivatives benefited from lower input raw material costs and improved margins to achieve a strong financial result. Tightness in the world iodine market eased in the latter part of 1999 permitting sales volumes to move forward.

Dyes and Pigments

Holliday Pigments Ltd and Holliday Pigments SA achieved record sales with increases in most major markets and a notably strong performance from Asian countries. US demand continued strongly culminating in sales levels comfortably ahead of the previous best. Efforts were maintained to reduce costs, with the total numbers employed falling by close to 10% year on year and this will benefit results from 2000 onwards.

Investment in IT systems is bringing considerable benefits by enabling greater integration of the operations in the UK and France. In addition, it is pleasing to report the commissioning of the new Flue Gas Desulphurisation plant in Hull which is exceeding all performance specifications to achieve excellent environmental results.

James Robinson Ltd and James Robinson GmbH benefited from strong growth in the hair dye and photographic markets, although some stock correction by a major customer undermined trading overall. Additional hydrogenation capacity, which was commissioned mid-year is already fully utilised and a feasibility study has begun to satisfy further demand in the colour developer market. The Jarocol™ hair dye intermediates were augmented by the introduction of a new range of basics for use in the semi-permanent hair dye market and by a number of key intermediates for new generation products.

The withdrawal from sulphur dye production announced in December 1998 has been completed. The decommissioning of the Huddersfield sulphur dye plant has allowed a programme of site upgrade to begin, targeted at areas with strong growth potential.

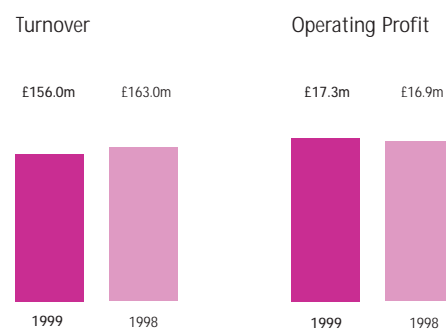
Restructuring was undertaken at Holliday Dyes and Chemicals Ltd in response to over capacity in the European dyestuffs sector. Despite intense competition in the textile market, targeted investment related to production efficiency has significantly improved margins and has allowed good growth in sectors where a global market position may be claimed. This has enabled losses to be substantially reduced, and continued progress towards profitable operation is expected in the current year.

Inks and Dispersions

The French inks business had a particularly successful year, achieving profits 20% ahead of 1998. Trading conditions were generally favourable in France with its major market, which serves the packaging industry, enjoying good demand.

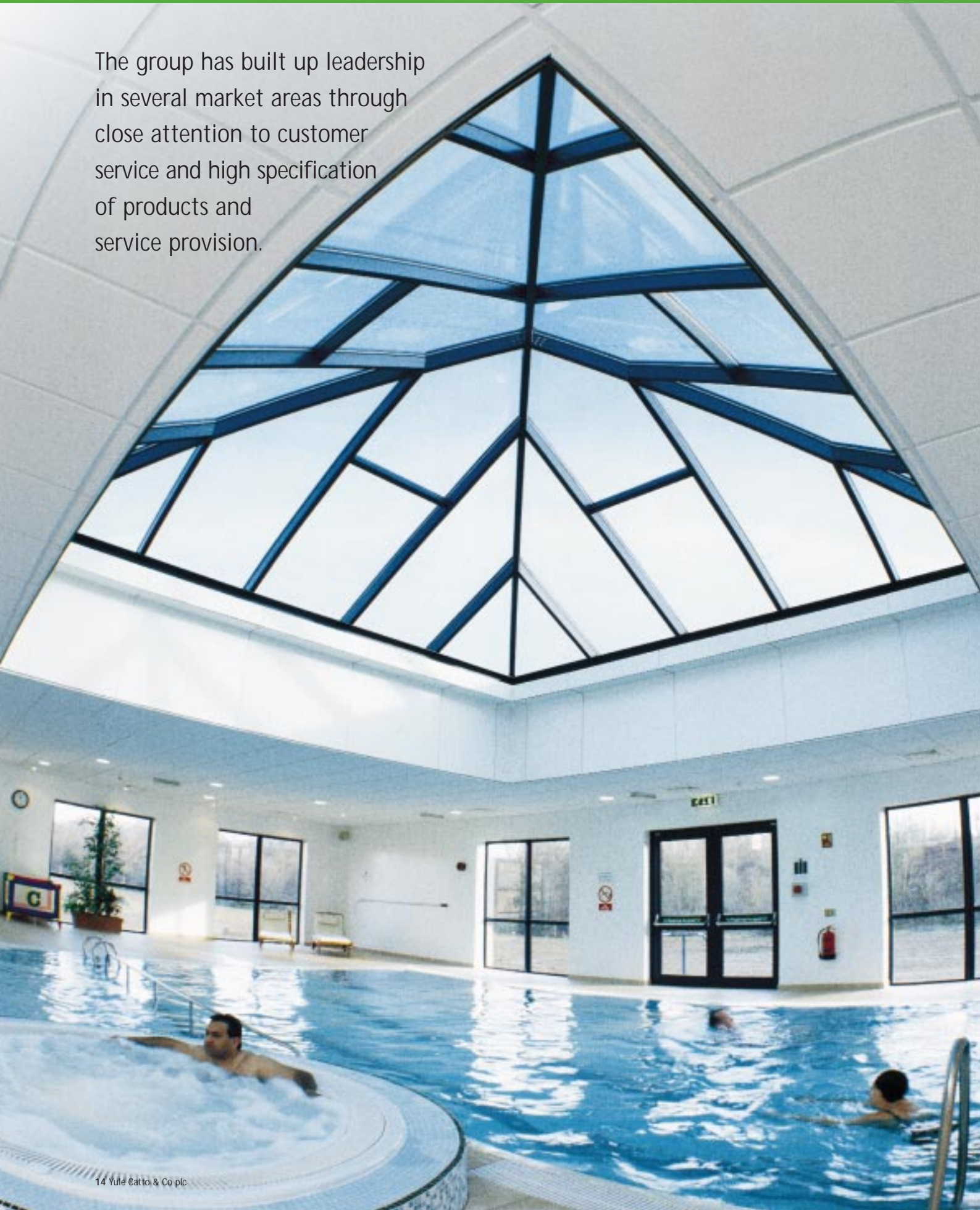
The dispersions businesses in the UK and France both suffered from continued consolidation within the industry. Despite this, both companies were profitable last year and the recent appointment of an experienced managing director to run the combined operations will increase management focus and create new business opportunities.

In all of the dispersions and inks operations, considerable management effort was devoted to replacing non-Y2K compliant systems. This was successfully achieved with the full benefits being realised in the year ahead.



Building products

The group has built up leadership in several market areas through close attention to customer service and high specification of products and service provision.



1999 saw a mixed performance from our building products companies. The European businesses continued to progress well, achieving good growth and profit performance. In the UK more difficult market conditions required some of our businesses to re-focus their activities and this inevitably had a short-term effect upon their performance. Nevertheless, all businesses finished the year with strong order books and order intake, providing a good platform for the year 2000.

Rooflights

Bik Bouwprodukten BV, our company in the Netherlands, achieved a record year both in terms of sales and profit. Good growth in the domestic market for domes was accompanied by the completion of a number of major projects in continuous rooflights. In export markets there was sustained growth, particularly in Central Europe and Bik continues to develop its role as a major European supplier of domes.

Similarly good progress was achieved in Germany at Jet Kunststofftechnik GmbH. The full effect of the distribution expansion carried out in previous years was reflected in strong sales growth. Despite fluctuating market conditions resulting from changes in the ownership of competitor companies, Jet was able to maintain its margins and continue its excellent profit performance.

In Ireland performance was equally strong. Williaam Cox Ireland Ltd consolidated its position as one of Ire's leading suppliers of architectural cladding and glazing, as well as developing its sales of domes and thermoforming activities. Continued good order intake enabled the company to enter 2000 with a very strong order book as the basis for another potentially excellent year.

Only at Cox Building Products Ltd in the UK were results lower than expected, and the company has been engaged in re-orientating its activities towards supply of specialist building products. The introduction of the new products has taken longer than anticipated but they are now in broad distribution with major builders' merchants in the UK and the outlook is much more positive.

Office Products

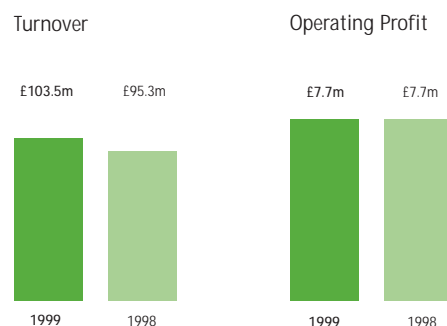
Screenbase Ltd, the UK manufacturer of office screens, turned in yet another year of solid profit performance. It successfully developed the market for its screens in Europe as well as consolidating its position as the UK's leading manufacturer in this market sector. Several exciting new products, which were introduced during the year, have been well received by the market and should provide ongoing success.

At Unilock Ltd, the UK's leading supplier of office partitions, a highly competitive market place and rising costs resulting from shortage of labour in the building industry placed severe strain on margins. The company has taken measures to counteract these pressures, and both order intake and order book remain strong. Several major projects, which were won during the year, will continue through into 2000, providing the basis for an improved performance.

Other Activities

Kimmenade Nederland BV, our supplier of seamless roofing systems in the Netherlands, maintained its track record of controlled, profitable growth. Order intake increased despite the lack of any projects of significant size being available in the market. Margins were maintained through prudent management and the company achieved record levels of profit.

A rationalisation within the UK plastic sheet distribution market, coupled with innovative marketing, helped Williaam Cox Plastics Stockholding Ltd to a significantly improved performance. Good growth in market share was achieved, enhancing the company's market position as the second largest UK distributor of thermoplastic sheets.



Safety, Health and the Environment

Caring For The Environment – William Blythe involves children from local schools as part of its continuing *Responsible Care* programme



Introduction by the Chief Executive

Safety, health and environmental issues are an important item on today's business agenda. Yule Catto is committed to achieving high SHE standards. Our recently updated Group Safety, Health and Environmental Policy statement clearly sets out the level of performance that we expect each of our operating companies to achieve.

Each business is responsible for managing SHE performance in accordance with Yule Catto's decentralised management philosophy. In order to enable the Group Executive Committee to monitor and manage SHE issues, we have established a range of key indicators of safety and environmental performance.

We have reinforced our SHE management within Yule Catto with the appointment of a new Group SHE Manager, based

at our head office in Harlow. During the year, excellent progress has been made with regard to our corporate SHE programme, and I am very pleased to report that we have exceeded the commitments that we made at this time last year.

In this annual report we set out our achievements during 1999, and describe our plans and objectives for the coming year. These will focus on achieving significant and measurable improvements in both safety and environmental performance.

There is still much to do but we are committed to the process of improvement. If you have any questions on specific areas of our plans, please contact our Group SHE Manager.

A Walker
7 March 2000

Health & Safety Issues

We place great importance on maintaining a safe working environment for our employees and third parties. Our policy statement sets out the systems that we expect our businesses to implement in order to achieve the required level of safety. We have introduced group wide reporting procedures to assist us to manage health and safety issues. In order to monitor progress, we have established statistics on >3 day lost time accidents (LTA), which we use as a key safety performance indicator.

Over 10% of our businesses reported zero >3 day LTAs during 1999, and one of these has worked over 900 days since its last LTA. However, there is room for improvement in our LTA performance, especially with respect to trips and manual handling.

We have responded to this by requiring every business to send a detailed safety report to head office following every LTA. This is used to analyse causes and to ensure that all relevant lessons are shared throughout the group.

In addition, each business has submitted a safety improvement plan, based on its specific priorities. Adherence to this plan will be monitored and reported to the Group Executive Committee, and we expect to see measurable improvements in the coming year.

Environmental Issues

We recognise that environmental issues pose a potentially significant business risk. In order to address this, we require each business to adopt appropriate systems to identify, assess and control significant environmental risks. To date, thirteen of our manufacturing sites have committed themselves to implementing formal environmental management systems by the end of 2001, and of these, seven intend to implement ISO14001.

All businesses are required to submit environmental improvement plans, and progress will be monitored and reported to the Group Executive Committee at regular intervals during the year. These plans are being established following the corporate SHE audits, and to date, half of our businesses have finalised their plans. The remainder are scheduled for completion before the end of the third quarter of 2000.

During 1999, we established a range of environmental performance indicators that we monitor, both monthly and annually. These relate to incidents, air emissions, effluent discharges, waste and energy use.

Training

SHE training continues to be a key issue for all businesses, driven particularly by legislation which increasingly requires demonstration of competence. Significant time and resources have been expended during 1999 on training, which has been delivered on subjects ranging from auditing to working at heights.

Examples of best practice are collected centrally and made available to other businesses. Examples of this include the hazard spotting training developed by Harlow Chemical Company Ltd, and manual handling training developed by Revertex Chemicals Ltd.

Auditing

We have completed our corporate SHE audit programme at all our European businesses. This comprises the completion of a detailed self-assessment questionnaire, followed by a verification audit by Group SHE Department. The purpose of these audits is to establish group wide baseline performance and to establish areas of best practice. We have plans in place to audit our other global operations during the first half of 2000.

Energy efficiency is a key area, especially for our UK operations due to the forthcoming climate change levy. To address this, we have entered into a partnership agreement with the UK government's Energy Efficiency Best Practice Programme, and energy audits are currently being undertaken at a number of our businesses.

Loss prevention audits continue to be undertaken by our insurer using its assessment method that has now been widely adopted by the chemical industry. These tend to focus on the higher hazard sites, and to date all but one site have been rated as being in the top three categories of "good", "superior" or "exceptional". The remaining site is implementing a programme to improve its controls and will be re-audited during 2000.

Goals for 2000

We are committed to achieving the following goals during 2000:

- Requiring each business to set specific objectives for achieving SHE improvements
- Achieving measurable improvements in safety performance with the intention of setting specific targets for 2001
- Further evaluation of our environmental performance with the intention of setting specific objectives for 2001
- Building on our internal reporting procedures to improve the quality of data and information received
- Extending our baseline SHE auditing programme to re-audit every business at least once every two years
- Developing and implementing a SHE intranet to facilitate the transfer of information and data

Directors and Advisers

Executive Directors

A Walker

Joined the Group in 1972. He was appointed to the Board in 1986 and is Chief Executive. Age 53.

S V Cummins

Joined the Group in 1999. He was appointed to the Board on 4 January 2000 as Finance Director Designate. Age 37.

A P McLeish

Joined the Group in 1980. He was appointed to the Board in 1981 and is Finance Director. Age 59.

Non-Executive Directors

Lord Catto

Joined the Board in 1971 and is Chairman. He is a Director of Times Newspapers Holdings Ltd. Age 77.

R M Alias

Joined the Board in 1994. He is a Director of Kuala Lumpur Kepong Bhd, Batu Kawan Bhd and Malayan Banking Bhd. Age 67.

The Hon. A G Catto ♦

Joined the Board in 1981. He is Managing Director of CairnSea Investments Ltd and a Non-Executive Director of other private and public companies. Age 47.

Dr M J Peagram ♦○

Joined the Board in 1998. Formerly Chairman of Holliday Chemical Holdings PLC. Age 56.

R H Hunting □♦○

Joined the Board on 4 February 2000. He is Chairman of Hunting PLC. Age 53.

J A Napier

Joined the Board on 6 March 2000. He is Chairman of Booker PLC. Age 57.

Lee Hau Hian

Joined the Board in 1993. He is a Director of Kuala Lumpur Kepong Bhd and Batu Kawan Bhd. Age 46.

Dato' Lee Oi Hian □

Joined the Board in 1981. He is Chairman of Kuala Lumpur Kepong Bhd and a Director of Batu Kawan Bhd. Age 49.

A E Richmond-Watson

Joined the Board in 1978. He was Deputy Chairman of Morgan Grenfell Group plc from 1989 until retirement in 1996. Age 58.

P B Sawdy □♦○

Joined the Board in 1991. He is a Director of Lazard Birla India Investment Trust plc and Griffin Group Ltd. Age 68.

P J Welch □○

Joined the Board in 1998. He is Chairman of WSP Group plc and a Director of Meconic plc. Age 60.

- Member of Audit Committee
- ♦ Member of Nomination Committee
- Member of Remuneration Committee

Registered Office

Yule Catto & Co plc
Temple Fields
Harlow
Essex CM20 2BH
Registered No. 98381

Secretary

R Atkinson

Bankers

ABN-Amro Bank NV
Barclays Bank PLC
Den Danske Bank
HSBC Bank plc
National Westminster Bank PLC

Solicitors

Linklaters & Alliance

Merchant Bankers

Merrill Lynch International

Registrars

Computershare Services PLC
Owen House, 8 Bankhead
Crossway North
Edinburgh EH11 4BR

Stockbrokers

Merrill Lynch International

Auditors

Arthur Andersen

Report of the Directors

The directors submit their annual report and the audited financial statements for the year ended 31 December 1999.

Results and dividends	£000
Profit attributable to shareholders	26,935
Interim dividend	(6,910)
Final dividend	(10,336)
<hr/>	
Retained profit for the financial year	9,689

The interim dividend of 4.5 pence per share was paid on 24 November 1999. The directors recommend a final dividend of 6.7 pence per share payable on 5 July 2000 to those shareholders registered at the close of business on 14 April 2000. The Board decided to make available to shareholders a dividend reinvestment plan for the interim dividend paid in November 1999 and this alternative will continue to be offered until further notice.

Principal activities and review of operations

The principal activities of the group and a review of its operations are set out on pages 6 to 15.

Acquisitions and Disposals

The fifty per cent equity interests in Synthomer Limited and Synthomer GmbH held by the company's joint venture partner, Reichhold Inc., were acquired in November 1999 for a consideration of \$95 million.

Details of the sale of ISA Industrietechnik GmbH & Co KG in December 1999 to a senior manager of the group are contained in note 25 to the financial statements.

Fixed assets

The last major revaluation of the group's land and buildings took place in 1989. The movements in fixed assets during the period are set out in note 11 to the financial statements.

Directors

The present membership of the Board is shown on page 18. All served throughout the year apart from Mr S V Cummins, Mr R H Hunting and Mr J A Napier who were appointed on 4 January, 4 February and 6 March 2000 respectively. Mr J M Hessels also served throughout the year and retired on 1 March 2000. Mr A P McLeish will retire as a director of the company on 17 March 2000.

Mr A Walker and Dato' Lee Oi Hian retire by rotation and will be seeking re-election at the forthcoming Annual General Meeting. Mr S V Cummins, Mr R H Hunting and Mr J A Napier also retire at the forthcoming Annual General Meeting and will be seeking re-appointment. Lord Catto and Mr Lee Hau Hian are retiring at the end of the forthcoming Annual General Meeting and are not seeking re-election. Mr Walker and Mr Cummins both have service contracts which contain a notice period of one year. None of the other directors seeking re-election or re-appointment has a service contract. The company has purchased and maintains insurance against directors' and officers' liabilities in relation to the company.

Details of directors' emoluments and the interests of each director in the share capital of the company are shown in the Remuneration Report.

Report of the Directors continued

Share capital

During 1999 187,196 ordinary shares were issued in total, comprising 60,914 ordinary shares under the Savings-Related Share Option Schemes and 126,282 ordinary shares under the Executive Share Option Schemes. The total consideration received for shares issued under the share option schemes was £381,000. A total of 43,147 shares were purchased on the open market on behalf of 800 shareholders who elected to participate in the Dividend Re-Investment Plan.

Substantial shareholdings

Other than the shareholdings disclosed as directors' interests in the Remuneration Report, as at 15 February 2000, the following substantial interests (3% or more) in the company's ordinary share capital have been notified to the company:

	Ordinary shares	Percent of ordinary shares in issue
Kuala Lumpur Kepong Berhad	31,414,472	20.36
Prudential Portfolio Managers Ltd	11,815,244	7.66
The Capital Group Companies, Inc.	4,719,434	3.06

Employment policies

The group gives every consideration to applications for employment from disabled persons. Employees who become disabled are given every opportunity to continue employment under normal terms and conditions with appropriate training, career development and promotion wherever possible. The group seeks to achieve equal opportunities in employment through recruitment and training policies.

Authority to purchase own shares

The company has a general authority, which expires at the conclusion of the 2000 Annual General Meeting, to make market purchases of not more than 7,713,344 of the company's ordinary shares in accordance with the terms of the special resolution passed at the 1999 Annual General Meeting. A resolution will be tabled at the 2000 Annual General Meeting to give the company general authority to make market purchases of not more than 22,985,765 of the company's ordinary shares.

Employee involvement

The group is organised on a decentralised basis so as to promote greater employee involvement and better communications with employees. Each group company is encouraged to make its employees aware of the financial and economic factors affecting the performance of the company. Profit-related pay schemes are in operation in a number of group companies.

The Savings-Related Share Option Scheme approved by shareholders at the 1999 Annual General Meeting is likely to be introduced in 2000, offering United Kingdom employees a convenient, tax effective and economical way to save and acquire shares in the company.

Two longer term share incentive plans for directors and senior executives were introduced in 1996 with the approval of shareholders.

UK pension funds

The trustees have reviewed the independent investment management of the assets of the company pension schemes in the United Kingdom and assured themselves of the security and controls in place. In particular, it is the trustees' policy not to invest in Yule Catto shares nor lend money to the company.

Creditor payment policy

The group's policy is to make payments to creditors and other suppliers in accordance with terms of payment agreed at the time the contract of supply is made, subject to all the terms and conditions of the order being satisfied by the supplier. Trade creditor days of the company for the year ended 31 December 1999 were 33 days (1998 37 days) based on the ratio of trade creditors at the year end to the amounts invoiced during the year by trade creditors.

Charitable donations

Charitable donations in the year amounted to **£100,000** (1998 £118,000). There were no political donations during the year.

Year 2000

A group-wide programme was established well in advance of the Year 2000 to ensure that all information and operational computer systems were Year 2000 compliant with all necessary replacement and upgrading of equipment being undertaken before the end of 1999. As a result of this the transition was entirely successful.

Auditors

A resolution to reappoint Arthur Andersen as the company's auditors will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Tuesday, 23 May 2000 at Saddlers' Hall, 40 Gutter Lane, London EC2V 6BR.

By Order of the Board

R Atkinson

Secretary

7 March 2000

Corporate Governance Statement

In June 1998 the Hampel Committee and the London Stock Exchange published the Combined Code on corporate governance. This combines the Cadbury Code on corporate governance, the Greenbury Code on directors' remuneration and new requirements arising from the findings of the Hampel Committee.

Statement of compliance with the Code of Best Practice

The company considers that it has complied throughout the financial year ended 31 December 1999 with the provisions of the Code of Best Practice set out in section 1 of the Combined Code.

Application of the principles of good governance

A statement on how the principles of good governance contained in the Combined Code published by the Committee on Corporate Governance in June 1998 are applied is set out below.

Directors

The activities of the company are controlled by the Board which currently comprises three executive directors and eleven non-executive directors. As explained in the Report of the Directors on page 19 it is proposed that at the conclusion of the forthcoming Annual General Meeting the Board will comprise two executive directors and nine non-executive directors. The non-executive directors all have wide business and boardroom experience gained in a broad range of commerce. The Board meets quarterly to review current and projected performance and to determine strategic issues. The Board has established Remuneration, Audit and Nomination Committees which are discussed below. During 1999 the following served on and have subsequently retired from their positions on Board Committees: Raja Alias, Mr J M Hessels, Mr A E Richmond-Watson and Mr A Walker. The Board now considers the following non-executive directors to be independent in accordance with the provisions of the Combined Code: Dr M J Peagram, Mr P B Sawdy, Mr P J Welch, Mr R H Hunting and Mr J A Napier. The objective of the Board is that within twelve months the Board's Audit, Remuneration and Nomination Committees should be comprised of independent directors only, with a minimum of three members. The Board considers that a transitional approach in attaining this objective is appropriate in the interests of continuity.

The roles of Chairman and Chief Executive are clearly divided between Lord Catto who heads the Board in his capacity as non-executive Chairman and Mr A Walker who has responsibility for the running of the company's business as Chief Executive. In February 1998, following the acquisition of Holliday Chemical Holdings PLC, Dr M J Peagram, its former Chairman, was appointed non-executive Deputy Chairman in recognition of his position as the senior non-executive director.

The directors receive in advance full information on all matters to be discussed at Board meetings as well as a detailed quarterly review of performance prepared by the Chief Executive. The Chairman receives the minutes of the Executive Committee (comprised of the divisional Chief Executives, the Finance Director, the Company Secretary and chaired by the Group Chief Executive) which meets twice a month and all directors receive a monthly trading summary and commentary.

The Nomination Committee which is chaired by Mr P B Sawdy and whose members are identified on page 18 makes recommendations to the Board regarding all new Board appointments.

All directors are required to submit themselves for re-election at least every three years. Directors aged over 70 are required to submit themselves for re-election annually. Lord Catto, aged 77, retires at the conclusion of the forthcoming Annual General Meeting and will be succeeded as Chairman by Mr Richmond-Watson.

Directors' remuneration

All matters relating to remuneration are covered in the report of the Board on remuneration below.

Relations with shareholders

Dialogue with institutional investors is conducted by the Chief Executive and the Finance Director and meetings take place regularly following the announcement of interim and full year results and at other times according to circumstances.

The Board seeks to encourage participation of private investors at the company's Annual General Meeting and endeavours to ensure all Board members are in attendance. In particular, the chairmen of the Remuneration, Audit and Nomination Committees are available to answer questions and the remits of the committees are available to shareholders.

Accountability and audit

An explanation of the directors' responsibility for preparing the financial statements and a statement by the auditors about their reporting responsibilities are set out on pages 30 and 31 respectively. The report by the directors that the business is a going concern and a report on the approach to internal control are set out below. The directors endeavour to make the annual report and financial statements as informative and understandable as possible.

The Audit Committee which is chaired by Mr P J Welch and whose members are identified on page 18 has established a detailed remit regarding the application of financial reporting and internal control principles. It meets periodically with the company's auditors to review the adequacy of the group's financial management, the internal controls and information systems.

Internal control

For the purposes of reporting on internal control the company is adopting the approach permitted by the London Stock Exchange of reporting on its internal financial controls pursuant to the Ruttman Guidance and providing an explanation of when it expects to have in place the procedures necessary to implement the requirements contained in "Internal Control: Guidance for Directors on the Combined Code" ("the Turnbull Report").

The directors are responsible for ensuring that the group maintains a system of internal control, including suitable monitoring procedures. The system is designed to ensure the maintenance of proper accounting records and the reliability of the financial information used within the business or for publication, but any such system can provide only reasonable, and not absolute, assurance against misstatement or loss.

The group's internal control and monitoring procedures comprise the following:

- Financial controls and policies are detailed in procedures manuals.
- Managing directors are required periodically to confirm that their operating units comply in all material respects with these procedures.
- Operating budgets undergo a comprehensive planning and review process prior to submission to the main Board for final approval.
- Monthly reporting of trading results, balance sheets and cash flows is rigorously monitored against budget and prior years.

Corporate Governance Statement continued

- Cash management is closely controlled at company and group level and all trading currency exposures are hedged under the overall supervision of the central treasury function.
- Capital expenditure is budgeted annually but is also subject to appraisal procedures prior to commitment, based on an appropriate scale of authority levels.
- Proposed acquisitions are justified according to established criteria and, if approved in principle, are progressed only after satisfactory due diligence of all legal, financial and environmental matters.
- A formal mechanism exists, based on self-assessment, for the measurement and assessment of the principal controls across the group. The evaluation of risk forms an integral part of this assessment.

The Audit Committee has reviewed the operation and effectiveness of this framework in 1999.

Following the publication of the Turnbull Report, the directors have taken steps to ensure that full compliance with principle D2 of the Combined Code will be achieved by 31 December 2000. An action plan for implementing the required procedures is well advanced with pilot studies being undertaken at selected operating companies.

Remuneration Report

As well as complying with the Provisions of the Code as disclosed in the company's corporate governance statement, the Board has applied the Principles of Good Governance relating to directors' remuneration as described below.

Remuneration Committee

During the year the Remuneration Committee comprised Dr M J Peagram (Chairman), Dato' Lee Oi Hian, Mr P B Sawdy and Mr A E Richmond-Watson. It now comprises Dr M J Peagram (Chairman), Mr R H Hunting, Mr P J Welch and Mr P B Sawdy. The Committee is responsible for determining the company's policy on executive directors' remuneration and the specific remuneration for each of the executive directors including pension rights. The Committee is also responsible for setting and reviewing the remuneration of senior executives throughout the group. The Board as a whole determines the remuneration of the non-executive directors, including members of the Remuneration Committee.

Remuneration Policy

The company's policy is to structure executive pay in such a way that key executives may be recruited, motivated and retained through being offered remuneration packages that have regard to competitive market practice supported by external independent surveys relevant to the industry or sector in which their companies operate. The Committee is sensitive to the pay and employment conditions elsewhere in the company when considering executive pay and annual salary increases.

The major element of the remuneration package for senior executives is a competitive basic salary which is reviewed with effect from 1 January each year. This review is conducted with the assistance of an independent survey of salaries at comparable companies. The increases in the salaries of the executive directors which took effect from 1 January 1999 reflected the bringing into line of those salaries with the median level of basic salaries at such comparable companies. In addition, the Remuneration Committee has overseen the introduction of special incentives which are designed to reward the achievement of predetermined targets by the individuals concerned. These incentives which were designed in accordance with the provisions of Schedule A to the Code of Best Practice currently comprise annual cash bonuses and membership of one of two shareholder approved longer term incentive plans (the "Share Plans").

- **Annual cash bonuses**

The annual cash bonus payment for the executive directors is an amount equal to the percentage of basic pay calculated by reference to the annual growth in the company's adjusted earnings per share after taking into account the annual rise in the rate of inflation multiplied by a factor of 2.5. For divisional chief executives, managing directors of subsidiary companies and senior head office employees the annual cash bonus payments are based on appropriate profit and cash flow targets and personal business objectives. The structures of the bonuses and awards under it are determined by the Remuneration Committee.

Remuneration Report continued

- **Share plans**

The Share Plans comprise the Longer-term Performance Share Plan (the "Performance Plan") and the Longer-term Deferred Bonus Plan (the "Deferred Plan"). The Performance Plan covers the executive directors, divisional chief executives and senior head office employees and an award consists of a right to acquire shares which can be exercised for a nominal price, subject to the company satisfying performance conditions. The performance of the company is measured by comparing the company's growth in adjusted earnings per share with that of other companies in the chemical sector listed on the London Stock Exchange over a three year period. If the company's earnings per share growth is in the top quartile of the comparator group over that period, the participant may receive the full number of shares awarded to him or her; if worse than the 60th percentile in the comparator group, the participant will receive nothing. Between the 25th and 60th percentiles, the proportion of the maximum award will be calculated on a sliding scale with 100 per cent of the maximum award payable at the 25th percentile and 20 per cent payable at the 60th percentile. In addition an award must be exercised as to one third after each of three, four and five years. The value of shares awarded under the Performance Plan in any financial year to any individual may not exceed 50% of his annual salary (excluding benefits in kind). In 1999 the performance conditions relating to the awards made in 1996 were assessed. As a result of the growth in the company's earnings per share over the three year period from 1996 to 1998 being in the top quartile of the comparator group each participant received the full number of shares awarded to him in 1996.

The Deferred Plan covers managing directors of subsidiary companies and an award takes the form of a right to acquire shares in the company which can be exercised for a nominal price after three years. The value of shares subject to an award is determined by reference to the sustained growth (subject to a minimum performance hurdle) determined annually by the Remuneration Committee in the pre-tax profits of the company or subsidiary for which the participant works by reference to a base year determined at the date of grant. The value of shares subject to an award may not exceed 20% of any participant's base salary (excluding benefits in kind) in any year.

During 1999, 170,456 share options were awarded under the Performance Plan and 23,453 share options were awarded under the Deferred Plan.

Remuneration details

The amount and components of the directors' remuneration are set out below. No elements of remuneration other than basic salary are pensionable.

Service contracts

No director has a service contract with a notice period in excess of one year or with provisions for pre-determined compensation on termination which exceeds one year's salary and benefits in kind.

Details of service contracts relating to those directors seeking re-election or re-appointment at the forthcoming Annual General Meeting are given in the Directors' Report.

Directors' Remuneration

	1999 £000	1998 £000
The total amounts for directors' remuneration and other benefits were:		
Emoluments	864	828
Pensions to former directors	2	2
	866	830

The emoluments of the individual executive directors holding office at 31 December 1999 were:

	Base Salary 1999 £	Bonuses 1999 £	Benefits 1999 £	Total 1999 £	Total 1998 £
A Walker - Highest paid director	300,000	25,500	26,418	351,918	324,105
A P McLeish	185,000	15,725	11,489	212,214	207,993

The bonus is in respect of the Yule Catto & Co plc Profit-Related Pay Scheme, which is payable to all employees of the company and is not dependent on the directors' personal performance.

The following directors had accrued entitlements under defined benefit schemes:

	Increase in accrued pension excluding inflation £	Transfer value of increase £	Accumulated total pension accrued at 31 December 1999 £	1998 £
A Walker	32,090	442,000	161,165	127,592
A P McLeish	17,156	327,000	121,811	103,210

The pension entitlement shown is the amount that would be paid each year on retirement based on service to the end of the current year.

The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance note GN 11 and is net of director's contributions.

The fees of the individual non-executive directors holding office at 31 December 1999 were:

	Fees 1999 £	Benefits 1999 £	Total 1999 £	Total 1998 £
Lord Catto - Chairman	50,000	7,997	57,997	56,762
R M Alias	15,000	–	15,000	15,000
The Hon. A G Catto	15,000	–	15,000	15,160
J M Hessels	16,872	–	16,872	16,877
Lee Hau Hian	15,000	–	15,000	15,000
Dato' Lee Oi Hian	15,000	–	15,000	15,000
Dr M J Peagram	93,333	17,244	110,577	108,951
A E Richmond-Watson	15,000	–	15,000	15,000
P B Sawdy	15,000	–	15,000	15,000
P J Welch	25,000	–	25,000	23,204
	275,205	25,241	300,446	295,954

The Chairman has waived **£5,000** (1998 £5,000) in respect of his remuneration for 1999.

Fees in respect of the services of P B Sawdy were paid to Peter Sawdy Associates.

Fees in respect of the services of P J Welch were paid to Frankfield Ltd.

Directors' Interests

Shareholdings

Given below are details of the interests of the directors in the share capital of the company at 31 December 1999 and 31 December 1998.

	Ordinary Shares		Options	
	1999	1998	1999	1998
Lord Catto	1,825,566 2,031,911 (a)	2,035,218 2,003,411 (a)		
A Walker	160,164	166,243	100,000 (d) 3,805 (e) 117,822 (f) 14,897 (h)	100,000 (d) 3,805 (e) 86,016 (f) -
			<u>236,524</u>	<u>189,821</u>
The Hon. A G Catto	1,715,261 (b) 3,489,557(a)(b)	1,715,261 (b) 3,489,557 (a)(b)		
J M Hessels	Nil	Nil		
Lee Hau Hian	2,613	2,613		
Dato' Lee Oi Hian	27,248	177,248		
A P McLeish	113,435 (c) 33,000 (a)	164,328 (c) 13,000 (a)	80,000 (d) 3,805 (e) 76,544 (f) 11,172 (h)	80,000 (d) 7,325 (e) 59,909 (f) -
			<u>171,521</u>	<u>147,234</u>
R M Alias	Nil	Nil		
A E Richmond-Watson	798,647 159,632 (a)	798,647 159,632 (a)		
P B Sawdy	Nil	Nil		
Dr M J Peagram	8,397,507	8,397,507	203,749 (g)	203,749 (g)
P J Welch	61,827	61,827		

(a) Held as a trustee.

(b) Of these shares 581,593 (1998 581,593) were held both beneficially and as a trustee.

(c) Of these shares 35,680 (1998 35,680) were held jointly.

(d) Options granted under the Yule Catto Executive Share Option Scheme.

(e) Options granted under the Yule Catto Employee Savings-Related Share Option Scheme.

(f) Options granted under the Longer-Term Performance Share Plan exercisable at 300 pence total subject to achievement of earnings growth.

(g) Options originally granted over shares in Holliday Chemical Holdings PLC and which were exchanged for options over an equivalent number of shares in Yule Catto & Co plc under the terms of the "Roll-over" offer.

(h) Options granted under the Longer-Term Performance Share Plan exercisable at 200 pence total and now vested.

Between 31 December 1999 and 6 March 2000 there were no changes in the directors' holdings.

Executive and savings - related options

	At 01.01.99	Number of options During the year		At 31.12.99	Exercise Price	Market price at date of exercise	Exercise Period
		Granted	Exercised				
A Walker	100,000 (a)	-	-	100,000	299.0 p	-	1997-2004
	22,346 (d)	-	7,449	14,897	-	305.0 p	1999-2002
	28,209 (c)	-	-	28,209	-	-	2000-2003
	35,461 (c)	-	-	35,461	-	-	2001-2004
		54,152 (c)	-	54,152	-	-	2002-2005
	3,805 (b)	-	-	3,805	272.0 p	-	2000-2001
	<u>189,821</u>			<u>236,524</u>			
A P McLeish	80,000 (a)	-	-	80,000	299.0 p	-	1997-2004
	16,759 (d)	-	5,587	11,172	-	305.0 p	1999-2002
	19,746 (c)	-	-	19,746	-	-	2000-2003
	23,404 (c)	-	-	23,404	-	-	2001-2004
		33,394 (c)	-	33,394	-	-	2002-2005
	3,520 (b)	-	3,520	-	196.0 p	242.5 p	1998-1999
	3,805 (b)	-	-	3,805	272.0 p	-	2000-2001
	<u>147,234</u>			<u>171,521</u>			
Dr M J Peagram	101,874 (e)	-	-	101,874	170.6 p	-	1999-2006
	101,875 (e)	-	-	101,875	222.7 p	-	2000-2007
	<u>203,749</u>			<u>203,749</u>			

(a) Options granted under the Yule Catto Executive Share Option Scheme.

(b) Options granted under the Yule Catto Employee Savings-Related Share Option Scheme.

(c) Options granted under the Longer-Term Performance Share Plan exercisable at 300 pence total subject to achievement of earnings growth.

(d) Options granted under the Longer-Term Performance Share Plan exercisable at 300 pence total and now vested.

(e) Options originally granted over shares in Holliday Chemical Holdings PLC and which were exchanged for options over an equivalent number of shares in Yule Catto & Co plc under the terms of the "Roll-over" offer.

Statement of Directors' Responsibilities

Financial statements, including adoption of going concern basis

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing the 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; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Other matters

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report

To the Shareholders of Yule Catto & Co plc

We have audited the financial statements on pages 32 to 61 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 36 to 37. We have also examined the amounts disclosed relating to the emoluments, share options, long-term incentive scheme interests and pension benefits of the directors which form part of the remuneration report on pages 27 to 29.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 30, preparing 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, the Listing Rules of the London Stock Exchange, 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. 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 or the Listing Rules regarding directors' remuneration and transactions with the company and the group is not disclosed.

We review whether the Corporate Governance Statement on pages 22 to 24 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the Corporate Governance Statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 circumstances of the company and of the group, 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 affairs of the company and of the group at 31 December 1999 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors, Betjeman House, 104 Hills Road, Cambridge CB2 1LH.

7 March 2000

Consolidated Profit and Loss Account

for the year ended 31 December 1999

Continuing Operations

	Note	Total 1999 £000	Total 1998 £000
Turnover			
Existing operations		434,937	435,966
Acquired operations		7,496	–
<hr/>			
Turnover of company and subsidiaries	2	442,433	435,966
Share of turnover of joint ventures		89,758	96,310
<hr/>			
Total turnover	1	532,191	532,276
<hr/>			
Operating profit			
Existing operations		47,281	51,276
Acquired operations		1,038	–
Restructuring costs		–	(4,629)
Amortisation of goodwill		(10,796)	(9,699)
<hr/>			
Operating profit of company and subsidiaries		37,523	36,948
Share of operating profit of joint ventures		17,738	17,250
<hr/>			
Total operating profit	2	55,261	54,198
Sale and termination of businesses	3	–	19
Interest payable (net)	4	(11,847)	(12,947)
<hr/>			
Profit on ordinary activities before taxation	1	43,414	41,270
Taxation on profit on ordinary activities	5	(14,908)	(14,807)
<hr/>			
Profit on ordinary activities after taxation		28,506	26,463
Minority interests		(1,571)	(1,046)
<hr/>			
Profit attributable to shareholders	6	26,935	25,417
Ordinary dividends	7	(17,246)	(19,726)
<hr/>			
Retained profit for the financial year	21	9,689	5,691
<hr/>			
Earnings per share – Adjusted	8	24.5p	24.1p
<hr/>			
– FRS3	8	17.5p	17.5p
<hr/>			
Diluted earnings per share	8	17.3p	17.3p

The accompanying notes form an integral part of this consolidated profit and loss account

Balance Sheets

31 December 1999

	Note	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Fixed assets					
Goodwill	10	240,020	197,299	–	–
Tangible fixed assets	11	160,942	147,346	11,399	10,534
Investments in joint ventures					
Share of gross assets		29,151	50,366		
Share of gross liabilities		(15,098)	(28,925)		
	12	14,053	21,441		
Investments	13	48	47	222,443	189,758
		415,063	366,133	233,842	200,292
Current assets					
Stocks	14	58,237	59,600	–	–
Debtors	15	115,099	102,923	133,877	131,922
Bank and cash balances		9,521	9,690	71	6
		182,857	172,213	133,948	131,928
Creditors - due within one year					
Borrowings	16	(34,382)	(35,574)	(23,089)	(33,850)
Dividends	7	(10,336)	(10,169)	(10,336)	(10,169)
Other creditors	18	(125,136)	(114,929)	(84,925)	(66,321)
Net current assets		13,003	11,541	15,598	21,588
Total assets less current liabilities		428,066	377,674	249,440	221,880
Creditors - due after more than one year					
Borrowings	16	(177,513)	(140,645)	(177,065)	(140,000)
Other creditors		(1,912)	(1,684)	–	–
Provisions for liabilities and charges	19	(9,884)	(7,446)	–	–
Net assets		238,757	227,899	72,375	81,880
Capital and reserves					
Called up share capital	20	15,427	15,408	15,427	15,408
Reserves	21	218,341	207,722	56,948	66,472
Shareholders' funds – all equity		233,768	223,130	72,375	81,880
Minority interests		4,989	4,769	–	–
Capital employed		238,757	227,899	72,375	81,880

The accompanying notes form an integral part of these balance sheets.

Approved on 7 March 2000

A Walker }
A P McLeish } Directors

Consolidated Cash Flow Statement

for the year ended 31 December 1999

	Note	1999		1998	
		£000	£000	£000	£000
Net cash inflow from operating activities	22		69,818		61,471
Dividends received from joint ventures			6,963		10,445
Returns on investments and servicing of finance					
Interest received		1,822		1,480	
Interest paid		(14,762)		(10,265)	
Dividends paid to minority interests		(1,393)		(1,733)	
<hr/>					
Net cash outflow from returns on investments and servicing of finance			(14,333)		(10,518)
Taxation					
UK corporation tax received/(paid)		683		(3,448)	
Overseas corporate tax paid		(9,762)		(6,511)	
<hr/>					
Total tax paid			(9,079)		(9,959)
Capital expenditure and financial investment					
Purchase of tangible fixed assets	11	(17,723)		(27,536)	
Sale of tangible fixed assets		741		4,097	
Investments net of disposals		(2)		(224)	
<hr/>					
			(16,984)		(23,663)
<hr/>					
Free cash flow before dividends			36,385		27,776
Acquisitions and disposals					
Purchase and sale of businesses	23		(56,684)		(158,702)
<hr/>					
Equity dividends paid			(17,079)		(6,538)
<hr/>					
Cash outflow before management of liquid resources and financing			(37,378)		(137,464)
Financing					
Issue of ordinary share capital		381		1,200	
Redemption of preference shares		–		(3,411)	
(Repayment)/proceeds of short term borrowings	24	(5,445)		34,852	
Proceeds of long term borrowings	24	36,868		107,460	
<hr/>					
Net cash inflow from financing			31,804		140,101
<hr/>					
(Decrease)/increase in cash	24		(5,574)		2,637
<hr/>					

The accompanying notes form an integral part of this consolidated cash flow statement.

Consolidated Statement of Total Recognised Gains & Losses

for the year ended 31 December 1999

	Note	1999 £000	1998 £000
Profit attributable to shareholders	6	26,935	25,417
Exchange adjustments	21	(5,414)	(340)
Total recognised gains and losses for the year		21,521	25,077

The accompanying notes form an integral part of this consolidated statement of total recognised gains and losses.

Reconciliation of Movements in Group Shareholders' Funds

for the year ended 31 December 1999

	Note	1999 £000	1998 £000
Profit attributable to shareholders	6	26,935	25,417
Exchange adjustments	21	(5,414)	(340)
		21,521	25,077
Dividends	7	(17,246)	(19,726)
New share capital issued		381	139,977
Redemption of preference shares		–	(3,411)
Shares issued in lieu of cash dividends		–	9,343
Goodwill on acquisition written back	21	5,982	–
Net addition to shareholders' funds		10,638	151,260
Shareholders' funds at 31 December 1998		223,130	71,870
Shareholders' funds at 31 December 1999		233,768	223,130

Principal Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and comply with applicable UK accounting standards.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiaries together with the group's share of the profits less losses of joint ventures. Investments in joint ventures are accounted for using the gross equity method, with the group's share of the gross assets and liabilities shown in the consolidated balance sheet. The results of businesses acquired or disposed of are consolidated from or to the effective date of acquisition or disposal.

Foreign currencies

Profits and losses of overseas subsidiaries and joint ventures are translated into sterling at the weighted average rates of exchange for the year. Assets and liabilities in foreign currencies are translated at the year end rates. Exchange differences on the opening net assets and results for the year, together with the exchange movements on related foreign currency loans, are dealt with through reserves. Other exchange differences are included in the profit and loss account.

Group sales

Group sales represent the invoiced value for the goods sold, and services provided, to third parties, net of value added tax.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is a maximum of twenty years. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Except for freehold land and land grants in Malaysia, the cost or valuation of tangible fixed assets is depreciated using a straight line basis over their expected useful lives as follows:

Freehold buildings	- 50 years
Leasehold land and buildings	- the lesser of 50 years and the period of the lease
Plant and equipment	- between 3 and 10 years

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Stocks

Stocks and work in progress are valued at the lower of cost, including an appropriate proportion of production overheads and net realisable value.

Research and development

Research and product development costs, including expenditure on patents and trade marks, are charged to the profit and loss account as incurred.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all timing differences which are expected to reverse in the foreseeable future. Provision for tax on capital gains payable on the disposal of revalued properties is made only when it is decided in principle to dispose of the asset.

Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the group's accounts.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

Pension funding

The costs of contributions to the group's pension schemes and of augmenting existing pensions are charged to the profit and loss account on a systematic basis over the expected period of benefits from employees' service.

Notes to the Financial Statements

31 December 1999

1 Analysis of total turnover, profit and net assets

	Total turnover 1999 £000	Profit 1999 £000	Net assets 1999 £000	Total turnover 1998 £000	Profit 1998 £000	Net assets 1998 £000
Analysis by activity						
Polymer Chemicals	176,800	27,282	65,319	178,171	25,677	37,376
Pharma & Fine Chemicals	95,874	18,641	38,705	95,805	22,720	40,501
Performance Chemicals	155,972	17,302	36,739	162,972	16,895	32,781
Building Products	103,545	7,719	7,456	95,328	7,663	7,919
Holding companies	-	(4,638)	292,912	-	(4,074)	275,851
Interest payable by joint ventures	-	(249)	-	-	(355)	-
Restructuring costs	-	-	-	-	(4,629)	-
	532,191			532,276		
Operating profit		66,057			63,897	
Sale and termination of businesses		-			19	
Interest payable		(11,847)			(12,947)	
Profit before taxation - ongoing business		54,210			50,969	
Amortisation of goodwill		(10,796)			(9,699)	
Profit before taxation		43,414			41,270	
			441,131			394,428
Net borrowings			(202,374)			(166,529)
Net assets			238,757			227,899

Of the amounts included within the Polymer Chemicals line of the above analysis by activity, the following relate to the joint ventures; turnover **£89,758,000** (1998 £96,310,000), profit **£17,738,000** (1998 £17,250,000) and net assets **£14,053,000** (1998 £21,441,000).

	Total turnover 1999 £000	Operating profit 1999 £000	Net assets 1999 £000	Total turnover 1998 £000	Operating profit 1998 £000	Net assets 1998 £000
Analysis by region of operation						
Europe	455,234	60,691	410,872	450,314	56,696	369,332
Asia	50,456	4,412	18,612	52,714	4,140	13,430
Rest of World	26,501	954	11,647	29,248	3,061	11,666
	532,191	66,057	441,131	532,276	63,897	394,428

Of the turnover made by operations based in Europe **£251,842,000** (1998 £251,124,000) relates to operations based in the United Kingdom, **£61,062,000** (1998 £60,144,000) relates to operations based in Germany and **£142,330,000** (1998 £139,046,000) relates to operations based elsewhere.

	1999 £000	1998 £000
Analysis of total turnover by destination		
United Kingdom	162,798	161,341
Other Europe	205,007	201,744
Asia	73,987	70,836
Africa and Middle East	26,173	28,348
Rest of World	64,226	70,007
	532,191	532,276

Acquisitions

The acquisitions in the year all relate to Polymer Chemicals operations based in Europe.

Notes to the Financial Statements continued

31 December 1999

2 Operating profit

	Company and subsidiaries 1999 £000	Joint ventures 1999 £000	Total 1999 £000	Company and subsidiaries 1998 £000	Joint ventures 1998 £000	Total 1998 £000
Turnover	442,433	89,758	532,191	435,966	96,310	532,276
Cost of sales	(316,901)	(51,150)	(368,051)	(313,187)	(57,529)	(370,716)
Gross profit	125,532	38,608	164,140	122,779	38,781	161,560
Distribution costs	(43,338)	(8,747)	(52,085)	(39,552)	(9,971)	(49,523)
Administrative expenses	(34,203)	(12,078)	(46,281)	(32,554)	(11,402)	(43,956)
Other operating income	328	204	532	603	197	800
Interest payable by joint ventures	-	(249)	(249)	-	(355)	(355)
Restructuring costs	-	-	-	(4,629)	-	(4,629)
Operating profit	48,319	17,738	66,057	46,647	17,250	63,897
Amortisation of goodwill			(10,796)			(9,699)
			55,261			54,198
			1999 £000			1998 £000

Operating profit is stated after charging:

Depreciation	16,496	15,049
Hire of plant and equipment	2,398	1,977
Other lease rentals	3,709	3,599
Auditors' remuneration: audit fees	376	382

The audit fee of the holding company amounted to **£5,000** (1998 £5,000).

Non audit services provided by the group auditors to the holding company and UK registered subsidiaries amounted to **£142,000** (1998 £222,000).

Research and development expenditure, including the group's share of that incurred by the joint ventures, amounted to **£10,640,000** (1998 £9,323,000).

3 Sale and termination of businesses	1999 £000	1998 £000
Closure costs of sulphur dyes business acquired in year	-	(4,772)
Profit on sale of biocides business	-	4,791
	-	19
<hr/>		
4 Interest payable	1999 £000	1998 £000
Interest payable on bank loans and overdrafts		
Repayable within 5 years - not by instalments	11,387	14,325
- by instalments	252	102
Interest payable on other loans	2,030	-
	13,669	14,427
Less: interest receivable	(1,822)	(1,480)
	11,847	12,947
<hr/>		
5 Taxation on profit on ordinary activities	1999 £000	1998 £000
UK corporation tax	2,519	(554)
Overseas taxation	8,369	6,557
Deferred taxation	(1,404)	4,139
Joint ventures	5,424	5,420
	14,908	15,562
Tax on exceptional items	-	(755)
Charge for the year	14,908	14,807

Notes to the Financial Statements continued

31 December 1999

6 Profit attributable to shareholders	1999 £000	1998 £000
Dealt with by Yule Catto & Co plc	7,360	9,948
Retained by subsidiaries	14,057	13,967
Retained by joint ventures	5,518	1,502
	<hr/>	
	26,935	25,417

As permitted by section 230 of the Companies Act 1985 no profit and loss account is presented for Yule Catto & Co plc.

7 Dividends	1999 £000	1998 £000
Ordinary - increase in 1997 final dividend due to additional shares issued	-	2,884
- interim of 4.5 pence per share (1998 4.4 pence)	6,910	6,673
- proposed final of 6.7 pence per share (1998 6.6 pence)	10,336	10,169
	<hr/>	
	17,246	19,726

8 Earnings per share

Adjusted earnings per share of **24.5 pence** are calculated on the adjusted profit attributable to shareholders of **£37,731,000** (1998 £35,097,000) and on **154,209,000** shares (1998 145,642,000), being the weighted average number of shares in issue during the year. The adjusted profit attributable to shareholders is before amortisation and the sale and termination of businesses. The basis of calculation of adjusted profit has been revised this year, and the comparative revised accordingly, to remove the effect of non-recurring items.

Earnings per share of **17.5 pence** in accordance with FRS3 are calculated on the profit attributable to shareholders of **£26,935,000** (1998 £25,417,000) and on **154,209,000** shares (1998 145,642,000), being the weighted average number of shares in issue during the year.

Diluted earnings per share of **17.3 pence** are calculated on profit attributable to ordinary shareholders of **£26,935,000** (1998 £25,417,000) and on **155,307,000** shares (1998 146,728,000), being the weighted average number of shares in issue during the year, as adjusted for unexercised share options in accordance with FRS14.

9 Employees

1999
Number

1998
Number

The average monthly number of employees during the year by activity was:

Polymer Chemicals	840	823
Pharma & Fine Chemicals	653	671
Performance Chemicals	1,558	1,667
Building Products	941	929
Holding companies	32	28
	<hr/>	
	4,024	4,118
Joint ventures	874	932
	<hr/>	
	4,898	5,050

1999
£000

1998
£000

The aggregate remuneration of all group employees comprised:

Wages and salaries	71,982	71,207
Social security costs	10,286	10,412
Other pension costs	3,225	3,035
	<hr/>	
	85,493	84,654

10 Goodwill

£000

Cost

At 1 January 1999	206,998
Acquisitions	53,517
Disposals	(303)

At 31 December 1999

260,212

Amortisation

At 1 January 1999	(9,699)
Charge in the year	(10,796)
Disposals	303

At 31 December 1999

(20,192)

Net book value

At 31 December 1999	240,020
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At 31 December 1998

197,299

Notes to the Financial Statements continued

31 December 1999

11 Tangible fixed assets

Group	Land and buildings			Plant and equipment £000	Total £000
	Freeholds £000	Leaseholds Long £000	Short £000		
Cost or valuation					
At 1 January 1999	68,458	347	729	201,711	271,245
Exchange adjustments	(3,366)	2	4	(9,476)	(12,836)
Additions	1,721	-	19	15,983	17,723
Acquisition of subsidiary undertaking	7,006	136	-	67,237	74,379
Disposals	-	(37)	-	(5,390)	(5,427)
At 31 December 1999	73,819	448	752	270,065	345,084
At cost					
At 1 January 1999	66,686	359	752	270,065	337,862
At professional valuation in 1985	3,638	89	-	-	3,727
At professional valuation in 1989	3,495	-	-	-	3,495
At 31 December 1999	73,819	448	752	270,065	345,084
Depreciation					
At 1 January 1999	12,949	78	493	110,379	123,899
Exchange adjustments	(894)	1	1	(6,006)	(6,898)
Charge for the year	1,396	6	40	15,054	16,496
Acquisition of subsidiary undertaking	4,385	59	-	50,921	55,365
Eliminated on disposals	-	(5)	-	(4,715)	(4,720)
At 31 December 1999	17,836	139	534	165,633	184,142
Net book value					
At 31 December 1999	55,983	309	218	104,432	160,942
At 31 December 1998	55,509	269	236	91,332	147,346

Properties included at valuation would have been stated on a historical cost basis at cost of **£4,531,000** (1998 £4,520,000) and depreciation of **£1,630,000** (1998 £1,425,000).

Freehold land amounting to **£11,685,000** (1998 £11,492,000) has not been depreciated.

Company

	Land and buildings		Plant and equipment £000	Total £000
	Freeholds £000	Long Leaseholds £000		
Cost or valuation				
At 1 January 1999	11,069	234	1,382	12,685
Additions	1,039		212	1,251
Disposals			(156)	(156)
At 31 December 1999	12,108	234	1,438	13,780
At cost	5,848	145	1,438	7,431
At professional valuation in 1985	2,765	89	-	2,854
At professional valuation in 1989	3,495	-	-	3,495
At 31 December 1999	12,108	234	1,438	13,780
Depreciation				
At 1 January 1999	1,270	62	819	2,151
Charge for the year	145	5	209	359
Eliminated on disposals	-	-	(129)	(129)
At 31 December 1999	1,415	67	899	2,381
Net book value				
At 31 December 1999	10,693	167	539	11,399
At 31 December 1998	9,799	172	563	10,534

Properties included at valuation would have been stated on a historical cost basis at cost of **£3,754,000** (1998 £3,754,000) and depreciation of **£1,052,000** (1998 £879,000).

Freehold land amounting to **£3,228,000** (1998 £3,228,000) has not been depreciated.

Notes to the Financial Statements continued

31 December 1999

12 Investment in joint ventures			
		1999	1998
		£000	£000
Share of assets			
Share of fixed assets		11,490	21,143
Share of current assets		17,661	29,223
		29,151	50,366
Share of liabilities			
Liabilities due within one year		(15,098)	(28,925)
Share of net assets		14,053	21,441
13 Investments			
Group	Own shares £000	Other investments £000	Total £000
Cost			
At 1 January 1999	522	272	794
Exchange adjustments	-	(1)	(1)
Additions net of disposals	(65)	2	(63)
At 31 December 1999	457	273	730
Adjustments to net tangible asset values			
At 1 January 1999	(522)	(225)	(747)
Disposals	65	-	65
At 31 December 1999	(457)	(225)	(682)
Net book value			
At 31 December 1999	-	48	48
At 31 December 1998	-	47	47

The company established a Trust, the Yule Catto Employee Benefit Trust, on 17 July 1996 to distribute shares to employees enabling the obligations under the Yule Catto Longer-Term Performance Share Plan and the Yule Catto Longer-Term Deferred Bonus Plan to be met. The Trust is managed by the Monument Trust Company Limited, an independent company located in Guernsey. At 31 December 1999, the Trust held 146,560 (1998 167,580) ordinary shares in the company with a market value of £359,000 (1998 £419,000). The dividends on these shares have been waived. All of the shares are under option. Costs are amortised over the life of the plans.

Company	Subsidiaries £000	Joint ventures £000	Other investments £000	Total £000
Cost				
At 1 January 1999	192,473	4,037	18	196,528
Additions	32,726	-	4	32,730
Transfer to group companies	-	(45)	-	(45)
At 31 December 1999	225,199	3,992	22	229,213
Provisions				
At 1 January 1999 and 31 December 1999	(6,550)	(220)	-	(6,770)
Net book value				
At 31 December 1999	218,649	3,772	22	222,443
At 31 December 1998	185,923	3,817	18	189,758

Details of the principal group companies are given on pages 59 to 60.

14 Stocks

	1999 £000	1998 £000
Raw materials and consumables	24,143	22,998
Work in progress	9,117	10,545
Finished goods	24,977	26,057
	58,237	59,600

There is no material difference between the balance sheet value of stocks and their replacement cost.

Notes to the Financial Statements continued

31 December 1999

15 Debtors	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Trade debtors	99,170	91,051	-	-
Amounts owed by subsidiaries	-	-	131,136	128,667
Amounts owed by joint ventures	1,462	2,241	1,452	457
Other debtors	12,197	6,816	1,180	2,693
Prepayments and accrued income	2,270	2,815	109	105
	115,099	102,923	133,877	131,922

Of the amounts owed to group, **£4,624,000** (1998 £3,178,000) is due after more than one year.

16 Borrowings	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Amounts due within one year				
Instalments due on loans	12,503	10,304	12,000	10,000
Other bank loans and overdrafts	21,879	25,270	11,089	23,850
	34,382	35,574	23,089	33,850
Amounts due after more than one year				
Loans repayable by instalments				
Between 1 and 2 years	18,448	20,572	18,000	20,000
Between 2 and 5 years	24,000	70,073	24,000	70,000
Loans repayable otherwise than by instalments				
Between 2 and 5 years	35,000	50,000	35,000	50,000
In more than 5 years	100,065	-	100,065	-
	177,513	140,645	177,065	140,000

The loans repayable in more than five years consist of the following loan notes issued during the year:

\$136,000,000 7.66% Guaranteed Senior Unsecured Notes due 8 September, 2010

£15,000,000 6.99% Guaranteed Senior Unsecured Notes due 8 September, 2010

17 Treasury

The group's treasury operates procedures designed to reduce or eliminate financial risk and ensure that funds are available for current and future needs. The policies are approved by the Board and the use of financial instruments is strictly controlled. Yule Catto & Co plc's policy is to finance itself using a mixture of equity and debt instruments. Debt has traditionally been raised from the bank market; to provide a more balanced debt profile the private placement market was accessed by the group in the year.

The group's principal financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. The group also uses interest rate swaps, currency swaps and forward foreign currency contracts to manage the interest rate and currency risks arising from the group's operations and its sources of finance.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings. The group borrows at both fixed and floating rates of interest and uses interest rate swaps to generate the desired interest profile in order to manage the group's exposure to interest rate fluctuations.

Liquidity risk

At the year end, Yule Catto & Co plc had a committed £174m syndicated bank facility. This comprises a term loan of £54m for medium term requirements, repayable in tranches and a revolving credit facility of £120m which expires in December 2002. The latter provides flexibility for short-term fluctuations in cash flow. In the summer, just over £100m was raised primarily from the US private placement market. This has altered the borrowings' profile of the group from its heavy reliance on bank debt to a mix considered more appropriate by the Directors. In addition, the private placement extended the term of group borrowings as the funds are available for a ten year average life.

Foreign currency risk

The group uses currency borrowings and currency swaps to hedge overseas net assets, which are predominantly denominated in euros. Profit translation exposures are not hedged. The group hedges currency transaction exposures at the point of confirmed order, using forward foreign exchange contracts. The group's policy is, where practicable, to hedge all exposures on monetary assets and liabilities. Consequently, there are no material currency exposures to disclose.

Notes to the Financial Statements continued

31 December 1999

Interest rate risk profile

Financial assets

The group has no financial assets, other than short-term debtors and cash at bank.

Financial liabilities

After taking into account the various interest rate and currency swaps entered into by the Group, the currency and interest rate exposure of the Group as at 31 December 1999 was:

	Total borrowings 1999 £000	Floating rate borrowings 1999 £000	Fixed rate borrowings 1999 £000	Weighted average fixed interest rate 1999 %	Weighted average time for which rate is fixed 1999 years	Total borrowings 1998 £000
Sterling	169,787	34,787	135,000	7.1	5.4	126,286
Euro currencies	37,875	37,875	-	-	-	47,608
Other	4,233	4,233	-	-	-	2,325
	211,895	76,895	135,000	7.1	5.4	176,219

The floating rate borrowings comprise:

- sterling denominated bank borrowings that bear interest at rates based on LIBOR.
- sterling denominated overdrafts that bear interest at rates based on the UK bank rate.
- foreign currency (predominantly euros) denominated bank borrowings and overdrafts that bear interest at equivalent rates.

Maturity of financial liabilities

The maturity of the group's financial liabilities at 31 December 1999 was as follows:

	£000
In one year or less on demand	34,382
In more than one year but not more than two years	18,448
In more than two years but not more than five years	59,000
In more than five years	100,065
	211,895

Borrowing facilities

The group has various undrawn committed borrowing facilities. The facilities available at 31 December 1999 in respect of which all conditions precedent had been met were as follows:

	£000
Expiring in one year or less	6,234
Expiring in more than two years but not more than five years	120,000
	126,234

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of the group's financial assets and liabilities as at 31 December 1999

	Notional principal amounts at 31 December		Carrying values at 31 December		Fair values at 31 December	
	1999 £000	1998 £000	1999 £000	1998 £000	1999 £000	1998 £000
Cash	9,521	9,690	9,521	9,690	9,521	9,690
Short-term borrowings	(34,382)	(35,574)	(34,382)	(35,574)	(34,382)	(35,574)
Loans	(177,513)	(140,645)	(177,513)	(140,645)	(175,929)	(140,645)
			(202,374)	(166,529)		
Currency swaps	118,951	35,000	3,962	(598)	2,378	(598)
Interest rate swaps	150,000	60,000	-	-	(1,655)	(1,466)
Total net liabilities			(198,412)	(167,127)	(200,067)	(168,593)
Financial assets			13,483			
Financial liabilities			(211,895)			
			(198,412)			

Fair values have been obtained from the relevant institutions.

The carrying value of the currency swaps of **£3,962,000** is included in debtors (1998 £(598,000) included in creditors).

The difference between the carrying value and the fair value of the loans of **£1,584,000** reflects the revaluation of the US dollar loan notes from drawdown to the exchange rate at 31 December 1999. The loan notes are hedged using currency swaps and the carrying value and fair value of these differ by an equal and opposite amount.

Gains and losses on hedges

There are no unrecognised gains and losses on the foreign exchange contracts at 31 December 1999.

The interest rate swaps in place are an integral part of the group's interest rate hedging strategy and as such there is no intention to cancel these contracts before maturity. In the hypothetical event that the contracts had been cancelled at 31 December 1999, the net compensation (receivable)/payable would have been **£1,655,000** (1998 £1,466,000). During the year the profit and loss account has been charged **£484,000** in respect of the group's obligations under interest rate swaps.

The interest rate swaps ensure that a substantial proportion of the group's interest charge for 2000 and beyond is known with certainty. Should variable rates remain constant, the credit to the profit and loss account in 2000 in respect of the group's obligations under interest rate swaps will be **£752,000**. If variable rates increase, the credit to the profit and loss account in 2000 in respect of the group's obligations under interest rate swaps will increase accordingly.

Notes to the Financial Statements continued

31 December 1999

18 Other Creditors	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Amount due within one year				
Trade creditors	70,355	63,809	980	432
Bills of exchange payable	918	593	-	-
Advance progress applications	666	378	-	-
Amounts owed to subsidiaries	-	-	76,696	57,444
Amounts owed to joint ventures	607	1,560	562	542
Corporate tax	15,589	9,721	-	1,307
Other taxation and social security	5,384	5,477	91	144
Other creditors	11,867	13,682	2,477	1,333
Accruals and deferred income	19,750	19,709	4,119	5,119
	125,136	114,929	84,925	66,321

19 Provisions for liabilities and charges	Deferred taxation £000	Deferred income £000	Pension liabilities £000	Product warranties £000	Total £000
At 1 January 1999	5,382	389	1,210	465	7,446
Exchange adjustments	(246)	-	(151)	(38)	(435)
Transfers (to)/from profit and loss account	(1,404)	-	340	(116)	(1,180)
Acquisition of subsidiary undertaking	1,379	-	2,733	258	4,370
Utilised	-	(137)	(66)	(114)	(317)
At 31 December 1999	5,111	252	4,066	455	9,884

Deferred taxation	Provided 1999 £000	Unprovided 1999 £000	Provided 1998 £000	Unprovided 1998 £000
Accelerated capital allowances	3,803	11,148	5,382	6,802

20 Share capital	1999 £000	1998 £000
Authorised		
185,000,000 (1998 185,000,000) ordinary shares of 10 pence each	18,500	18,500
588,877 (1998 588,877) 11.5% cumulative redeemable preference shares 1999-2003 of £1 each	589	589
34,111,230 (1998 34,111,230) unclassified shares of 10 pence each	3,411	3,411
	<hr/> 22,500	<hr/> 22,500
Allotted, called up and fully paid		
154,267,830 ordinary shares (1998 154,080,634)	15,427	15,408
	<hr/> 15,427	<hr/> 15,408

Issues of ordinary shares during the year are described in the Report of the Directors

Share options

As at 31 December 1999 the following options were outstanding:

Executive share options	Number	Option Price
Exercisable between 2000 - 2004	385,000	299.0p
Exercisable between 2000 - 2002	42,036	(a)
Exercisable between 2000 - 2005	32,600	239.3p
Exercisable between 2000 - 2006	261,328	170.6p
Exercisable between 2000 - 2003	81,125	(a)
Exercisable between 2000 - 2007	324,365	222.7p
Exercisable between 2001 - 2004	126,223	(a)
Exercisable between 2002 - 2005	193,909	(a)
SAYE options	Number	Option Price
Exercisable in 2000	71,605	196.0p
Exercisable between 2000 - 2001	536,535	155.8p
Exercisable between 2000 - 2002	238,918	193.9p
Exercisable between 2000 - 2002	526,771	272.0p

(a) options granted under the Longer-Term Performance Share Plan and the Longer-Term Deferred Bonus Plan with a total exercise price of £89.

Notes to the Financial Statements continued

31 December 1999

21 Reserves

Group

	Share premium £000	Merger reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 1999	31,433	31,936	4,447	139,906	207,722
Exchange adjustments	-	-	29	(5,443)	(5,414)
Retained profit for the year	-	-	-	9,689	9,689
Premium on shares issued, net of expenses	362	-	-	-	362
Transfer of goodwill written off	-	(20,495)	-	20,495	-
Goodwill on acquisition written back	-	-	-	5,982	5,982
At 31 December 1999	31,795	11,441	4,476	170,629	218,341
Yule Catto & Co plc and subsidiaries	31,795	11,441	4,384	161,194	208,814
Joint ventures	-	-	92	9,435	9,527
	31,795	11,441	4,476	170,629	218,341

Company

	Share premium £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 1999	31,433	2,518	32,521	66,472
Retained loss for the year	-	-	(9,886)	(9,886)
Premium on shares issued, net of expenses	362	-	-	362
At 31 December 1999	31,795	2,518	22,635	56,948

Goodwill of £20,495,000 has been amortised and £102,031,000 has been written off to the reserves.

22 Reconciliation of operating profit to net cash inflow from operating activities	1999 £000	1998 £000
Operating profit	55,261	54,198
Share of profits of joint ventures	(17,738)	(17,250)
	37,523	36,948
Depreciation charge	16,496	15,049
Amortisation of goodwill	10,796	9,699
Amortisation of shares in ESOP Trust	-	300
(Profit)/loss on sale of tangible fixed assets	(34)	46
Decrease in stocks	6,545	6,932
Decrease in debtors	5,345	8,128
Decrease in creditors and provisions	(6,853)	(15,631)
Net cash inflow from operating activities	69,818	61,471

Notes to the Financial Statements continued

31 December 1999

23 Purchase of businesses

Book and
fair value
£000

Tangible fixed assets	19,014
Stocks	5,182
Debtors	17,687
Creditors and provisions	(19,842)
Net cash	4,847
<hr/>	
Shareholders' funds	26,888
Goodwill added to balance sheet	53,517
Purchase consideration	
- cost of original 50% share	18,874
- cost of 50% share acquired in 1999	61,531
<hr/>	
	80,405

The following amounts relate to the 50% share acquired in 1999

Cash consideration paid	61,531
Less: cash and cash equivalents	(4,847)
<hr/>	
Net cash outflow in respect of acquisition	56,684
<hr/>	
Goodwill on the 50% share acquired during the year	47,535

On the 8 November, the group acquired 100% of the shares of R Investments Limited, with its 50% interest in Synthomer Limited, and 50% of the shares of Synthomer GmbH. These acquisitions increased the group's holding in Synthomer Ltd and Synthomer GmbH from 50% to 100%.

The following amounts relate to the companies acquired in the year:

Profit after tax
£000

Year ended 31 December 1998	9,428
<hr/>	
1 January 1999 - 7 November 1999	8,505

The group uses acquisition accounting to account for purchases.

24 Analysis of changes in net debt

	1 January 1999 £000	Cash outflow/ (inflow) £000	Exchange movement £000	31 December 1999 £000
Cash and overdrafts	8,968	(5,574)	1,152	4,546
Borrowings due within one year	(34,852)	5,445	-	(29,407)
Borrowings due after more than one year	(140,645)	(36,868)	-	(177,513)
Total	(166,529)	(36,997)	1,152	(202,374)

Reconciliation of net cash inflow to movement in net debt

£000

Decrease in cash in the year	(5,574)
Cash inflow from increase in debt	(31,423)
Change in net debt from cash flows	(36,997)
Exchange movement	1,152
Net debt at 1 January 1999	(35,845)
Net debt at 1 January 1999	(166,529)
Net debt at 31 December 1999	(202,374)

Notes to the Financial Statements continued

31 December 1999

25 Related party transactions		Type of transaction	Value in the year £000	Balance at 31 December 1999 £000
Related party	Relationship			
Harlow Chemical Co Ltd	Joint venture	Loans	various	Nil
		Services	544	55
Synthetic Latex Co (Pty) Ltd	Joint venture	Loans	various	Nil

Loans between the company and the joint ventures are made to optimise the treasury position of both parties.

During the year, ISA Industrieelektronik GmbH & Co KG was sold on an arm's length basis to a senior manager of the group for a nominal amount. In addition, a loan, on commercial terms, of DM450k was made to ISA secured on its floating assets.

26 Commitments	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Capital expenditure authorised but not provided for in the accounts				
Contracted	1,531	2,945	-	-
<hr/>				
Commitments under operating leases are as follows	Land and buildings 1999 £000	Land and buildings 1998 £000	Other 1999 £000	Other 1998 £000
Operating leases which expire				
Within 1 year	58	189	752	723
Between 2 and 5 years	524	519	2,166	1,774
After 5 years	1,847	1,827	103	25
	2,429	2,535	3,021	2,522

27 Contingent liabilities and guarantees

- (a) The company has given guarantees amounting to **£10,007,000** (1998 £10,903,000) in respect of bank and other facilities of subsidiaries and joint ventures.
- (b) Other guarantees and contingent liabilities of the group amount to **£4,569,000** (1998 £6,007,000).
- (c) The company and its subsidiaries have, in the normal course of business, entered into guarantees and counter-indemnities in respect of performance bonds, relating to the group's own contracts.

28 Pension commitments

The group operates a number of pension schemes throughout the world. The major schemes are of the funded and defined benefit type with the assets of these schemes held in separate trustee administered funds. In 1999, the total pension cost for the group was **£3,225,000** (1998 £3,035,000) of which **£1,079,000** (1998 £813,000) relates to overseas schemes.

UK pension schemes

The group participates in a funded defined benefits scheme (the Yule Catto Group Retirement Benefits Scheme) together with a joint venture. The assets of the scheme are held separately from those of the companies concerned. Contributions to the scheme are charged to the profit and loss account to spread the cost of pensions over employees' working lives within the group.

The contributions to the defined benefit scheme are determined by a qualified actuary on the basis of regular valuations using the projected unit method. The most recent valuation was at 6 April 1997. The assumptions which have the most significant effects 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. It was assumed that the investment return on UK equities would be 8.5% per annum, the investment return on UK government stocks would be 7.9% per annum, salary increases would average 6.1% per annum and that pensions accruing after 6 April 1997 would increase at the rate of 4.1% per annum. Pensions accruing before 6 April 1997 are assumed to increase at the guaranteed rate of 3.0% per annum on the excess over the Guaranteed Minimum Pension. In formulating these assumptions allowance has been made for the removal of tax credits following the July 1997 Budget.

At the date of the actuarial valuation, the market value of the assets of the UK schemes was £51,919,000 and these assets were sufficient to cover 111.0% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The group's defined benefit scheme was closed to new members with effect from 31 December 1998. On 1 January 1999 the group introduced a defined contribution scheme which is open to all eligible group employees.

29 Share price information

The middle market value of the listed ordinary shares at 31 December 1999 was 245 pence. During the year, the market price ranged between 233.5 pence and 376.5 pence. The market value of the listed ordinary shares at 31 March 1982 was 19.5 pence. The latest ordinary share price is available on the Financial Times Cityline service, telephone 0891 434567.

Principal Subsidiaries and Joint Ventures

OPERATING COMPANIES

	Country of incorporation and operation	Effective group interest in equity %
Arkem (Pty) Ltd <i>Distributor of speciality chemicals and allied products.</i>	South Africa	37.5 □
Autoclenz Ltd <i>Provision of vehicle valeting services.</i>	England	100 •
Bik Bouwprodukten BV <i>Thermoplastic rooflights and roof glazing systems.</i>	Netherlands	100
Brencliffe Ltd <i>Car and household cleaning products.</i>	England	100 •
Cox Building Products Ltd <i>Thermoplastic rooflights and roof glazing systems.</i>	England	100 •
Dhahran Harco Chemical Industries Ltd <i>Synthetic resin emulsions.</i>	Saudi Arabia	25 □
Greenhill Chemical Products Ltd <i>Packing and contract filling of aerosols.</i>	England	100 •
Harlow Chemical Co Ltd <i>Synthetic resin emulsions and polyvinyl alcohol.</i>	England	50 •□
Holliday Dispersions Ltd <i>Pigment dispersions.</i>	England	100
Holliday Dispersions SA <i>Pigment dispersions.</i>	France	100
Holliday Dyes and Chemicals Ltd <i>Dyestuffs and chemical intermediates.</i>	England	100
Holliday Encres SA <i>Printing inks.</i>	France	100
Holliday Chemical España SA <i>Sales agent and distributor.</i>	Spain	100
Holliday France SA <i>Sales agent and distributor.</i>	France	100
Holliday Pigments Ltd <i>Ultramarine pigments.</i>	England	100
Holliday Pigments SA <i>Ultramarine pigments.</i>	France	100
James Robinson GmbH <i>Fine chemicals.</i>	Germany	100
James Robinson Ltd <i>Dyestuffs and fine chemicals</i>	England	100
Jet Kunststofftechnik GmbH <i>Thermoplastic rooflights and roof glazing systems.</i>	Germany	100
Kimmenade Nederland BV <i>Flat roof waterproofing.</i>	Netherlands	100
PFW Aroma Chemicals BV <i>Fragrance chemicals.</i>	Netherlands	100
Reabrook Ltd <i>Hygiene, pollution control and maintenance chemicals, vehicle cleaning products.</i>	England	100 •
Revertex Belgium SA <i>Compounds, dispersions and adhesives.</i>	Belgium	100
Revertex Chemicals Ltd <i>Liquid polybutadienes and flavour and fragrance chemicals.</i>	England	100 •

	Country of incorporation and operation	Effective group interest in equity %
Revertex Chemicals (Pty) Ltd <i>Synthetic resin emulsions and allied products.</i>	South Africa	75
Revertex Finewaters Sdn Bhd <i>Adhesives.</i>	Malaysia	63
Revertex (Guangdong) Chemicals Co Ltd <i>Synthetic resin emulsions and adhesives.</i>	China	83
Revertex (Malaysia) Sdn Bhd <i>Synthetic resin emulsions, natural rubber latices and allied products.</i>	Malaysia	70
Revertex (Thailand) Ltd <i>Compounds of natural rubber latex.</i>	Thailand	35
Rexplas Sdn Bhd <i>Plasticisers for the PVC industry.</i>	Malaysia	70
Screenbase Ltd <i>Free-standing office screen systems.</i>	England	100 •
Synthetic Latex Company (Pty) Ltd <i>Synthetic rubber latices.</i>	South Africa	36.75
Synthomer BV <i>Compounds of synthetic rubber latices.</i>	Netherlands	100
Synthomer GmbH <i>Synthetic rubber latices and related compounds.</i>	Germany	100
Synthomer Ltd <i>Synthetic rubber latices and related compounds.</i>	England	100
Unilock Ltd <i>Design, manufacture and installation of office partitioning systems.</i>	England	100
Union Quimico Farmaceutica SA (UQUIFA) <i>Pharmaceutical actives and intermediates.</i>	Spain	100
Uquifa Italia SpA <i>Pharmaceutical actives and intermediates.</i>	Italy	100
Uquifa Mexico S.A.C.V. <i>Pharmaceutical actives and intermediates.</i>	Mexico	100
Williaam Cox Ireland Ltd <i>Thermoplastic rooflights and sheet plastics stockholding.</i>	Ireland	50 ◻
Williaam Cox Plastics Stockholding Ltd <i>Sheet plastics stockholding.</i>	England	100 •
William Blythe Ltd <i>Inorganic chemicals.</i>	England	100
HOLDING COMPANIES		
Holliday Chemical Holdings Ltd	England	100 •
Holliday International SA	France	100
Synthomer International GmbH	Germany	100
Yule Catto BV	Netherlands	100
Yule Catto (Deutschland) GmbH	Germany	100
Yule Catto Group Ltd	England	100 •
Yule Catto Holdings (UK) Ltd	England	100 •
Yule Catto International Ltd	England	100 •
Yule Catto Nederland BV	Netherlands	100

- Shares held by Yule Catto & Co plc
- ◻ Joint ventures

Five Year Financial Summary

	1999 £000	1998 £000	1997 £000	1996 £000	1995 £000
Turnover					
Subsidiaries	442,433	435,966	268,574	281,069	285,771
Joint ventures	89,758	96,310	98,596	102,779	104,996
Total turnover	532,191	532,276	367,170	383,848	390,767
Ebitda	82,553	78,946	44,237	42,261	39,684
Total operating profit ¹	66,057	63,897	38,886	37,231	34,564
Sale of termination of business	-	19	-	-	-
Interest payable	(11,847)	(12,947)	(836)	(780)	(1,443)
Profit before taxation ¹	54,210	50,969	38,050	36,451	33,121
Ordinary dividends	17,246	16,842 ²	13,082 ²	9,157	8,086
Net cash/(borrowings)	(202,374)	(166,529)	8,332	(12,944)	(2,671)
Free cash flow before dividends	36,385	27,776	35,382	21,411	10,999
Capital expenditure including share of joint ventures	21,367	30,873	8,768	8,764	12,109
Cost of acquisitions	61,531	265,388	160	22,691	1,069
Shareholders' funds	233,768	223,130	71,870	65,821	68,609
Capital employed	238,757	227,899	77,412	73,838	78,845
Adjusted earnings per share	24.5 p	24.1 p	24.4 p	22.7 p	20.3 p
Dividends per share	11.2 p	11.0 p	10.0 p	9.0 p	8.0 p
Dividend cover	2.2	2.2	2.4	2.5	2.5

1. Before amortisation of goodwill

2. Adjusted for increase in 1997 dividend charge to profit in 1998.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Saddlers' Hall, 40 Gutter Lane, London EC2V 6BR on Tuesday, 23 May 2000 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the report of the directors and audited financial statements for the year ended 31 December 1999.
2. To consider the recommendation of the directors as to a final dividend for the year ended 31 December 1999 and if thought fit to declare a final dividend accordingly.
3. To re-elect as a director Mr A Walker who retires as a director by rotation.
4. To re-elect as a director Dato' Lee Oi Hian who retires as a director by rotation.
5. To re-appoint as a director Mr S V Cummins.
6. To re-appoint as a director Mr R H Hunting.
7. To re-appoint as a director Mr J A Napier.
8. To re-appoint Arthur Andersen as auditors of the Company until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.
9. To authorise the directors to determine the remuneration of the auditors.

Special Business

To consider, and if thought fit, to pass the following Resolutions, all of which are proposed as Special Resolutions.

10. That the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred on the directors in accordance with section 80 of the Act on 18 June 1998 as if sub-section (1) of section 89 of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - a) the allotment of equity securities in connection with issues in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, subject

to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws of any territory or the requirements of any recognised regulatory body; and

- b) the allotment (otherwise than pursuant to sub-paragraph (a)) of equity securities up to an aggregate nominal value of £771,334.

provided that this authority shall expire on the date of the next Annual General Meeting of the Company or, if earlier, 15 months after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

11. That the Company be and is hereby unconditionally and generally authorised for the purpose of section 166 of the Companies Act 1985 ("the Act") to make market purchases (as defined in section 163 of the Act) of ordinary shares of 10p each in the capital of the Company provided that:
 - a) the maximum number of shares which may be purchased is 22,985,765;
 - b) the minimum price which may be paid for each share is 10p (exclusive of expenses);
 - c) the maximum price which may be paid for a share is an amount equal to 105 percent of the average of the closing middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased (exclusive of expenses); and
 - d) this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 15 months after the passing of this Resolution (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to such time.
12. That the Company's Articles of Association be and are hereby amended by the deletion from Article 137 of the words "or auditor" from the second and sixth lines.

Notice of Meeting continued

13. That the Company's Articles of Association be and are hereby amended by the deletion from Article 10.1 of the words "shall be under the seal and " from the tenth line and the insertion of the following words as the penultimate sentence of that Article:

"Notwithstanding any other article, the directors may from time to time determine, either generally or in any particular case, the method by which any share certificate issued by the Company in respect of the Company's shares, stock, debentures or other securities shall be authenticated or executed by or on behalf of the Company and, in particular :

- a) the directors may dispense with the need to affix the common seal, or any official seal, of the Company to such certificate;
- b) the directors may determine the manner, and by whom, any such certificate is to be signed, and may dispense with the need for such certificate to be signed or executed in any way;
- c) the directors may permit the signature or a facsimile of the signature of any person to be applied to such share certificate by any mechanical or electronic means in place of that person's actual signature.

And any certificate issued in accordance with the requirements of the directors shall, as against the Company, be *prima facie* evidence of the title of the person named in that certificate to the shares comprised in it."

By order of the Board

R Atkinson

Secretary

7 March 2000

Notes:

- i) A member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not also be a member of the Company.
- ii) A copy of the register of the directors' interests in the equity share capital of the Company will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the date of the Annual General Meeting and at the place of the meeting itself from 15 minutes before it is held until its conclusion.
- iii) A form of proxy is enclosed which, to be valid, must be completed and deposited with Computershare Services PLC, Registrars' Department, PO Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG not less than forty-eight hours before the time appointed for holding the meeting or any adjourned meeting. The completion and return of a form of proxy will not prevent a member who wishes to do so from attending and voting in person.
- iv) Copies of all contracts of service under which directors of the Company are employed by the Company or any of its subsidiaries and which have a notice or contract period of one year or more or which have provisions for predetermining compensation on termination of an amount which equals or exceeds one year's salary and benefits in kind are available for inspection at the Company's registered office during business hours on any weekday (Saturdays and public holidays excluded) and will also be available for inspection at the place of the meeting from 15 minutes before it is held until its conclusion.
- v) To be entitled to attend and vote at the meeting (and for the purpose of determining the number of votes shareholders may cast), shareholders who hold shares in the Company in uncertificated form must be entered on the Company's register of members at 12 noon on Friday, 19 May 2000 or, if the meeting is adjourned, shareholders must be entered on the Company's register of members not less than forty-eight hours before the time fixed for the adjourned meeting.