



ARTHURANDERSEN

Holliday Pigments Limited

Accounts 31 December 1999
together with directors' and auditors' reports

Registered number: 107845



Directors' report

For the year ended 31 December 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1999.

Principal activities and business review

The principal activity of the company is the production and distribution of inorganic pigments.

The directors consider the state of the company's affairs to be satisfactory and expect to see growth in sales and profits during 2000.

Results and dividends

Results and dividends are as follows:

	£'000
Retained profit at 1 January 1999	4,862
Profit for the financial year	472
Transfer from revaluation reserve	5
Retained profit at 31 December 1999	<u>5,339</u>

Directors and their interests

The directors who served during the year and up to the date of this report were:

R.G. Rae
M. Day
G.J. Selvage
M.J. Young

Details of other directors interests in the shares of the parent company at the end of the year are as follows:

	31 December 1999 10p Ordinary Shares	31 December 1998 10p Ordinary Shares
R G Rae	442	436
M. Day	<u>413</u>	<u>407</u>

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business for the foreseeable future.

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

Research and development

Research and development activity is undertaken in the field of ultramarine improvements and developments.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Directors' report (continued)

Employee consultation

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

Supplier payment policy

It is the company's policy to make suppliers aware of payment terms at the time of each transaction and to make these terms known to staff who handle payments to suppliers so that they are adhered to. Trade creditors at 31 December 1999 expressed in relation to the total amounts invoiced by suppliers for goods and services during the year were equivalent to 57 days (1998 – 68 days).

Year 2000

A group-wide programme was established to ensure that all information and operational systems were Year 2000 compliant. The necessary replacement of equipment and upgrading of systems was performed; all outstanding hardware and software issues were identified and were methodically addressed. Progress was reported at regular intervals to the Group Executive Committee, which was responsible for supervising the implementation of the work required. We co-operated with customers and suppliers to minimise the risks of business disruption.

As equipment and systems are continually being renewed and upgraded according to the needs of each business we considered that only a minor element of total computer costs were solely related to the Millennium issue.

Auditors

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

Morley Street
Stoncerry
Hull
HU8 8DN

By order of the Board,



M. Day

25th February, 2000

Director

Auditors' report



To the Shareholders of Holliday Pigments Limited:

We have audited the accounts on pages 5 to 16 which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

25th February, 2000

Profit and loss account

For the year ended 31 December 1999

	Note	1999 £'000	1998 £'000
Turnover	2	16,321	14,434
Cost of sales		(10,896)	(8,924)
Gross profit		5,425	5,510
Other operating expenses	3	(3,969)	(3,961)
Operating profit		1,456	1,549
Interest payable and similar charges	4	(470)	(530)
Investment income	5	19	29
Profit on ordinary activities before taxation	6	1,005	1,048
Tax on profit on ordinary activities	8	(533)	470
Profit on ordinary activities after taxation		472	1,518
Transfer from revaluation reserve		5	5
Retained profit, beginning of year		4,862	3,339
Retained profit, end of year	16	5,339	4,862

All results are derived from continuing operations.

There is no material difference between profit for the financial year as stated and profit for the financial year on a historical cost basis in either of the years presented above.

No statement of recognised gains and losses has been presented as there have been no recognised gains or losses other than the profit for each of the years presented above.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	9	18,530	18,522
Current assets			
Stocks	10	1,898	2,502
Debtors	11	4,348	3,453
Cash at bank and in hand		309	147
		6,555	6,102
Creditors: Amounts falling due within one year	12	(10,169)	(9,941)
Net current liabilities		(3,614)	(3,839)
Total assets less current liabilities		14,916	14,683
Creditors: Amounts falling due after more than one year	13	(8,772)	(9,011)
Net assets		6,144	5,672
Capital and reserves			
Called-up share capital	15	593	593
Revaluation reserve	16	212	217
Profit and loss account	16	5,339	4,862
Equity shareholders' funds	17	6,144	5,672

Signed on behalf of the Board



M. Day

Director

25th February, 2000

The accompanying notes are an integral part of this balance sheet.

Notes to the accounts (continued)

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are as follows:

a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and have been prepared in accordance with applicable accounting standards.

A cash flow statement has not been prepared as the company is a wholly owned subsidiary undertaking of the parent company, Yule Catto & Co. plc, a company registered in England and Wales. A consolidated cash flow statement is provided in the group accounts of the parent company.

b) Turnover

Turnover represents the invoiced value for the goods sold and services provided net of value added tax.

c) Foreign currency

Transactions denominated in foreign currencies are recorded in pounds sterling at actual exchange rates as of the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the balance sheet date, or where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Gains or losses on forward exchange contracts in existence at the year end not matched against monetary assets or liabilities are accounted for on the date of maturity of the contract.

d) Pension costs

The costs of contributions to the group's pension schemes (note 18b) 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.

e) Taxation

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

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which are expected to reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, are not likely to reverse.

Notes to the accounts (continued)

1 Accounting Policies (continued)

f) Tangible fixed assets

Land and buildings are shown at original cost or subsequent valuation. Other fixed assets are shown at cost.

Assets in the course of construction are not depreciated until they are brought into use.

Depreciation is provided at rates calculated to write off the cost or valuation of each asset on a straight line basis over its estimated useful life at the following annual rates:

Freehold buildings	2% - 2.5% per annum
Plant and equipment	10% - 25% per annum

g) Research and development

All revenue expenditure associated with research and development activities is written off in the year of expenditure.

h) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

i) Revaluation reserve

Surpluses arising on the revaluation of individual tangible fixed assets are credited to a non-distributable revaluation reserve. On the disposal of a revalued fixed asset any remaining revaluation surplus corresponding to the item is transferred to the profit and loss account. 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.

Notes to the accounts (continued)

2 Segment information

The company's turnover relates entirely to its principal activity. The geographical analysis of turnover by destination is as follows:

	1999 £'000	1998 £'000
United Kingdom	1,918	1,891
Continental Europe	1,370	1,317
Asia	5,695	3,911
Africa and Middle East	286	690
USA	5,615	4,697
Rest of World	1,437	1,928
	<u>16,321</u>	<u>14,434</u>

3 Other operating expenses

	1999 £'000	1998 £'000
Distribution costs	1,228	1,146
Administrative expenses	2,741	2,531
Write down of redundant plant	-	284
	<u>3,969</u>	<u>3,961</u>

4 Interest payable and similar charges

	1999 £'000	1998 £'000
On bank loans and overdrafts	<u>470</u>	<u>530</u>

5 Investment income

	1999 £'000	1998 £'000
Other interest receivable and similar income	<u>19</u>	<u>29</u>

Notes to the accounts (continued)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1999 £'000	1998 £'000
Depreciation of tangible fixed assets	1,048	829
Operating lease rentals		
- plant and machinery	-	2
- other	5	2
Redundancy costs	842	-
Research and development	205	204
Auditors' remuneration		
- audit fees	12	12
- other	5	3
Staff costs (Note 7)	<u>4,771</u>	<u>5,096</u>

7 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1999 £'000	1998 £'000
Employee costs during the year amounted to:		
Wages and salaries	4,062	4,343
Social security costs	332	342
Other pension costs	377	411
	<u>4,771</u>	<u>5,096</u>

The average monthly number of persons employed by the company during the year was:

	1999 Number	1998 Number
Production	113	127
Sales and distribution	11	12
Administration	19	20
	<u>143</u>	<u>159</u>

Notes to the accounts (continued)

7 Staff costs (continued)

Remuneration

The remuneration of the directors was as follows:

	1999 £'000	1998 £'000
Emoluments	<u>315</u>	<u>410</u>

Pensions

The number of directors who were members of pension schemes was as follows:

	1999 Number	1998 Number
Defined benefit schemes	<u>3</u>	<u>3</u>

Highest paid director

The remuneration shown above includes the following in respect of the highest paid director:

	1999 £'000	1998 £'000
Emoluments	<u>136</u>	<u>158</u>

The company did not make any pension contributions in respect of the highest paid director (1998 - £nil).

8 Tax on profit on ordinary activities

The tax charge (credit) comprises:

	1999 £'000	1998 £'000
Corporation tax credit at 30.25% (1998 - 31%)	(504)	(470)
Corporation tax underprovided in previous year	<u>1037</u>	<u>-</u>
	<u>533</u>	<u>(470)</u>

Notes to the accounts (continued)

9 Tangible fixed assets

The movement in the year was as follows:

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost or valuation			
Beginning of year	3,000	24,751	27,751
Additions	-	1,072	1,072
Disposals	(9)	(537)	(546)
End of year	<u>2,991</u>	<u>25,286</u>	<u>28,277</u>
Depreciation			
Beginning of year	879	8,350	9,229
Charge	88	960	1,048
Disposals	(9)	(521)	(530)
End of year	<u>958</u>	<u>8,789</u>	<u>9,747</u>
Net book value			
Beginning of year	<u>2,121</u>	<u>16,401</u>	<u>18,522</u>
End of year	<u>2,033</u>	<u>16,497</u>	<u>18,530</u>

a) Freehold land amounting to £595,000 (1998 - £595,000) has not been depreciated.

b) On 14 April 1994 a valuation of land and buildings was carried out by King, Sturge & Co., Chartered Surveyors. The basis of the valuation was open market for existing use. The valuation has been included in the accounts.

Original cost, and aggregate depreciation based on cost of land and buildings included at valuation:

	1999 £'000	1998 £'000
Original cost	2,753	2,762
Depreciation based on cost	(1,036)	(858)
	<u>1,717</u>	<u>1,904</u>

Notes to the accounts (continued)

10 Stocks

	1999 £'000	1998 £'000
Raw materials and consumables	500	292
Work in progress	831	977
Finished goods and goods for resale	567	1,233
	<u>1,898</u>	<u>2,502</u>

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

11 Debtors

	1999 £'000	1998 £'000
Amounts falling due within one year:		
Trade debtors	3,327	2,596
Amounts owed by other group undertakings	-	32
VAT	110	125
ACT recoverable	184	184
Prepayments and accrued income	247	104
UK corporation tax recoverable	480	412
	<u>4,348</u>	<u>3,453</u>

12 Creditors: Amounts falling due within one year

	1999 £'000	1998 £'000
Bank overdrafts	1,004	1,803
Trade creditors	3,446	2,747
Amounts owed to other group undertakings	5,436	5,121
Other creditors		
- social security and PAYE	119	117
Accruals and deferred income	164	153
	<u>10,169</u>	<u>9,941</u>

The company has cross guaranteed overdrafts of other group companies. The amount outstanding on the group facility at 31 December 1999 was £89m (1998 - £Nil).

Notes to the accounts (continued)

13 Creditors: Amounts falling due after more than one year

	1999 £'000	1998 £'000
Due after five years, not by instalments:		
- amounts due to parent company	<u>8,772</u>	<u>9,011</u>

The loan due to the parent company is interest free and has no fixed repayment date.

14 Provisions for liabilities and charges

No deferred taxation has been provided as the directors have concluded on the basis of reasonable assumptions and the intentions of management, that it is improbable that any liability will crystallise in the foreseeable future.

The amounts of unprovided deferred taxation are as follows:

	1999 £'000	1998 £'000
Excess of tax allowances over book depreciation of fixed assets	1,785	1,855
Short term timing differences	-	150
	<u>1,785</u>	<u>2,005</u>

Had full provision been made for deferred taxation the tax charge for the year ended 31 December 1999 would have decreased by £220,000 (1998 – charge £827,000).

15 Called-up share capital

	1999 £'000	1998 £'000
<i>Authorised, allotted, called-up and fully paid equity shares</i>		
593,000 ordinary shares of £1 each	<u>593</u>	<u>593</u>

Notes to the accounts (continued)

16 Reserves

The movements on reserves during the year was as follows:

	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Beginning of year	593	217	4,862	5,672
Retained profit for the year	-	-	472	472
Transfer from revaluation reserve	-	(5)	5	-
End of year	<u>593</u>	<u>212</u>	<u>5,339</u>	<u>6,144</u>

17 Reconciliation of movement in equity shareholders' funds

	1999 £'000	1998 £'000
Profit for the financial year	472	1,518
Opening equity shareholders' funds	5,672	4,154
Closing equity shareholders' funds	<u>6,144</u>	<u>5,672</u>

18 Guarantees and other financial commitments

a) Capital commitments

At the end of the year capital commitments contracted but not provided for were £11,000 (1998 - £Nil).

b) Pension arrangements

The majority of the employees of the company were members of the Yule Catto Group Retirement Benefits scheme.

Full details of the scheme are disclosed in the accounts of Yule Catto & Co. plc.

The amount charged in the profit and loss account for pension costs of the company was £377,000 (1998 - £411,000).

c) Forward foreign exchange contracts

At 31 December 1999, the total sterling equivalent of forward exchange contracts entered into by the company amounted to £2,887,468 (1998 - £1,975,614) of which £1,819,881 (1998 - £736,381) was not covered by net foreign currency monetary assets at the balance sheet date.

Notes to the accounts (continued)

19 Ultimate holding company

The company is a wholly owned subsidiary undertaking of Holliday Chemical Holdings PLC. The company's ultimate parent company is Yule Catto & Co. plc.

The largest and smallest group of which the company is a member is that headed by Yule Catto & Co. plc. The consolidated accounts of Yule Catto & Co. plc are available from Companies House.

As a subsidiary undertaking of Yule Catto & Co plc, the company has taken advantage of the exemption in FRS8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by Yule Catto & Co. plc.