YULE CATTO

Annual Report 2000

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

Contents

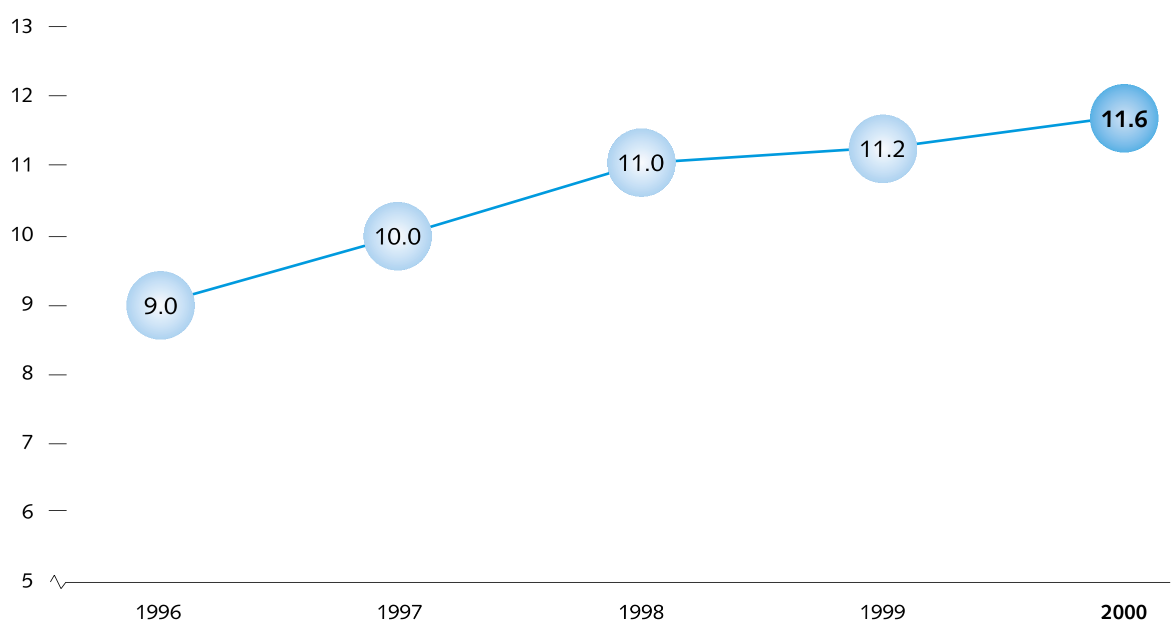
Yule Catto is an international group of companies whose business interests are in three distinct market sectors: polymer chemicals; pharma and fine chemicals and performance chemicals. An enviable reputation has been established over many years for strong financial performance and sound management.

Financial Highlights

	Note	Continuing operations 2000 £000	Continuing operations 1999 £000	Total 2000 £000	Total 1999 £000
Total turnover	1	473,599	433,589	511,993	532,191
Ebitda	1 & 2	65,502	72,363	66,752	82,553
Operating profit before amortisation	1	48,750	59,229	48,065	66,057
Total operating profit	1	35,795	48,433	35,110	55,261
Profit before taxation	1 & 3	36,837	47,382	36,152	54,210
Profit on ordinary activities before taxation	1	21,548	36,586	15,979	43,414
Profit/(Loss) attributable to shareholders	1	10,942	22,081	(2,845)	26,935
Adjusted earnings per share		17.2p	21.3p	16.9p	24.5p
Earnings per share – FRS3		7.3p	14.3p	(1.9)p	17.5p
Dividends per share				11.6p	11.2p
Net borrowings				164,785	202,374
Free cash flow before dividends				10,255	36,385

Note:
1 Includes attributable share of joint ventures
2 Earnings before interest, tax, depreciation and amortisation
3 Excludes amortisation, sale and termination of business and costs of fundamental restructuring

Dividends per Share (pence)



Group Overview

Total turnover £512 million
Operating profit £48 million

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. 2000 saw this sector strengthen through major investment in maximising plant efficiencies.

Key Products

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

Pharma and 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

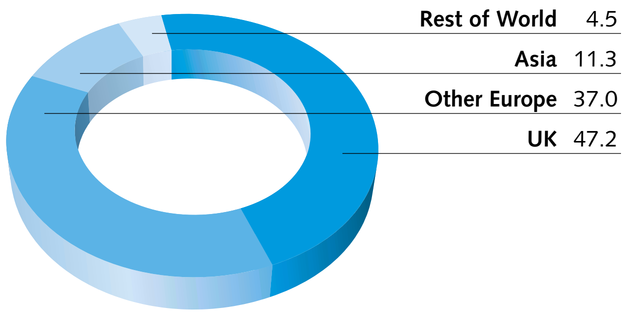
Companies under the Performance banner are focused upon sustaining their strong niche market positions through satisfying the needs of customers with products of the highest quality.

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

Sales by Origin %



Number of employees worldwide 4,000
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
- South East Asia and Far East
- Middle East
- South Africa

Turnover
£217.2m 42.4%

Operating Profit
£22.8m 43.3%

Markets

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

Geographic scope

- UK and Continental Europe
- North and South America
- South East Asia and Far East

Turnover
£88.0m 17.2%

Operating Profit
£11.3m 21.4%

Markets

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

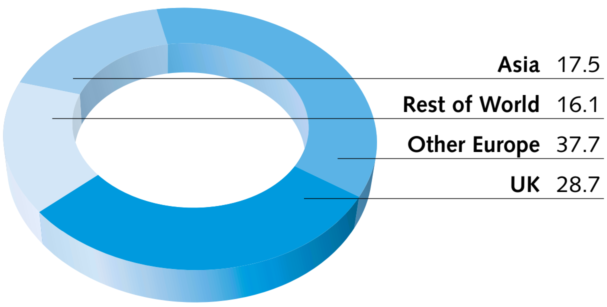
Geographic scope

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

Turnover
£157.5m 30.8%

Operating Profit
£16.3m 31.0%

Sales by Destination %



Chairman's Statement

"Decisive restructuring has been undertaken and major capital investment will come on stream early next year. In our particular markets demand remains solid . . . the group is positioned to deliver good long-term performance."

Turnover £m

2000	**512.0**
1999	532.2

Operating Profit £m

2000	**48.1**
1999	66.1

Yule Catto achieved major advances last year in the realignment of its operations towards being a focused speciality chemical group, despite particularly difficult market conditions. Having acquired full ownership of the synthetic latex operations of Synthomer in the final quarter of 1999, we embarked on a disposal exercise directed at our non-core Building Products division. We are pleased to report that the total cash inflow of the initiative at £62.4 million exceeded our original expectation, fully covering the additional investment in Synthomer.

Mid year we made a modest initial investment in India, which provides a low cost capability to undertake a wide range of chemical syntheses and produce multi-stage organic intermediates. More recently we confirmed our withdrawal from the highly competitive market for printing and textile dyes through the closure of Holliday Dyes & Chemicals Limited and ceased manufacturing in China where competitive activity precluded achievement of a positive financial return, even in the medium term. We end the year with a greater proportion of turnover concentrated in more technically demanding applications, which provides a solid platform for future profit growth.

Turnover of £512.0 million was slightly below the level achieved last year. Profit performance in 2000 provided a number of challenges, with reported results being adversely affected by an estimated £18 million in two specific areas.

The sharp increase in the cost of our major raw materials, supported by the continuing strength in the price of oil, inevitably caused a squeeze on margins. Volume demand was strong across many of our market sectors but whilst selling price increases were achieved, monomer costs continued to rise throughout the year to unprecedented levels, reducing profitability by £14 million. Production at our Dutch fragrance facility was limited to less than half its normal capacity for much of the year due to a critical raw material being unavailable following an explosion at the supplier's premises. The ensuing lost sales and production inefficiences caused profit to fall by around £4 million.

The resultant depressed profit before exceptionals and amortisation of goodwill at £36.2 million masked the benefits of new product introductions, a favourable product mix and improvements in productivity across a number of our businesses. As a consequence of the reshaping undertaken during the year there is a net exceptional charge to profit before taxation of £7.2 million for the sale, termination and fundamental restructuring of businesses.

As we enter a new year, there are indications that high raw material prices may subside, and our Dutch facility is back to normal production which will progressively re-establish profitability.

With the confidence of these further benefits in prospect, your directors have proposed a final dividend of 6.9 pence per share, making a total of 11.6 pence for 2000, an increase of 4% over last year.

Primarily driven by the successful disposal exercise, net borrowings at the year end reduced by £37.6 to £164.8 million. Taking advantage of the low rating of our shares, we acquired for cancellation 9.5 million shares in the open market at a cost of £17.9 million. An active capital expenditure programme, nearly 50% above 1999, was directed towards additional capacity and process improvements to promote further growth. Working capital levels were under considerable pressure due to the significant rise in the price of raw materials, but sound management action largely compensated for the increases.

The commitment and hard work of our employees around the world is our most valuable asset. I would particularly like to thank everyone for their efforts in 2000, which was a year of change set against a background of trying trading conditions.

Safety, health and the environment are of paramount importance, and it is therefore pleasing to report a significant reduction in our accident statistics. We are also well positioned to achieve compliance with reductions in energy consumption per tonne of production that will provide maximum benefit from the rebate scheme under the government's proposals regarding the Climate Change Levy. The most recent Corporate Governance requirements contained within the Turnbull Report have been complied with in all respects.

The past year has seen significant changes to the Board of Directors. After forty years as Chairman, Lord Catto stepped down at the Annual General Meeting in May and, following many years as a Non-Executive Director, I succeeded him as Chairman. Peter Sawdy, who has been a Non-Executive Director since 1991, has indicated he will not seek re-election at the Annual General Meeting. I would like to thank Lord Catto and Peter Sawdy for the invaluable contribution made during their many years of service. We welcome Peter Wood and Gianni Montezemolo as new Non-Executive Directors.

Outlook

Growth rate forecasts for the major economies are currently being scaled back, causing global uncertainty and the potential for reduced demand. The price of raw materials continues to be of concern but other factors that blighted our results in 2000 are unlikely to recur. Decisive restructuring has been undertaken and major capital investment will come on stream early next year. In our particular markets demand remains solid and results are showing an improvement over the fourth quarter of last year. We are confident that the group is positioned to deliver good long-term performance.

A E Richmond-Watson
14 March 2001

opposite page left to right: • The construction of our synthetic latex facility in Malaysia, to be commissioned in early 2002 • The successful launch of a new range of hair dyes • Uquifa stand at a recent exhibition

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.

Turnover £m

2000	**217.2**
1999	176.8

Operating Profit £m

2000	**22.8**
1999	27.3

Assisted by the first full year of ownership of 100% of the Synthomer companies, turnover of the Yule Catto polymer activities rose by nearly 25%.

Throughout the whole of 2000 our management teams had to deal with the difficulties caused by the increase in the price of crude oil underpinned by OPEC restrictions on production and strong demand for downstream products.

In general, we continue to position all our businesses to achieve the lowest possible dependence on sales of commodity products. This strategy serves us well and we are recognised as leaders in the most technically demanding applications in all our major markets. While this obviously provides the best hedge against raw material fluctuations, we were unable to withstand fully the inevitable margin pressure. Therefore, despite implementing cost reduction programmes, our polymer businesses recorded a fall in profitability.

The continuing strength of sterling also brought new pressures for our UK companies in the form of competition from continental Europe. This has been successfully resisted by means of our traditionally high levels of technical service helped by most monomers being euro denominated.

There are signs that supply and demand of raw materials are becoming more balanced as crude oil prices find a new level and consumption of monomers slows for the larger commodity applications. Additionally, in line with others in the water based polymer industry, price increases have been implemented assisting in the re-establishment of appropriate margins.

All our manufacturing facilities have benefited from investment in 2000. A major new plant to make SBR latex is under construction in Malaysia and debottlenecking programmes were implemented in all plants along with investment in safety, health and environmental improvements.

Rationalisation and globalisation are a feature of the major markets we serve and we are responding to this, not only by building plants in new locations, but also strengthening our global sales and distribution infrastructure. These actions make us well placed to support multinational partners who demand global product availability

Synthetic Rubber Latices

With very high levels of production capacity utilisation in UK and Germany the focus for growth in our styrene butadiene products remains centred upon technically advanced applications. At a time when margin erosion has been particularly fierce in the commodity paper and carpet sectors, we have been able to free capacity by selective withdrawal from unprofitable businesses.

The announced investment of £16 million in a greenfield SBR latex facility in Malaysia to serve the dipping and speciality sectors is now proceeding well and will be commissioned in early 2002. Much of the world's dipping industry is centred in S.E. Asia and we are already able to claim market leadership from our European plants. By means of this investment we shall be able to satisfy customers from local production. Spare capacity created in Europe is already earmarked for further penetration in speciality sectors with good growth prospects.

Although margins have been under pressure in the carpet sector, good volumes of latex and compounds have partially compensated. We enjoy a major share of the European market, but there is opportunity for further growth supported by the location of our facilities close to key customers' plants in UK and continental Europe.

Emulsions

In the UK record emulsion volumes were achieved aided by targeted investment to increase capacity for speciality grades which is already well utilised. Margin came under intense pressure from rising raw material costs. Despite that and severe price competition from mainland Europe, we were able to improve penetration in the market for speciality adhesive applications, most notably in paper and film conversion.

During the year our research and development activities were further enhanced by the commissioning of a new emulsion pilot plant. Even in the more traditional markets, opportunities for innovation are ever present with, for instance, consumer demand for "greener" products for use in household paint leading to new emulsion grades being launched.

The joint venture in Saudi Arabia made good progress and investment in improved infrastructure and bulk handling has further strengthened our position in the Kingdom and Gulf states.

Our operations in South Africa enjoyed very high capacity utilisation. In recognition of this, further primary capacity is planned for 2001 both to support the domestic market as well as to reinforce our position as the dominant supplier in sub-Saharan Africa and the Indian Ocean islands. Whilst margins have been squeezed, record volumes more than compensated for the shortfall.

In the Far East the more robust economic conditions in Malaysia again helped emulsion volumes make progress, but profits were constrained due to the high cost of monomers. In China, market conditions became untenable with third party over-capacity leading to a total collapse in margins. We judged that these conditions would continue and the decision was reluctantly taken to withdraw from this modest venture.

Polyvinyl Acetate/Alcohol

In line with world demand for PVC, sales of Alcotex primary stabilisers were softer in the second half of 2000. Global leadership in sales of Alcotex to the PVC industry was, however, further enhanced through record sales of secondary grades used in the manufacture of more specialised products. This provided a substantial offset in terms of volume to counteract margin pressure from the rising cost of vinyl acetate.

In support of growing demand, a £3 million investment was completed in mid-2000 to increase the capacity of primary Alcotex by 25%.

For the Mowilith polyvinyl acetate grades, a stronger penetration of the European market was achieved coupled with new product initiatives, leading to another year of record sales.

Other Speciality Products

For our Far Eastern water-based adhesives business, 2000 was a year of further records and illustrates an ability to take every advantage of the economic recovery in Malaysia as well as benefiting from export opportunities throughout the region.

The alkyd and polyester resin business centred in the same region saw good acceptance of a number of new product introductions. Production ran at full capacity throughout the year and a major investment in debottlenecking and new reactor capacity has been approved for 2001.

Whilst demand for Lithene polybutadiene remains slow in the traditional chlorinated rubber sector, excellent growth opportunities are being developed in the sealant and fuel additive markets. Lithene compounds in particular showed strong progress during the year.

Natural rubber latices had a solid year and benefited from the withdrawal from centrifuging the previous year. Market conditions were far from easy with premiums in the natural rubber market falling to low levels. Set against this the maintenance of volumes and profitability says much for the skills of our marketing and technical teams.

opposite page left to right: ● Delivery of high quality dispersion ● We have a leading position in the supply of emulsion to the paint industry ● State of the art computer process control at Stallingborough, UK

Pharma and 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.

Underlying opportunities continue to expand for our businesses in the Pharma and Fine Chemicals sectors. There was evidence of a broadening of the pharma business base through new contracts for early stage drug development and a strong demand for the high impact molecules we manufacture for the flavour industry. However, there were some notable issues which held back progress in the year under review.

A major problem arose from the loss of supply of a key raw material to PFW for the manufacture of its main musk fragrance occasioned by an explosion at the supplier's facility in the USA. This caused severe market difficulties and loss of profit. The management team has responded well with little market share lost and full production at our facility in Holland is now re-established.

The continued aggressive pace of consolidation in the life science industry in 2000, affected short-term opportunities in the ethical sector. Generic price pressure through increased competition also meant that, although volumes rose, sales revenue remained relatively flat.

Turnover £m

2000	**88.0**
1999	95.9

Operating Profit £m

2000	**11.3**
1999	18.6

Investment in support of this sector continues with a new state of the art pilot plant under construction in Spain for pharma development and a similar facility in Italy is at the planning stage.

Pharma

The management reorganisation which unified marketing and product development under one team has settled down well giving Uquifa a much improved ability to service both the ethical and generic sectors of the pharmaceutical industry. An important number of key new customer relationships have been secured which will allow future product development in the coming year. In furtherance of our strategy, a US sales office was established in 2000 increasing Uquifa's everyday presence in the world's largest market.

Our Spanish operations saw volumes grow in the year, particularly in the ethical sector, accompanied by a high level of activity in phase III product development. A breakthrough was achieved by securing contracts and undertaking development work on early stage drug development from both the major ethical houses and the biotech sector. This will continue at an increased rate in 2001 with a number of

interesting contracts already in place.
As expected, the generic active market was dominated by pricing issues, the response to which was a concentration on improving production efficiencies and a drive to sustain market share. Importantly, the anti-ulcer markets continue to grow and, with the pending patent expiry in the USA of Omeprazole, the future, while unpredictable, looks exciting.

New business was gained for our Italian facility for its traditional antibiotic activities and drug master file submissions have been filed in the USA for Clindamycine and Minocycline. The increased sales of antibiotics offset the temporary cessation of ethical intermediate manufacture for a major pharmaceutical company caused by certain product launch failures. Two Phase II products from new customers also helped to counteract this short term loss. The outlook is positive with the ethical intermediate contract recovered and the introduction of a further two new Phase I/II products in the main ozonolysis plant.

Uquifa had a difficult year in Mexico with a further slowdown in the offtake of veterinary products. This was further exacerbated by the unexpected continuation of the strength of the Mexican Peso and high solvent prices. The response has been to initiate a major operational management restructuring to regain competitiveness, but the resultant costs pushed this business into loss in 2000. The Mexican facility is key to the generic product development strategy and three new products have been registered, with product patent expiries expected to begin towards the end of 2001.

The strategy of having substantial free cGMP capacity across three countries continues, offering a broadening range of chemical synthetic technologies. The investment in the new high level cGMP pilot plant facility in Spain is scheduled for completion in September 2001. This will underwrite the ability to provide quick response time to the chemical phase development of our widening customer base, especially in the biotech sector.

We remain well placed to benefit from the continued strategy of outsourcing by the life science industry, as evidenced by the Phase I/II projects secured, with a prime goal being to further increase the number in our portfolio. The same holds true for the development of generic products where steps are in hand to increase registrations from three to six per annum in the coming years.

Flavour and Fragrances

Change remains a constant factor in this sector. Consolidation and the relocation of business from USA and Europe to Latin America and the Far East created opportunities and have led to us developing a strong global marketing presence to serve our customers.

Oxford Chemicals recorded good progress despite prices being under pressure through the strength of sterling. The company's activities are one of the most suited to Internet trading and a new website has been successfully launched to take full advantage of this route to market. Nature identical products have always been a key part of Oxford's portfolio and with the increasing demand for "natural" products in the USA the range is being extended both through own manufacture and traded products to provide a full product offering to customers.

Whilst PFW has suffered badly from the incident at its largest raw material supplier, demand has remained strong for polycyclic musk and other fragrance products. The product allocation system introduced and the efforts to maintain supplies, sometimes at high cost, has gained praise from customers. With production having returned to normal levels, we look forward to a progressive return to better performance over the coming twelve months. This will be assisted through further market penetration of newer products and the introduction of novel environmentally friendly fragrance materials.

opposite page left to right: ● High precision test equipment ensures the highest level of quality and reliability ● A sample from our diverse pharmaceutical range ● A selection of our nature identical flavours capability

Performance Chemicals

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

Turnover £m

2000	**157.5**
1999	156.0

Operating Profit £m

2000	**16.3**
1999	17.3

A good overall performance was recorded by our chemical companies focused upon serving niche markets. The hard work of recent years to increase efficiencies through rationalisation has begun to provide a positive impact on the profitability of our larger companies in this sector.

Continuing deteriorating market conditions in the international dyestuffs sector sadly led to the announcement of the closure of the Holliday Dyes & Chemicals Ltd operations in Huddersfield, bringing to an end losses stretching back three years.

Inorganic Chemicals

Overall, forward momentum was recorded in both turnover and profit. The timber treatment business saw another record year and tin salt sales, particularly to the pharmaceutical industry were buoyant. Iodine related products experienced an excellent year following the restructuring of the operations and the securing of major new business in traditional areas. Worthy of note is expansion into new product applications into the electronics industry for the latest multi-layered silicon wafer manufacture.

Sulphur dioxide derivatives saw some large consumers withdraw from manufacture in the UK. However, results were aided by the continuation of a favourable raw material cost base and successful trials for new business auger well for 2001.

Dyes and Pigments

Ultramarine pigment enjoyed a strong 2000 with sales advancing in the major markets and the performance from Asian countries reaching an all time record.

The increase in sales was supported by record output by our factories in the UK and France where production was 10% ahead of 1999. Costs were well contained enabling the benefit of higher volumes to be fully reflected in a near record level of profitability. An important event relating to major environmental investment occurred in mid-year with the inauguration of the new Flue Gas Desulphurisation plant in Hull by the Rt. Hon. John Prescott MP, Deputy Prime Minister.

Good growth was seen in the photographic and hair dye market. New product launches had a particularly favourable impact and more than compensated for increased competition in the commodity photographic applications. A major restructuring of the James Robinson Ltd Huddersfield site has been possible following the withdrawal from sulphur dyes and the provision of facilities to handle solvent based organic synthesis will greatly enhance the capability.

After an extended period of development, the photochromic range of dyes for use in ophthalmic applications has gained enthusiastic acceptance with outstanding growth recorded in 2000 and excellent prospects for the future.

In recognition of attractive capital investment possibilities and low operating costs, a joint venture was established in 2000 situated in Vapi, India with a well-established local company. Soon to be trading under the name James Robinson India (Pvt) Ltd, the company is investing in a new facility for photographic, hair dye and dyestuff intermediates with deliveries commencing in early 2001.

During the last three years a major restructuring has taken place at Holliday Dyes & Chemicals Ltd. Despite continuing investment and cost control, a recovery has been hampered by intense competition from India and China. Serious over capacity in Europe for textile dyes and latterly the value of sterling for a business exporting a majority of its product, led to substantial losses with little prospect of recovery. After due consideration the closure of the business was announced and the site is now being progressively run down so as to minimise the environmental and financial impact.

Other Activities

The most important feature of the year for our Consumer Chemical businesses was the integration of operations on to one modern site in Moira in Leicestershire which will provide the opportunity to unlock operational efficiencies. Unforeseen problems arose during the move of part of the manufacturing facilities which caused service levels to suffer and impacted upon performance. The market remains sound and we look forward to better results as efficiencies emerge in 2001. Autoclenz Ltd performed well in an unsettled market place through widening their range of products and increasing their market share in the imported volume car sector.

In 2000, the French inks business saw a steep reduction in profitability. While sales were close to 1999 levels margin was severely squeezed as petroleum based raw materials rose. The climate to achieve selling price increases improved in the latter part of the year.

The continuing restructuring of the UK dispersion industry presented further challenges but new purchasing initiatives counteracted part of this problem and management changes begun in 1999 are also starting to show benefit. In France sales of dispersions advanced, but margins weakened due to rises in raw material prices. There are, however, substantial new business opportunities that have been identified which hold out good prospects for the future.

from left to right: • The investment in India extends our range of photographic products • Manual handling has been reduced through investment in automated packaging • Production flow through our new aerosol filling facility at Moira, UK

Safety, Health and the Environment

Caring for the environment

Introduction by the Chief Executive

Safety, health and environmental (SHE) management continues to play a crucial role in our businesses. During the course of 2000 we have strengthened our internal procedures and achieved real performance improvements. For example, reportable accident frequency rate across the group has reduced by nearly 30% during 2000, and during the same period, over 40% fewer environmental incidents were reported.

The Board and Group Executive Committee are fully committed to effective SHE management, and continue to monitor it closely on a monthly, quarterly and annual basis. To reflect this commitment, we have adopted the principles of the chemical industry's "Responsible Care" programme, and these principles underpin our group safety and environmental management system standards.

We held our first SHE conference in November 2000 in the UK with over 50 senior operational and SHE managers from our worldwide manufacturing facilities attending over a three day period.

In last year's report, we described a number of goals that we were setting for 2000. I am delighted to report that we have met all of these targets and we report below on how we have performed against each of them. We also set out our new goals for 2001.

We welcome the opportunity to discuss any part of our SHE programme, and through this report, I invite you to contact our Group SHE Manager with any questions.

Alex Walker

Key Achievements

- We have reduced our reportable accident frequency rate by 27% from 1.41 to 1.03 during 2000, but this remains high relative to the chemical industry in general. Whilst we aim to have zero reportable accidents, as a year on year improvement, we are committed to achieving a reportable accident frequency rate of 0.75 by the end of 2001. To achieve this we have a highly focused plan of action including the use of external consultancy support at specific businesses.
- Nine of our businesses achieved zero reportable accidents during 2000, and Revertex Finewaters in Malaysia has now operated for over four years without a reportable accident, which is a remarkable achievement.
- The number of process safety incidents that were reported during 2000 reduced by over 50% compared to 1999. No injuries on-site or off-site arose from these incidents, but several led to short term, reversible environmental damage, which we sincerely regret. Our target is to have no process safety incidents.
- During 2000, we have reduced the number of breaches of environmental permit conditions by 40%, and the number of uncontrolled releases to the environment by 50%. Our target for both is zero.
- We have committed our UK businesses to achieve an overall reduction in energy used per tonne of production of 17% by the end of 2010, and have subscribed to a voluntary agreement with the government under its climate change levy.
- We have written and issued group wide safety and environmental management system standards. These are non-prescriptive, goal based standards which must be implemented at all our businesses by the end of 2001. The standards reflect the requirements of the proposed international safety management standard OHSAS18001 and the environmental management standard ISO14001. Several of our businesses are currently making plans to implement ISO14001 and one business, Synthomer GmbH, has already been certified to this standard.
- We have prepared a comprehensive 'stand alone' SHE report that shows how our performance has changed during the period 1996 to the end of 1999. We have used the results of this to identify which safety and environmental criteria should be used to establish group wide goals, which we report on in the next section. This report has been prepared in English, German, French, Spanish and Italian and is available upon request from our Group SHE Department in Harlow.
- We have established a series of 'Process Safety Training Courses' with a highly reputable external consultancy. We have delivered the first course and intend to deliver another three or four courses during 2001 at nominal cost to our businesses.

Goals and Objectives

During 2000, we committed ourselves to achieving the following goals, which we have repeated with a brief commentary on how we performed and our plans for 2001:

Commitment or Goal for 2000	Achievements and Future Plans
1 We require each business to set specific objectives for achieving SHE improvements	All businesses have prepared a SHE plan, based on significant SHE risks, which is monitored quarterly and reported to the Group Executive Committee.
2 We will achieve measurable improvements in safety performance with the intention of setting specific targets for 2001	We have reduced our reportable accident frequency rate from 1.41 to 1.03, a reduction of 27%. This is still high compared to the chemical industry in general, and whilst we aim to have zero reportable accidents, we are committed to achieving a reportable accident frequency rate of 0.75 by the end of 2001.
3 We will evaluate further our environmental performance with the intention of setting specific objectives for 2001	We have fully evaluated our environmental performance for the period 1996 – 1999 across a range of environmental parameters using widely adopted guidance from within the chemical industry. We have reported publicly on this. During 2001, we are committed to setting ourselves group wide reduction targets for energy use, hazardous and non-hazardous waste and volatile organic compounds. We will report on our progress against these targets in 2002.
4 We will build on our internal reporting procedures to improve the quality of data and information received	We have revised the existing reporting procedures and have issued additional procedures. We will continue to monitor these.
5 We intend extending our baseline SHE auditing programme to re-audit every business at least once every two years	We have adopted a cross-site SHE audit programme which evaluates management and operational performance. We intend to carry out audits every two years, but we may reduce the frequency on those sites with low inherent hazards.
6 We will develop and implement a SHE intranet to facilitate the transfer of information and data	We have built the SHE intranet and it is now available to our worldwide operations. It enables on-line discussions, incident reporting and holds a database of all reported accidents and incidents for internal reference.

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 54.

S. V. Cummins
Joined the Group in 1999. He was appointed to the Board on 4 January 2000 and is Finance Director. Age 38.

Non-Executive Directors

A. E. Richmond-Watson
Joined the Board in 1978 and is Chairman. He is the Deputy Chairman of Melrose Resources plc and was Deputy Chairman of Morgan Grenfell Group plc from 1989 until retirement in 1996. Age 59.

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 68.

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 48.

Dr M. J. Peagram +$
Joined the Board in 1998. Formerly Chairman of Holliday Chemical Holdings PLC. Age 57.

R. H. Hunting *+
Joined the Board on 4 February 2000. He is Chairman of Hunting PLC. Age 54.

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 50.

G. Montezemolo
Joined the Board on 14 March 2001. He spent a number of years at SC Johnson Wax and is now a Director of A T Kearney, management consultants, and a Non-Executive Director of Tempus Group plc. Age 59.

P. B. Sawdy +$
Joined the Board in 1991. He is a Director of Lazard Birla India Investment Trust plc and Griffin Group Ltd. Age 69.

P. J. Welch *$
Joined the Board in 1998. He is Chairman of WSP Group plc and a Director of Meconic plc. Age 61.

P. S. Wood *$
Joined the Board on 1 February 2001. He was Chief Executive of Ellis & Everard PLC prior to its acquisition by Royal Vopak earlier this year. Age 53.

Alternate Director

Dato' Lee Hau Hian
Joined the Board in 1993 and became an alternate director for Dato' Lee Oi Hian and Raja Alias in 2000. He is a director of Kuala Lumpur Kepong Bhd and Batu Kawan Bhd. Age 47.

* 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
Richard Atkinson

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

Merchant Bankers
Merrill Lynch International

Stockbrokers
Merrill Lynch International

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

Auditors
Arthur Andersen

Solicitors
Linklaters & Alliance

Report of the Directors

for the year ended 31 December 2000

The directors submit their annual report and the audited financial statements for the year ended 31 December 2000.

Results and dividends	£000
Loss attributable to shareholders	2,845
Interim dividend	6,652
Final dividend	9,991
Retained loss for the financial year	19,488

The interim dividend of 4.7p per share was paid on 22 November 2000. The directors recommend a final dividend of 6.9p per share payable on 5 July 2001 to those shareholders registered at the close of business on 17 April 2001. A dividend re-investment plan is available to shareholders and this alternative will continue to be offered until further notice.

Principal activities and review of operations

The principal activities of the company and a review of its operations are set out on pages 6 to 11.

Acquisitions and disposals

The group's rooflights businesses comprising Jet Kunststofftechnik GmbH and its associated subsidiaries in Germany, Bik Bouwprodukten BV in the Netherlands, a 50% equity interest in a joint venture holding company which owned Williaam Cox Ireland Limited in Eire and the business which traded as Cox Building Products Limited in the United Kingdom were sold on 4 May 2000.

The business of Williaam Cox Plastics Stockholding Ltd was sold on 12 May 2000.

The business of Kimmenade Nederland BV was sold on 5 July 2000.

Screenbase Limited was sold on 30 October 2000.

These disposals are set out in more detail in note 3 to the financial statements.

The group acquired a 51% equity interest in Erie Chem (Pvt) Limited on 1 July 2000 for a cash consideration of 42 million Rupees.

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 14. All served throughout the year apart from Mr S V Cummins, Mr R H Hunting, Mr P S Wood and Mr G Montezemolo who were appointed on 4 January 2000, 4 February 2000, 1 February 2001 and 14 March 2001 respectively. Mr J M Hessels retired on 1 March 2000 and Mr A P McLeish retired on 17 March 2000. At the conclusion of the Annual General Meeting on 23 May 2000, Lord Catto retired as Chairman of the company and Dato' Lee Hau Hian ceased to be a director and became an alternate director for Dato' Lee Oi Hian and Raja Alias. Mr J A Napier, who had been appointed on 6 March 2000, resigned as a director on 31 August 2000.

Mr P B Sawdy will retire as a director of the company at the end of the forthcoming Annual General Meeting and is not seeking re-election. Dr M J Peagram, Mr P J Welch and Raja Alias retire by rotation and will be seeking re-election at the forthcoming Annual General Meeting. Mr P S Wood and Mr G Montezemolo also retire at the forthcoming Annual General Meeting and will be seeking re-appointment.

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.

Share capital

During 2000, 23,097 ordinary shares were issued under the Savings-Related Share Option Schemes. The total consideration received for shares issued under the share option schemes was £39,101. A total of 165,773 shares were purchased on the open market on behalf of shareholders who elected to participate in the Dividend Reinvestment Plan. 9,487,009 of the company's shares were re-purchased on the open market for cancellation at a total cost of £17,924,197.

Substantial shareholdings

Other than the shareholdings disclosed as directors' interests in the Remuneration Report as at 21 February 2001, the following substantial interests (3% or more) in the company's ordinary share capital have been notified to the company:

	Ordinary shares number	Per cent of Ordinary shares in issue
Kuala Lumpur Kepong Berhad	31,414,472	21.69
Prudential plc	9,794,937	6.76

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 2001 Annual General Meeting, to make market purchases of not more than 22,985,765 of the company's ordinary shares in accordance with the terms of the special resolution passed at the 2000 Annual General Meeting. A resolution will be tabled at the 2001 Annual General Meeting to give the company general authority to make market purchases of not more than 21,575,783 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. Performance related bonus 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 was introduced in November 2000, offering United Kingdom employees a convenient, tax effective and economical way to save and acquire shares in the company. Subject to shareholder approval at the 2001 Annual General Meeting, it is likely that an All Employee Share Ownership Plan will be introduced during 2001.

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 2000 were 37 days (1999 33 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 £75,000 (1999 £100,000). There were no political donations during the year.

Auditors

A resolution to re-appoint 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 noon on Wednesday 23 May 2001 at Saddlers' Hall, 40 Gutter Lane, London EC2V 6BR.

By Order of the Board
R Atkinson
Secretary
14 March 2001

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 2000 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 two executive directors and ten non-executive directors. As explained in the Report of the Directors on page 15 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. The Board 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, Mr G Montezemolo and Mr P S Wood. The Board has recently been able to achieve its stated objective that the Audit, Remuneration and Nomination Committees should be comprised of independent directors only, with a minimum of three members.

The roles of Chairman and Chief Executive are clearly divided between Mr A E Richmond-Watson 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 Nominations Committee which is chaired by Mr P B Sawdy and whose members are identified on page 14 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.

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 on a regular basis by the Chief Executive and the Finance Director and meetings take place 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 25 and 26 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 14 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

The group now fully complies with the Code provisions on internal control, having established procedures to implement the guidance issued in September 1999 as the Turnbull Report, and by reporting in accordance with that guidance.

The Board of Directors has ultimate responsibility for the group's system of internal control and is required to set appropriate policies and review their effectiveness. The role of management is to implement Board policies.

The system of internal control is designed to reduce the risks of failure to meet business objectives, but these risks cannot be eliminated. The internal control system adopted can therefore only provide reasonable, not absolute, assurance about meeting such business objectives or against material misstatement or loss.

A continuous process for identifying, evaluating and managing significant business risks faced by the group has been developed under the auspices of a Risk Committee and implemented during the year under review, and has been operated up to the date of approval of the Annual Report and Accounts. Senior managers with cross functional responsibilities participate in the risk management process to identify and evaluate key risks, and their findings are reported via their Divisional Chief Executives to the Group Executive Committee and to the Board of Directors.

The process relies on senior managers' detailed knowledge and understanding of key internal and external risks facing their business. This is based on formal management information and reports, and their interaction and daily dealings with those reporting to them, their colleagues and other parties. Operational reviews are undertaken by the Group Executive Committee on a regular basis.

Plans are currently being finalised to build on the existing risk management processes so as to further embed them into business and to enhance the usefulness of the relevant processes and information.

The processes which are used by the Board to review the effectiveness of the internal control system includes the following:

- A review of the external audit work plan;
- Consideration of reports from management and external parties, including the auditors, on the system of internal financial control and any material control weaknesses;
- Quarterly review of safety, health and environmental performance;
- Discussion with management of the actions taken on problem areas for the business identified by Board members or in the audit report.

In addition, the Board:

- Receives copies of the minutes from all Audit Committee meetings;
- Considers the role of the group insurance programme;
- Receives regular written and oral reports from management on key aspects of production, operations, financial and risk management matters.

Prior to the year-end, the Board formally reviewed and approved the effectiveness of the group's system of internal control.

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

The Remuneration Committee comprises Dr M J Peagram (Chairman), Mr P S Wood, 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 of 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. 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.

- **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 UK and continental European chemical companies 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 2000 the performance conditions relating to the awards made in 1997 were assessed. As a result of the growth in the company's earnings per share over the three year period from 1997 to 1999 being in the top quartile of the comparator group each participant received the full number of shares awarded to him in 1997.

The Deferred Plan covers managing directors of subsidiary companies and an award takes the form of a right to acquire share 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 2000, 280,495 share options were awarded under the Performance Plan and 40,000 share options were awarded under the Deferred Plan. The Remuneration Committee proposes to undertake a review of the Share Plans during the course of 2001.

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

	2000 £000	1999 £000
The total amounts for directors' remuneration and other benefits were:		
Emoluments	913	864
Pensions to former directors	1	2
	914	866

The emoluments of the individual executive directors holding office during the year were:

	Base salary 2000 £	Bonuses 2000 £	Benefits 2000 £	Total 2000 £	Total 1999 £
A Walker – Highest paid director	320,000	–	29,837	349,837	351,918
A P McLeish	48,500	–	13,656	62,156	212,214
S V Cummins	160,000	–	13,370	173,370	–

In addition to the above emoluments:

A Walker received £77,240 being his share of demutualisation benefits of a ten year policy held jointly with the company.
S V Cummins received £69,475 relocation expenses.

	Increase in accrued pension excluding inflation	Transfer value of increase	Accumulated total pension accrued at 31 December	
			2000	1999
	£	£	£	£
A Walker	12,236	180,480	178,123	161,165
A P McLeish	9,854	190,345	129,333	121,811
S V Cummins	1,392	10,332	1,877	–

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 directors' contributions.

The pension benefits of S V Cummins, through membership of the Yule Catto Group Retirement Benefits Scheme, are restricted by the Inland Revenue's Pensionable Earnings Cap. To fund his pension arrangements above this limit he received a payment of £32,000.

The fees of the individual non-executive directors holding office during the year were:

	Fees 2000 £	Benefits 2000 £	Total 2000 £	Total 1999 £
Lord Catto – Chairman (resigned 23 May 2000)	20,833	2,848	23,681	57,997
R M Alias	21,667	–	21,667	15,000
The Hon. A G Catto	21,667	–	21,667	15,000
J M Hessels	1,878	–	1,878	16,872
Dato' Lee Hau Hian	8,250	–	8,250	15,000
Dato' Lee Oi Hian	21,667	–	21,667	15,000
R H Hunting	20,417	–	20,417	–
Dr M J Peagram	80,000	19,422	99,422	110,577
A E Richmond-Watson – Chairman (from 23 May 2000)	62,672	–	62,672	15,000
P B Sawdy	21,667	–	21,667	15,000
P J Welch	25,000	–	25,000	25,000
	305,718	22,270	327,988	300,446

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 2000 and 31 December 1999.

	Ordinary shares 2000		Ordinary shares 1999		Options 2000		Options 1999	
R M Alias	Nil		Nil					
The Hon A G Catto	1,738,441	(b)	1,715,261	(b)				
	3,489,557	(a)(b)	3,489,557	(a)(b)				
S V Cummins	10,000		Nil		45,715	(e)		
					7,200	(d)		
					52,915			
R H Hunting	2,500		Nil					
Dato' Lee Hau Hian	2,613		2,613					
Dato' Lee Oi Hian	27,248		27,248					
Dr M J Peagram	8,397,507		8,397,507		203,749	(f)	203,749	(f)
A E Richmond-Watson	798,647		798,647					
	159,632	(a)	159,632	(a)				
P B Sawdy	Nil		Nil					
A Walker	161,292		160,164		100,000	(c)	100,000	(c)
					11,005	(d)	3,805	(d)
					181,042	(e)	117,822	(e)
					43,106	(g)	14,897	(g)
					335,153		236,524	
P J Welch	61,827		61,827					

(a) Held as a trustee.

(b) Of these shares 581,593 (1999 581,593) were held both beneficially and as a trustee.

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

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

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

(f) 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.

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

Between 31 December 2000 and 21 February 2001 there were no changes in the directors' holdings.

Directors' Interests continued

Executive and savings-related options

	At 01.01.00		Number of options during the year: Granted		Exercised	At 31.12.00	Exercise price	Market price at date of exercise	Exercise period
A Walker	100,000	(a)	–		–	100,000	299.0p	–	1997-2004
	14,897	(d)	–		–	14,897	–	–	1999-2003
	28,209	(d)	–		–	28,209	–	–	2000-2004
	35,461	(c)	–		–	35,461	–	–	2001-2005
	54,152	(c)	–		–	54,152	–	–	2002-2006
	–		91,429	(c)	–	91,429	–	–	2003-2007
	3,805	(b)	–		–	3,805	272.0p	–	2000-2001
			7,200	(b)	–	7,200	150.0p	–	2006
	236,524					335,153			
S V Cummins	Nil		45,715	(c)	–	45,715	–	–	2003-2007
			7,200	(b)	–	7,200	150.0p	–	2008
	Nil					52,915			
Dr M J Peagram	101,874	(e)	–		–	101,874	170.6p	–	1999-2006
	101,875	(e)	–		–	101,875	222.7p	–	2000-2007
	203,749					203,749			

(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 27 to 59 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 31 to 32. 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 22 to 24.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 25, 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 Financial Services Authority, 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 18 to 19 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, 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 2000 and of the group's loss 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
14 March 2001

Consolidated Profit and Loss Account

for the year ended 31 December 2000

	Note	Continuing operations 2000 £000	Discontinued operations 2000 £000	Total 2000 £000	Continuing operations 1999 £000	Discontinued operations 1999 £000	Total 1999 £000
Turnover							
Turnover of company and subsidiaries	2	433,330	36,889	470,219	351,727	90,706	442,433
Share of turnover of joint ventures		40,269	1,505	41,774	81,862	7,896	89,758
Total turnover	1	473,599	38,394	511,993	433,589	98,602	532,191
Operating profit							
Existing operations		42,717	(834)	41,883	42,453	5,866	48,319
Amortisation of goodwill		(12,955)	–	(12,955)	(10,796)	–	(10,796)
Operating profit/(loss) of company and subsidiaries		29,762	(834)	28,928	31,657	5,866	37,523
Share of operating profit of joint ventures		6,033	149	6,182	16,776	962	17,738
Total operating profit/(loss)	2	35,795	(685)	35,110	48,433	6,828	55,261
Sale and termination of businesses	3	–	(4,884)	(4,884)	–	–	–
Costs of fundamental restructuring	3	(2,334)	–	(2,334)	–	–	–
Interest payable (net)	4	(11,913)	–	(11,913)	(11,847)	–	(11,847)
Profit/(Loss) on ordinary activities before taxation	2	21,548	(5,569)	15,979	36,586	6,828	43,414
Taxation on profit/(loss) on ordinary activities	5	(9,922)	(8,273)	(18,195)	(13,030)	(1,878)	(14,908)
Profit/(Loss) on ordinary activities after taxation		11,626	(13,842)	(2,216)	23,556	4,950	28,506
Minority interests		(684)	55	(629)	(1,475)	(96)	(1,571)
Profit/(Loss) attributable to shareholders	6	10,942	(13,787)	(2,845)	22,081	4,854	26,935
Ordinary dividends	7	(16,643)	–	(16,643)	(17,246)	–	(17,246)
Retained (loss)/profit for the financial year	21	(5,701)	(13,787)	(19,488)	4,835	4,854	9,689
EBIT*		48,750	(685)	48,065	59,229	6,828	66,057
Profit before taxation*		36,837	(685)	36,152	47,382	6,828	54,210
Profit after taxation and minorities*		26,624	(17,368)	9,256	32,877	4,854	37,731
Earnings per share – Adjusted	8	17.2p	(0.3)p	16.9p	21.3p	3.2p	24.5p
– FRS3	8	7.3p	(9.2)p	(1.9)p	14.3p	3.2p	17.5p
Diluted earnings per share	8	7.3p	(9.2)p	(1.9)p	14.1p	3.2p	17.3p

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

*Excludes amortisation, sale and termination of business and costs of fundamental restructuring

Balance Sheets

31 December 2000

	Note	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Fixed assets					
Goodwill	10	225,680	240,020	–	–
Tangible fixed assets	11	143,400	160,942	12,918	11,399
Investments in joint ventures					
Share of gross assets		25,030	29,151		
Share of gross liabilities		(15,208)	(15,098)		
	12	9,822	14,053		
Investments	13	43	48	204,601	222,443
		378,945	415,063	217,519	233,842
Current assets					
Stocks	14	55,990	58,237	–	–
Debtors	15	98,656	115,099	124,982	133,877
Bank and cash balances		1,234	9,521	4	71
		155,880	182,857	124,986	133,948
Creditors – due within one year					
Borrowings	16	(50,845)	(34,382)	(19,927)	(23,089)
Dividends	7	(9,991)	(10,336)	(9,991)	(10,336)
Other creditors	18	(130,486)	(125,136)	(141,617)	(84,925)
Net current (liabilities)/assets		(35,442)	13,003	(46,549)	15,598
Total assets less current liabilities		343,503	428,066	170,970	249,440
Creditors – due after more than one year					
Borrowings	16	(115,174)	(177,513)	(114,959)	(177,065)
Other creditors		(580)	(1,912)	–	–
Provisions for liabilities and charges	19	(14,383)	(9,884)	–	–
Net assets		213,366	238,757	56,011	72,375
Capital and reserves					
Called up share capital	20	14,480	15,427	14,480	15,427
Share Premium	21	31,829	31,795	31,829	31,795
Reserves	21	162,640	186,546	9,702	25,153
Shareholders' funds - all equity		208,949	233,768	56,011	72,375
Minority interests		4,417	4,989	–	–
Capital employed		213,366	238,757	56,011	72,375

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

Approved on 14 March 2001

A Walker
S V Cummins } Directors

Consolidated Cash Flow Statement

for the year ended 31 December 2000

	Note	2000 £000	2000 £000	1999 £000	1999 £000
Net cash inflow from operating activities	22		51,146		69,818
Dividends received from joint ventures			6,560		6,963
Returns on investments and servicing of finance					
Interest received		842		1,822	
Interest paid		(13,062)		(14,762)	
Dividends paid to minority interests		(1,634)		(1,393)	
Net cash outflow from returns on investments and servicing of finance			(13,854)		(14,333)
Taxation					
UK corporation tax (paid)/received		(864)		683	
Overseas corporate tax paid		(7,992)		(9,762)	
Total tax paid			(8,856)		(9,079)
Capital expenditure and financial investment					
Purchase of tangible fixed assets	11	(25,095)		(17,723)	
Sale of tangible fixed assets		349		741	
Investments net of disposals		5		(2)	
			(24,741)		(16,984)
Free cash flow before dividends			10,255		36,385
Acquisitions and disposals					
Purchase of businesses	23		(451)		(56,684)
Sale of businesses	3		62,413		–
Equity dividends paid			(16,988)		(17,079)
Cash inflow/(outflow) before management of liquid resources and financing			55,229		(37,378)
Financing					
Purchase of own shares		(17,924)		–	
Issue of ordinary share capital		36		381	
Proceeds/(Repayment) of short term borrowings	24	6,186		(5,445)	
(Repayment)/Proceeds of long term borrowings	24	(62,339)		36,868	
Net cash (outflow)/inflow from financing			(74,041)		31,804
Decrease in cash	24		(18,812)		(5,574)

Reconciliation of cashflow before financing to net borrowings

	2000 £000	1999 £000
Cash inflow/(outflow) before management of liquid resources and financing	55,229	(37,378)
Purchase of own shares	(17,924)	–
Issue of ordinary share capital	36	381
Exchange movements	248	1,152
Movement in net borrowings	37,589	(35,845)

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 2000

	Note	2000 £000	1999 £000
Profit attributable to shareholders	6	(2,845)	26,935
Exchange adjustments	21	1,133	(5,414)
Total recognised gains and losses for the year		(1,712)	21,521

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 2000

	Note	2000 £000	1999 £000
Profit attributable to shareholders	6	(2,845)	26,935
Exchange adjustments	21	1,133	(5,414)
		(1,712)	21,521
Dividends	7	(16,643)	(17,246)
Purchase of own shares	21	(17,924)	–
New share capital issued		36	381
Goodwill on acquisition written back	21	11,424	5,982
Net (reduction in)/addition to shareholders' funds		(24,819)	10,638
Shareholders' funds at 1 January 2000		233,768	223,130
Shareholders' funds at 31 December 2000		208,949	233,768

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 associated companies 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

Revaluation of properties

The group has taken advantage of the transitional provisions of FRS 15 "Tangible fixed assets" and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

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
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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.

1 Analysis of total turnover, profit and net assets

	Total turnover 2000 £000	Profit 2000 £000	Net assets 2000 £000	Total turnover 1999 £000	Profit 1999 £000	Net assets 1999 £000
Analysis by activity						
Polymer Chemicals	217,216	22,781	67,388	176,800	27,282	65,319
Pharma & Fine Chemicals	88,021	11,272	33,897	95,874	18,641	38,705
Performance Chemicals	157,496	16,315	40,491	155,972	17,302	36,739
Building Products	49,260	2,292	3,340	103,545	7,719	7,456
Holding companies	–	(4,450)	233,035	–	(4,638)	292,912
Interest payable by joint ventures	–	(145)	–	–	(249)	–
	511,993			532,191		
Operating profit*		48,065			66,057	
Sale and termination of businesses		(4,884)			–	
Costs of fundamental restructuring		(2,334)			–	
Interest payable		(11,913)			(11,847)	
Profit before taxation*		28,934			54,210	
Amortisation of goodwill		(12,955)			(10,796)	
Profit before taxation		15,979			43,414	
			378,151			441,131
Net borrowings			(164,785)			(202,374)
Net assets			213,366			238,757

Of the amounts included within the Polymer Chemicals line of the above analysis by activity, the following relate to the joint ventures; turnover £41,774,000 (1999 £89,758,000), profit £6,182,000 (1999 £17,738,000) and net assets £9,822,000 (1999 £14,053,000).

*Before amortisation of goodwill

1 Analysis of total turnover, profit and net assets (continued)

	Total turnover 2000 £000	Operating profit* 2000 £000	Net assets 2000 £000	Total turnover 1999 £000	Operating profit* 1999 £000	Net assets 1999 £000
Analysis by region of operation						
Europe	431,191	41,891	346,251	455,234	60,691	410,872
Asia	57,728	5,775	21,983	50,456	4,412	18,612
Rest of World	23,074	399	9,917	26,501	954	11,647
	511,993	48,065	378,151	532,191	66,057	441,131
Net borrowings			(164,785)			(202,374)
Net assets			213,366			238,757

Of the turnover made by operations based in Europe £241,733,000 (1999 £251,842,000) relates to operations based in the United Kingdom, £62,446,000 (1999 £61,062,000) relates to operations based in Germany and £127,012,000 (1999 £142,330,000) relates to operations based elsewhere.

	2000 £000	1999 £000
Analysis of total turnover by destination		
United Kingdom	146,797	162,798
Other Europe	193,233	205,007
Asia	89,737	73,987
Africa and Middle East	24,609	26,173
Rest of World	57,617	64,226
	511,993	532,191

*Before amortisation of goodwill

Discontinued operations

	Total turnover 2000 £000	Operating profit 2000 £000	Total turnover 1999 £000	Operating profit 1999 £000
Analysis by activity - discontinued operations				
Polymer Chemicals	1,093	(277)	5,647	(124)
Performance Chemicals	8,548	(2,724)	10,168	(1,772)
Building Products	28,753	2,317	82,787	8,791
Interest payable by joint ventures	–	(1)	–	(67)
	38,394	(685)	98,602	6,828

	Total turnover 2000 £000	Operating profit 2000 £000	Total turnover 1999 £000	Operating profit 1999 £000
Analysis by region of operation – discontinued operations				
United Kingdom	26,109	(2,227)	52,856	1,325
Other Europe	11,192	1,819	40,099	5,627
Asia	1,093	(277)	2,686	(330)
Rest of World	–	–	2,961	206
	38,394	(685)	98,602	6,828

	2000 £000	1999 £000
Analysis of total turnover by destination – discontinued operations		
United Kingdom	18,400	38,833
Other Europe	14,557	48,862
Asia	3,005	3,418
Africa and Middle East	136	3,783
Rest of World	2,296	3,706
	38,394	98,602

2 Operating profit

	Company and subsidiaries 2000 £000	Joint ventures 2000 £000	Total 2000 £000	Company and subsidiaries 1999 £000	Joint ventures 1999 £000	Total 1999 £000
Turnover	470,219	41,774	511,993	442,433	89,758	532,191
Cost of sales	(342,619)	(23,692)	(366,311)	(316,901)	(51,150)	(368,051)
Gross profit	127,600	18,082	145,682	125,532	38,608	164,140
Distribution costs	(46,256)	(2,973)	(49,229)	(43,338)	(8,747)	(52,085)
Administrative expenses	(39,655)	(9,058)	(48,713)	(34,203)	(12,078)	(46,281)
Other operating income	194	276	470	328	204	532
Interest payable by joint ventures	–	(145)	(145)	–	(249)	(249)
Operating profit	41,883	6,182	48,065	48,319	17,738	66,057
Amortisation of goodwill			(12,955)			(10,796)
			35,110			55,261

Discontinued operations

	Company and subsidiaries 2000 £000	Joint ventures 2000 £000	Total 2000 £000	Company and subsidiaries 1999 £000	Joint ventures 1999 £000	Total 1999 £000
Turnover	36,889	1,505	38,394	90,706	7,896	98,602
Cost of sales	(27,816)	(1,134)	(28,950)	(63,076)	(5,032)	(68,108)
Gross profit	9,073	371	9,444	27,630	2,864	30,494
Distribution costs	(5,635)	(126)	(5,761)	(13,961)	(296)	(14,257)
Administrative expenses	(4,376)	(95)	(4,471)	(7,858)	(1,542)	(9,400)
Other operating income	104	–	104	55	3	58
Interest payable by joint ventures	–	(1)	(1)	–	(67)	(67)
Operating profit	(834)	149	(685)	5,866	962	6,828

	2000 £000	1999 £000
Operating profit is stated after charging:		
Depreciation	18,687	16,496
Hire of plant and equipment	1,952	2,398
Other lease rentals	2,719	3,709
Auditors' remuneration: audit fees	440	376

The audit fee of the holding company amounted to £5,000 (1999 £5,000).

Non audit services provided by the group auditors to the holding company and UK registered subsidiaries amounted to £220,000 (1999 £142,000).

Research and development expenditure, including the group's share of that incurred by the joint ventures, amounted to £10,863,000 (1999 £10,640,000).

3 Exceptional items

	2000 £000	1999 £000
Discontinued operations		
Closure of Holliday Dyes & Chemicals Ltd	(33,155)	–
Closure of Revertex (Guangdong) Chemicals Co Ltd	(2,503)	–
Other closures	(1,176)	–
Cost of termination of businesses	(36,834)	–
Profit on sale of businesses	31,950	–
Sale and termination of businesses	(4,884)	–
Continuing operations		
Cost of fundamental restructuring	(2,334)	–
	(7,218)	–
Tax on exceptional items	(8,072)	–
	(15,290)	–

The minority interest of £55,000 relates to the closure of Revertex (Guangdong) Chemicals Co Ltd.

3 Exceptional items (continued)

Profit on sale of businesses

On 4 May, the group disposed of the rooflight operations. The disposal consisted of its 100% of the shares of Jet Kunstofftechnik GmbH and Bik Bouwprodukten BV, its 50% interest in Monastery Holdings Ltd, together with the business carried on by Cox Building Products Ltd. The profit of these operations up to the date of disposal was £1,450,000, and for the last financial year was £5,874,000.

On 12 May, the group disposed of the business carried on by Williaam Cox Plastics Stockholding Ltd. The profit of this operation up to the date of disposal was £99,000, and for the last financial year was £756,000.

On 5 July, the group disposed of the business carried on by Kimmenade Nederland BV. The profit of this operation up to the date of disposal was £71,000, and for the last financial year was £306,000.

On 30 October, the group disposed of the business carried on by Screenbase Ltd. The profit of this operation up to the date of disposal was £652,000, and for the last financial year was £1,116,000.

	Rooflight operations £000	Williaam Cox Plastics Stockholding business £000	Kimmenade Nederland business £000	Screenbase business £000	Total £000
Sale proceeds:					
Cash consideration	36,395	6,626	2,188	7,681	52,890
Net assets disposed of:					
Tangible fixed assets	4,773	881	481	636	6,771
Investment in joint venture	1,028	–	–	–	1,028
Stocks	3,091	4,264	(253)	526	7,628
Debtors	7,990	6,883	890	1,542	17,305
Creditors and provisions	(5,419)	(7,789)	(923)	(963)	(15,094)
Net (borrowings) cash	(9,524)	–	(42)	43	(9,523)
	1,939	4,239	153	1,784	8,115
Profit on sale of businesses before goodwill	34,456	2,387	2,035	5,897	44,775
Related goodwill	(7,391)	–	(3,915)	(1,519)	(12,825)
Profit/(loss) on sale of businesses	27,065	2,387	(1,880)	4,378	31,950
Net cash inflow in respect of the sales comprised:					
Cash consideration	36,395	6,626	2,188	7,681	52,890
Net borrowings sold	9,524	–	42	(43)	9,523
	45,919	6,626	2,230	7,638	62,413

Cost of fundamental restructuring

Unilock Ltd, the remaining Building Product business, was restructured during the year and the manufacturing operation ceased.

4 Interest payable (net)

	2000 £000	1999 £000
Interest payable on bank loans and overdrafts		
Repayable within 5 years – not by instalments	2,901	11,387
– by instalments	2,903	252
Interest payable on other loans	6,951	2,030
	12,755	13,669
Less: interest receivable	(842)	(1,822)
	11,913	11,847

5 Taxation on profit on ordinary activities

	2000 £000	1999 £000
UK corporation tax	486	2,519
Overseas taxation	7,654	8,369
Deferred taxation	195	(1,404)
Joint ventures	1,788	5,424
	10,123	14,908
Tax on sale and termination of businesses	8,465	–
Tax on cost of fundamental restructuring	(393)	–
Charge for the year	18,195	14,908

6 Profit attributable to shareholders

	2000 £000	1999 £000
Dealt with by Yule Catto & Co plc	18,167	7,360
Retained by subsidiaries	(18,846)	14,057
Retained by joint ventures	(2,166)	5,518
	(2,845)	26,935

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

7 Dividends

	2000 £000	1999 £000
Ordinary – interim of 4.7 pence per share (1999 4.5 pence)	6,652	6,910
– proposed final of 6.9 pence per share (1999 6.7 pence)	9,991	10,336
	16,643	17,246

8 Earnings per share

Earnings per share are calculated using the weighted average number of shares in issue during the year of 149,862,000 (1999 154,209,000).

	Earnings		Earnings per share	
	2000 £000	1999 £000	2000 p	1999 p
Earnings - FRS3	(2,845)	26,935	(1.9)	17.5
Amortisation of goodwill	12,955	10,796	8.6	7.0
Exceptional items				
Sale and termination of businesses	4,884	–	3.2	–
Costs of fundamental restructuring	2,334	–	1.6	–
Tax on exceptional items	8,072	–	5.4	–
Adjusted earnings	25,400	37,731	16.9	24.5

Diluted earnings per share of (1.9)p (1999 17.3p) is calculated on loss attributable to ordinary shareholders of £2,845,000 (1999 Profit - £26,935,000) and on 150,321,000 shares (1999 155,307,000), being the weighted average number of shares in issue during the year, as adjusted for unexercised share options in accordance with FRS14.

9 Employees

The average monthly number of employees during the year by activity was:	2000 Number	1999 Number
Polymer Chemicals	1,119	840
Pharma & Fine Chemicals	662	653
Performance Chemicals	1,592	1,558
Building Products	415	941
Holding companies	33	32
	3,821	4,024
Joint ventures	367	874
	4,188	4,898

The aggregate remuneration of all group employees comprised:	2000 £000	1999 £000
Wages and salaries	72,088	71,982
Social security costs	10,293	10,286
Other pension costs	3,396	3,225
	85,777	85,493

10 Goodwill

	£000
Cost	
At 1 January 2000	260,212
Acquisitions	254
Disposals	(1,820)
At 31 December 2000	258,646
Amortisation	
At 1 January 2000	(20,192)
Charge in the year	(12,955)
Disposals	181
At 31 December 2000	(32,966)
Net book value	
At 31 December 2000	225,680
At 31 December 1999	240,020

11 Tangible fixed assets

Group	Land and buildings Freeholds £000	Leaseholds Long £000	Leaseholds Short £000	Plant and equipment £000	Total £000
Cost or valuation					
At 1 January 2000	73,819	448	752	270,065	345,084
Exchange adjustments	680	7	16	1,658	2,361
Additions	3,004	–	8	22,083	25,095
Acquisition of a subsidiary undertaking	241	–	–	315	556
Sale of subsidiary undertaking	(4,168)	–	(555)	(15,496)	(20,219)
Termination of businesses	(7,503)	–	–	(28,760)	(36,263)
Disposals	–	–	(17)	(2,745)	(2,762)
At 31 December 2000	66,073	455	204	247,120	313,852
At cost	58,922	366	204	247,120	306,612
At professional valuation in 1985	3,656	89	–	–	3,745
At professional valuation in 1989	3,495	–	–	–	3,495
At 31 December 2000	66,073	455	204	247,120	313,852
Depreciation					
At 1 January 2000	17,836	139	534	165,633	184,142
Exchange adjustments	70	1	6	1,311	1,388
Charge for the year	1,148	8	24	17,507	18,687
Sale of subsidiary undertaking	(1,458)	–	(473)	(11,517)	(13,448)
Termination of businesses	(1,325)	–	–	(16,470)	(17,795)
Eliminated on disposals	–	–	(17)	(2,505)	(2,522)
At 31 December 2000	16,271	148	74	153,959	170,452
Net book value					
At 31 December 2000	49,802	307	130	93,161	143,400
At 31 December 1999	55,983	309	218	104,432	160,942

Properties included at valuation would have been stated on a historical cost basis at cost of £4,574,000 (1999 £4,531,000) and depreciation of £1,836,000 (1999 £1,630,000).

Freehold land amounting to £9,232,000 (1999 £11,685,000) has not been depreciated.

Company	Land and buildings Freeholds £000	Long leaseholds £000	Plant and equipment £000	Total £000
Cost or valuation				
At 1 January 2000	12,108	234	1,438	13,780
Additions	1,729	–	210	1,939
Disposals	–	–	(77)	(77)
At 31 December 2000	13,837	234	1,571	15,642
At cost	7,577	145	1,571	9,293
At professional valuation in 1985	2,765	89	–	2,854
At professional valuation in 1989	3,495	–	–	3,495
At 31 December 2000	13,837	234	1,571	15,642
Depreciation				
At 1 January 2000	1,415	67	899	2,381
Charge for the year	180	5	211	396
Eliminated on disposals	–	–	(53)	(53)
At 31 December 2000	1,595	72	1,057	2,724
Net book value				
At 31 December 2000	12,242	162	514	12,918
At 31 December 1999	10,693	167	539	11,399

Properties included at valuation would have been stated on a historical cost basis at cost of £3,754,000 (1999 £3,754,000) and depreciation of £1,197,000 (1999 £1,052,000).

Freehold land amounting to £3,228,000 (1999 £3,228,000) has not been depreciated.

12 Investment in joint ventures

	2000 £000	1999 £000
Share of assets		
Share of fixed assets	12,798	11,490
Share of current assets	12,232	17,661
	25,030	29,151
Share of liabilities		
Liabilities due within one year	(15,208)	(15,098)
Share of net assets	9,822	14,053

13 Investments

Group	Own shares £000	Other investments £000	Total £000
Cost			
At 1 January 2000	457	273	730
Exchange adjustments	–	1	1
Additions	573	14	587
Disposals	(140)	(245)	(385)
At 31 December 2000	890	43	933
Adjustments to net tangible asset values			
At 1 January 2000	(457)	(225)	(682)
Amortisation	(573)	–	(573)
Disposals	140	225	365
At 31 December 2000	(890)	–	(890)
Net book value			
At 31 December 2000	–	43	43
At 31 December 1999	–	48	48

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 2000, the Trust held 395,705 (1999 146,560) ordinary shares in the company with a market value of £653,000 (1999 £359,000). 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 2000	225,199	3,992	22	229,213
Additions net of disposals	(11,249)	–	3	(11,246)
Transfer to group companies	(6,596)	–	–	(6,596)
At 31 December 2000	207,354	3,992	25	211,371
Provisions				
At 1 January 2000 and 31 December 2000	(6,550)	(220)	–	(6,770)
Net book value				
At 31 December 2000	200,804	3,772	25	204,601
At 31 December 1999	218,649	3,772	22	222,443

Details of the principal group companies are given on pages 58 to 59.

14 Stocks

	2000 £000	1999 £000
Raw materials and consumables	22,570	24,143
Work in progress	9,765	9,117
Finished goods	23,655	24,977
	55,990	58,237

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

15 Debtors

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Trade debtors	85,671	99,170	–	–
Amounts owed by subsidiaries	–	–	119,411	131,136
Amounts owed by joint ventures	1,250	1,462	1,315	1,452
Other debtors	11,292	12,197	4,221	1,180
Prepayments and accrued income	443	2,270	35	109
	98,656	115,099	124,982	133,877

Of the amounts owed to group, £6,390,000 (1999 £4,624,000) is due after more than one year.

16 Borrowings

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Amounts due within one year				
Instalments due on loans	11,250	12,503	11,250	12,000
Other bank loans and overdrafts	39,595	21,879	8,677	11,089
	50,845	34,382	19,927	23,089
Amounts due after more than one year				
Loans repayable by instalments				
Between 1 and 2 years	15,000	18,448	15,000	18,000
Between 2 and 5 years	215	24,000	–	24,000
Loans repayable otherwise than by instalments				
Between 2 and 5 years	–	35,000	–	35,000
In more than 5 years	99,959	100,065	99,959	100,065
	115,174	177,513	114,959	177,065

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

$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.

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.

As permitted by FRS 13 "Derivatives and other financial instruments: Disclosures", short term debtors and creditors have been excluded from the disclosures, other than currency disclosures.

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 two principal facilities:

A committed £71m syndicated bank facility, which comprise a term loan of £26m for medium term requirements, repayable in tranches and a revolving credit facility of £45m which expires in December 2002. The latter provides flexibility for short-term fluctuations in cash flow.

Unsecured loan notes totalling just under £100m raised primarily from the US private placement market. With maturity between 2008 and 2010, this provides the group's long term requirements.

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. (1999 - none).

17 Treasury (continued)

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 2000 was:

	Total borrowings 2000 £000	Floating rate borrowings 2000 £000	Fixed rate borrowings 2000 £000	Weighted average fixed interest rate 2000 %	Weighted average time for which rate is fixed 2000 years	Total borrowings 1999 £000
Sterling	127,156	(7,844)	135,000	7.3	4.5	169,787
Euro currencies	28,412	28,412	–	–	–	37,875
Other	10,451	10,451	–	–	–	4,233
	166,019	31,019	135,000	7.3	4.5	211,895

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 2000 was as follows:	**£000**
In one year or less on demand	50,845
In more than one year but not more than two years	15,000
In more than two years but not more than five years	215
In more than five years	99,959
	166,019

Borrowing facilities

The group has various undrawn committed borrowing facilities. The facilities available at 31 December 2000 in respect of which all conditions precedent had been met were as follows:

	£000
Expiring in one year or less	9,147
Expiring in more than one year but not more than two years	45,000
	54,147

In addition to the committed facilities, the group has £21m of undrawn overdraft facilities.

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 2000

	Notional principal amounts at 31 December		Carrying values at 31 December		Fair values at 31 December	
	2000	1999	2000	1999	2000	1999
	£000	£000	£000	£000	£000	£000
Cash	1,234	9,521	1,234	9,521	1,234	9,521
Short-term borrowings	(50,845)	(34,382)	(50,845)	(34,382)	(50,845)	(34,382)
Loans	(115,174)	(177,513)	(115,174)	(177,513)	(120,914)	(175,929)
			(164,785)	(202,374)		
Currency swaps	105,505	118,951	2,027	3,962	7,767	2,378
Interest rate swaps	135,000	150,000	–	–	(2,608)	(1,655)
Total net liabilities			(162,758)	(198,412)	(165,366)	(200,067)
Financial assets			3,261	13,483		
Financial liabilities			(166,019)	(211,895)		
			(162,758)	(198,412)		

Fair values have been obtained from the relevant institutions.

The carrying value of the currency swaps of £2,027,000 is included in debtors (1999 £3,962,000).

The difference between the carrying value and the fair value of the loans of £5,740,000, (1999 £(1,584,000)) reflects the revaluation of the US dollar loan notes from drawdown to the exchange rate at 31 December 2000. 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 2000.

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 2000, the net compensation payable would have been £2,608,000 (1999 £1,655,000). During the year the profit and loss account has been charged £232,000 (1999 £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 2001 and beyond is known with certainty. Should variable rates remain constant, the credit to the profit and loss account in 2001 in respect of the group's obligations under interest rate swaps will be £127,000. If variable rates decrease, the charge to the profit and loss account in 2001 in respect of the group's obligations under interest rate swaps will increase accordingly.

18 Other creditors

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Amount due within one year				
Trade creditors	65,684	70,355	722	980
Bills of exchange payable	823	918	–	–
Advance progress applications	–	666	–	–
Amounts owed to subsidiaries	–	–	134,087	76,696
Amounts owed to joint ventures	483	607	578	562
Corporate tax	22,657	15,589	–	–
Other taxation and social security	3,815	5,384	87	91
Other creditors	16,521	11,867	2,522	2,477
Accruals and deferred income	20,503	19,750	3,621	4,119
	130,486	125,136	141,617	84,925

19 Provisions for liabilities and charges

	Deferred taxation £000	Termination costs £000	Deferred income £000	Pension liabilities £000	Product warranties £000	Total £000
At 1 January 2000	5,111	–	252	4,066	455	9,884
Exchange adjustments	54	–	–	(63)	(12)	(21)
Transfers (to)/from profit and loss account	195	5,953	–	169	(44)	6,273
Sale of subsidiary undertakings	(251)	–	–	(1,070)	(135)	(1,456)
Utilised	–	–	(127)	(12)	(158)	(297)
At 31 December 2000	5,109	5,953	125	3,090	106	14,383

Deferred taxation

	Provided 2000 £000	Unprovided 2000 £000	Provided 1999 £000	Unprovided 1999 £000
Accelerated capital allowances	4,021	5,697	3,803	11,148
Other timing differences	1,088	–	1,308	–
	5,109	5,697	5,111	11,148

20 Share capital

	2000 £000	1999 £000
Authorised		
185,000,000 (1999 185,000,000) ordinary shares of 10 pence each	18,500	18,500
588,877 (1999 588,877) 11.5% cumulative redeemable preference shares 1999-2003 of £1 each	589	589
34,111,230 (1999 34,111,230) unclassified shares of 10 pence each	3,411	3,411
	22,500	22,500
Allotted, called up and fully paid		
144,803,918 ordinary shares (1999 154,267,830)	14,480	15,427

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

Share options

As at 31 December 2000 the following options were outstanding:

Executive share options	Number	Option Price
Exercisable between 2001 - 2004	385,000	299.0p
Exercisable between 2001 - 2003	28,387	(a)
Exercisable between 2001 - 2005	32,600	239.3p
Exercisable between 2001 - 2006	261,328	170.6p
Exercisable between 2001 - 2004	53,945	(a)
Exercisable between 2001 - 2007	296,656	222.7p
Exercisable between 2001 - 2005	99,313	(a)
Exercisable between 2002 - 2006	156,723	(a)
Exercisable between 2003 - 2007	320,495	(a)

SAYE options	Number	Option Price
Exercisable in 2001	71,605	196.0p
Exercisable between 2001- 2002	468,582	155.8p
Exercisable between 2002 - 2003	175,758	193.9p
Exercisable between 2001 - 2003	503,060	272.0p
Exercisable between 2006 - 2008	1,498,860	150.0p

(a) options granted under the Longer-Term Performance Share Plan and the Longer-Term Deferred Bonus Plan with a total exercise price of £103.

21 Share Premium and Reserves

Group	Share premium £000	Merger reserve £000	Revaluation reserve £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
At 1 January 2000	31,795	11,441	4,476	–	170,629	218,341
Exchange adjustments	–	–	132	–	1,001	1,133
Retained loss for the year	–	–	–	–	(19,488)	(19,488)
Purchase of own shares	–	–	–	949	(17,924)	(16,975)
Premium on shares issued	34	–	–	–	–	34
Transfer of goodwill written off	–	(11,441)	–	–	11,441	–
Goodwill written back						
– sale of business	–	–	–	–	11,186	11,186
– termination of business	–	–	–	–	238	238
At 31 December 2000	31,829	–	4,608	949	157,083	194,469

Goodwill of £33,450,000 (1999 £20,495,000) has been amortised and £90,607,000 (1999 £102,031,000) has been written off to the reserves.

Company	Share premium £000	Revaluation reserve £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
At 1 January 2000	31,795	2,518	–	22,635	56,948
Retained profit for the year	–	–	–	1,524	1,524
Purchase of own shares	–	–	949	(17,924)	(16,975)
Premium on shares issued, net of expenses	34	–	–	–	34
At 31 December 2000	31,829	2,518	949	6,235	41,531

22 Reconciliation of operating profit to net cash inflow from operating activities

	2000 £000	1999 £000
Operating profit	35,110	55,261
Share of profits of joint ventures	(6,182)	(17,738)
	28,928	37,523
Depreciation charge	18,687	16,496
Cash impact of termination of businesses	(2,867)	–
Amortisation of goodwill	12,955	10,796
Amortisation of shares in ESOP Trust	(573)	–
Profit on sale of tangible fixed assets	(109)	(34)
(Increase)/Decrease in stocks	(7,985)	6,545
(Increase)/Decrease in debtors	(2,241)	5,345
Increase/(Decrease) in creditors and provisions	4,351	(6,853)
Net cash inflow from operating activities	51,146	69,818
Net cash inflow from operating activities comprises:		
Continuing operating activities	52,956	61,063
Discontinued operating activities	(1,810)	8,755
Net cash inflow from operating activities	51,146	69,818

23 Purchase of businesses

	Book value £000	Fair value adjustment £000	Fair value £000
Intangibles	289	(289)	–
Tangible fixed assets	556	–	556
Stocks	58	–	58
Creditors and provisions	(58)	–	(58)
Bank and cash balances	297	–	297
Shareholders' funds	1,142	(289)	853
Minority interests			(359)
			494
Goodwill added to balance sheet			254
Purchase consideration			748
Bank and cash balances acquired			(297)
Net cash outflow in respect of purchase			451

On 1 July, the group acquired 51% of the shares of Erie Chem (Pvt) Ltd.

No separate disclosure is made for this acquisition on the face of the profit and loss account as the amounts are immaterial.

24 Analysis of changes in net debt

	1 January 2000 £000	Cash inflow/ (outflow) £000	Exchange movement £000	31 December 2000 £000
Cash	9,521	(8,257)	(30)	1,234
Overdrafts	(4,975)	(10,555)	374	(15,156)
	4,546	(18,812)	344	(13,922)
Borrowings due within one year	(29,407)	(6,186)	(96)	(35,689)
Borrowings due after more than one year	(177,513)	62,339	–	(115,174)
Total	(202,374)	37,341	248	(164,785)

Reconciliation of net cash inflow to movement in net debt

	£000
Decrease in cash in the year	(18,812)
Cash outflow from decrease in debt	56,153
Change in net debt from cash flows	37,341
Exchange movement	248
	37,589
Net debt at 1 January 2000	(202,374)
Net debt at 31 December 2000	(164,785)

25 Related party transactions

Related party	Relationship	Type of transaction	Value in the year £000	Balance at 31 December 2000 £000
Harlow Chemical Co Ltd	Joint venture	Loans	various – (maximum 5,100)	Nil
		Services	548	55

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

26 Commitments

Capital expenditure authorised but not provided for in the accounts	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Contracted	1,535	1,531	–	–

Commitments under operating leases are as follows	Land and buildings 2000 £000	Land and buildings 1999 £000	Other 2000 £000	Other 1999 £000
Operating leases which expire				
Within 1 year	112	58	615	752
Between 2 and 5 years	65	524	1,167	2,166
After 5 years	1,438	1,847	103	103
	1,615	2,429	1,885	3,021

27 Contingent liabilities and guarantees

(a) The company has given guarantees amounting to £17,059,000 (1999 £10,007,000) in respect of bank and other facilities of subsidiaries and joint ventures.

(b) Other guarantees and contingent liabilities of the group amount to £9,966,000 (1999 £4,569,000).

(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 2000, the total pension cost for the group was £2,235,000 (1999 £3,225,000) of which £1,161,000 (1999 £1,079,000) 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.

Contributions to the defined benefit scheme are determined by a qualified actuary on the basis of regular valuations using the projected unit method. A valuation has recently been undertaken with an effective date of 6 April 2000.
The assumptions, which have the most significant effect on the results of the valuation, are those relating to the rate of return on investments and the rate of increases in salaries and pensions. For non-retired members it was assumed the investment return would be 7.0% pa and that salaries would increase at 4.5% pa. For retired members it was assumed that the investment return would be 5.5% pa, and for all members it was assumed that all pensions for which increases were due would increase at the rate of 3% pa. Assets were taken into account at market value.

At the date of the actuarial valuation the market value of the assets of the UK Scheme was £134,648,000 and on the basis used to determine pension costs these assets were assessed as being sufficient to cover 105% of the value of the benefits 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 2000 was 165 pence. During the year, the market price ranged between 128 pence and 260.5 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 *Distributor of speciality chemicals and allied products*	South Africa	37.5#
Autoclenz Ltd *Provision of vehicle valeting services.*	England	100*
Brencliffe Ltd *Car and household cleaning products.*	England	100*
Dhahran Harco Chemical Industries Ltd *Synthetic resin emulsions.*	Saudi Arabia	25#
Erie Chem (Pvt) Ltd *Fine chemicals intermediates.*	India	51
Harlow Chemical Co Ltd *Synthetic resin emulsions and polyvinyl alcohol.*	England	50*#
Holliday Dispersions Ltd *Pigment dispersions.*	England	100
Holliday Dispersions SA *Pigment dispersions.*	France	100
Holliday Dyes and Chemicals Ltd *Dyestuffs and chemical intermediates.*	England	100
Holliday Encres SA *Printing inks.*	France	100
Holliday Chemical España SA *Sales agent and distributor.*	Spain	100
Holliday France SA *Sales agent and distributor.*	France	100
Holliday Pigments Ltd *Ultramarine pigments.*	England	100
Holliday Pigments SA *Ultramarine pigments.*	France	100
James Robinson GmbH *Fine chemicals.*	Germany	100
James Robinson Ltd *Dyestuffs and fine chemicals.*	England	100
Oxford Chemicals Ltd *Flavour and fragrance chemicals.*	England	100
PFW Aroma Chemicals BV *Fragrance chemicals.*	Netherlands	100
Reabrook Ltd *Hygiene, pollution control and maintenance chemicals, vehicle cleaning products. Contract filling of aerosols.*	England	100
Revertex Belgium SA *Compounds, dispersions and adhesives.*	Belgium	100
Revertex Chemicals (Pty) Ltd *Synthetic resin emulsions and allied products.*	South Africa	75
Revertex Finewaters Sdn Bhd *Adhesives.*	Malaysia	63

	Country of incorporation and operation	Effective Group interest in equity %
Revertex (Malaysia) Sdn Bhd *Synthetic resin emulsions, natural rubber latices, plasticers and allied products.*	Malaysia	70
Revertex (Thailand) Ltd *Compounds of natural rubber latex.*	Thailand	35
Synthomer BV *Compounds of synthetic rubber latices.*	Netherlands	100
Synthomer GmbH *Synthetic rubber latices and related compounds.*	Germany	100
Synthomer Ltd *Synthetic rubber latices and related compounds.*	England	100
Unilock Ltd *Design and installation of office partitioning systems.*	England	100
Union Quimico Farmaceutica SA (UQUIFA) *Pharmaceutical actives and intermediates.*	Spain	100
Uquifa Italia SpA *Pharmaceutical actives and intermediates.*	Italy	100
Uquifa Mexico S.A.C.V. *Pharmaceutical actives and intermediates.*	Mexico	100
William Blythe Ltd *Inorganic chemicals.*	England	100

HOLDING COMPANIES

Holliday Chemical Holdings Ltd	England	100*
Holliday International SA	France	100
Yule Catto BV	Netherlands	100
Yule Catto Holdings GmbH	Germany	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

	2000 £000	1999 £000	1998 £000	1997 £000	1996 £000
Turnover					
Subsidiaries	470,219	442,433	435,966	268,574	281,069
Joint ventures	41,774	89,758	96,310	98,596	102,779
Total turnover	511,993	532,191	532,276	367,170	383,848
Ebitda[1]	66,752	82,553	78,946	44,237	42,261
Total operating profit[1]	48,065	66,057	63,897	38,886	37,231
Interest payable	(11,913)	(11,847)	(12,947)	(836)	(780)
Profit before taxation[1]	36,152	54,210	50,950	38,050	36,451
Net cash/(borrowings)	(164,785)	(202,374)	(166,529)	8,332	(12,944)
Free cash flow before dividends	10,255	36,385	27,776	35,382	21,411
Capital expenditure	25,095	17,723	27,536	5,593	5,130
Adjusted earnings per share	16.9p	24.5p	24.1p	24.4p	22.7p
Dividends per share	11.6p	11.2p	11.0p	10.0p	9.0p
Dividend cover	1.5	2.2	2.2	2.4	2.5

1. Excludes amortisation, profit on sale of business and costs of fundamental restructuring

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 Wednesday 23 May 2001 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 2000.

2. To consider the recommendation of the directors as to a final dividend for the year ended 31 December 2000 and if thought fit to declare a final dividend accordingly.

3. To re-elect as a director Dr M J Peagram who retires as a director by rotation.

4. To re-elect as a director Mr P J Welch who retires as a director by rotation.

5. To re-elect as a director Raja Alias who retires as a director by rotation.

6. To re-appoint as a director Mr P S Wood.

7. To re-appoint as a director Mr G Montezemolo.

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, Resolutions 10, 11 and 12 being proposed as Special Resolutions and Resolution 13 as an Ordinary Resolution.

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 £724,019.

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 21,575,783;

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 insertion of the following words at the end of the current Article 103:

"The directors, and any committee of the directors, shall be deemed to meet together if, being in separate locations, they are nonetheless linked by conference telephone or other communication equipment which allows those participating to hear and speak to each other, and a quorum in that event shall be two persons so linked. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the Chairman of the meeting then is."

13. That the Yule Catto Employee Share Ownership Plan ("the Plan") the main features of which are summarised in the Appendix to the letter to shareholders dated 11 April 2001, such Plan being in the form of the draft documentation produced to the meeting and signed by the Chairman for the purposes of identification, be and the same is hereby approved and adopted and any directors and the company secretary be and are hereby authorised to do all such acts and things as may be necessary or desirable to carry the same into effect, including making such amendments as may be necessary to obtain the approval of the Inland Revenue and/or such other approvals as the board of directors may consider necessary or desirable.

By order of the Board
R Atkinson
Secretary
14 March 2001

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 Monday 21 May 2001 or, if the meeting is adjourned, shareholders must be entered on the Company's register of members not more than forty-eight hours before the time fixed for the adjourned meeting.

Shareholders' Notes

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