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YULE CATTO



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COMPANIES HOUSE 06/06/96

**Annual Report
and Financial
Statements
1995**

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DIRECTORS AND ADVISERS

Executive Directors

Lord Catto*>+

Joined the Board in 1971 and is Chairman.
He is a director of News International plc and of the Council of British Executive Service Overseas. Age 73.

A. Walker>

Joined Revertex Chemicals Ltd in 1972. He was appointed to the Board in 1986 and is Chief Executive. Age 49.

A.P. McLeish

Joined Revertex Chemicals Ltd in 1980. He was appointed to the Board in 1981 and is Finance Director. Age 56

Non-Executive Directors

R. M. Alias

Appointed to the Board on 1 July 1994.
He is a director of Kuala Lumpur Kepong Bhd and Batu Kawan Bhd. He is chairman of Malaysia International Shipping Corporation Bhd and a director of Malayan Banking Bhd. Age 63.

Dato' Lee Oi Hian*>+

Joined the Board in 1981. He is executive chairman of Kuala Lumpur Kepong Bhd and a director of Batu Kawan Bhd and other quoted Malaysian companies. Age 45.

The Hon. A.G. Catto*>

Joined the Board in 1981. He is a non-executive director of Pentica Systems Ltd, Entertainment on Line Ltd and The Digital Village Ltd. Age 43.

A.E. Richmond-Watson*+

Joined the Board in 1978. He is deputy chairman of Morgan Grenfell Group plc. Age 55.

J.M. Hessels>

Joined the Board in 1990. He is chairman of the managing board of Vendex International NV of The Netherlands. Age 53.

P.B. Sawdy+

Joined the Board in 1991. He is a director of Lazard Birla India Investment Trust plc and Griffin Group Ltd. Age 64.

Lee Hau Hian

Joined the Board in 1993. He is a director of Kuala Lumpur Kepong Bhd and Batu Kawan Bhd. Age 42.

* Member of Audit Committee.

> Member of Nomination Committee.

+ Member of Remuneration Committee.

Secretary

K.R.F. Bird, FCIS

Solicitors

Herbert Smith

Registrars

Royal Bank of Scotland plc
Registrars' Department
Owen House, 8 Bankhead
Crossway North
Edinburgh EH11 4BR

Registered Office

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

Merchant Bankers

Morgan Grenfell & Co Ltd

Bankers

National Westminster Bank PLC
ABN-Amro Bank NV
Hongkong & Shanghai Banking Corporation Ltd

Stockbrokers

Merrill Lynch

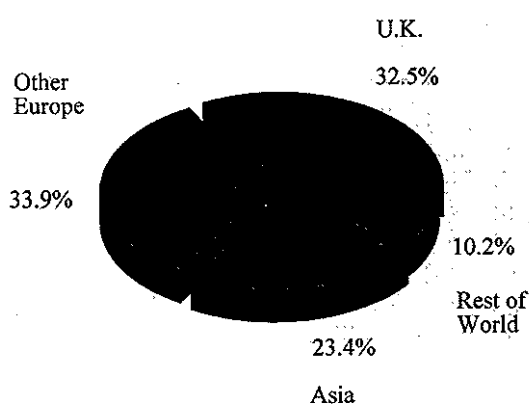
Auditors

Coopers & Lybrand

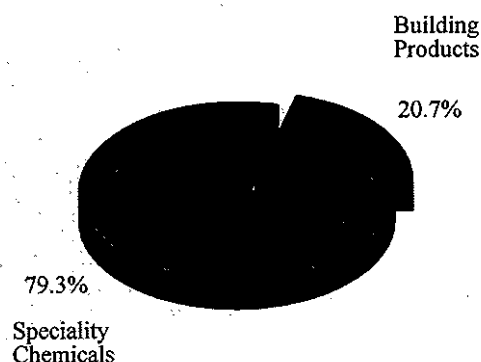
FINANCIAL HIGHLIGHTS

	1995 £000	1994 £000
Group sales	390,767	330,808
Operating profit	34,564	29,809
Profit before taxation	33,121	28,513
Profit for the financial year	20,728	17,596
Net borrowings	(2,671)	(5,432)
Free cash flow after dividends	3,185	6,448
Adjusted earnings per share	20.3 p	17.4 p
Earnings per share - FRS3	20.3 p	17.3 p
Dividends per share	8.0 p	7.0 p

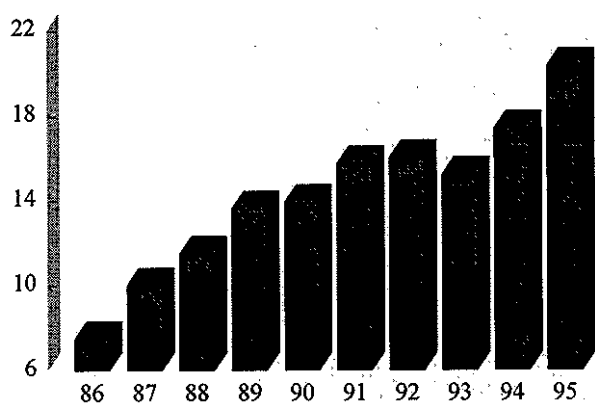
Sales analysis



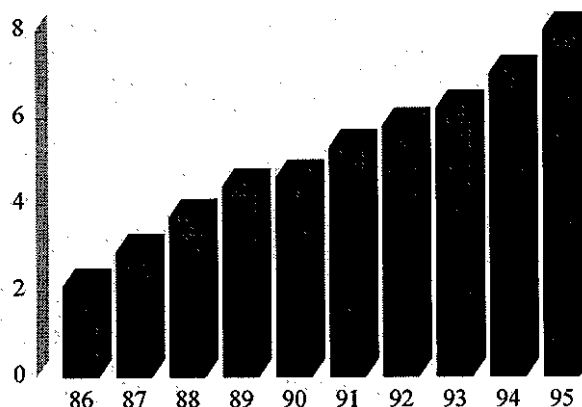
Operating profit by activity



Adjusted earnings per share in pence*



Dividends per share in pence*



* Restated to adjust for the effects of the 1993 rights issue.

CHAIRMAN'S STATEMENT

I am delighted to report to shareholders that the results for the year under review reflect highly satisfactory progress with profit advances by both speciality chemicals and building products. The group achieved record sales, profits and earnings in what has been a volatile and demanding marketplace for businesses in the chemical industry. The balance sheet has strengthened and positive cash generation reduced net borrowings to a minimal level at the year end.

Your directors are recommending an increased final dividend of 4.8 pence per ordinary share making a total of 8.0 pence for 1995; this represents an increase of 14.3% over the previous year's distribution. As is customary, shareholders will be invited to take the final dividend in the form of new ordinary shares as an alternative to receiving cash.

Sales reached £390 million, an increase of 18.1% over the previous year. This performance represented good volume growth but also included the effects of widely fluctuating raw material prices. The dramatic rise and fall in the prices of basic chemical feedstocks has been well chronicled and has created difficulties over the past two years in maintaining a reasonable relationship between suppliers' aspirations and customers' understandable reluctance to digest ever higher prices. Although gross margins in certain sectors were eroded, our operating managements coped well, compensating with greater efforts in cost containment which enabled profits to grow across the group's diverse spread of activities. Shareholders will, I am sure, wish to join me in thanking all of our employees for their personal contributions to the continuing success of the group's development.

Our chemical activities performed strongly. The extent of the profit growth was constrained in the second half as companies struggled with the onset of weaker demand, exacerbated by increasing price competition. That many of our companies managed to improve market share in this difficult environment is commendable. Capital investment continued at a high level during 1995 and will provide additional capacity during the course of 1996. Greater stability has returned to the chemicals sector and our speciality products are enjoying good levels of demand. Operating managements are quietly confident that further improvements can be achieved in the current year and early indications give no reason to doubt the guarded optimism which prevails.

Profit recovery in building products continued in 1995. The Continental companies performed generally better than expected but the UK operations met even lower demand and stiff price competition. Escalating input prices were not confined to the chemical companies and our building products companies experienced sharp rises in many of their key raw materials. The industries served by this division are still faced with an uncertain market outlook and strenuous efforts will continue to improve our operating efficiencies by all means possible.

The provisions of the Code of Best Practice formulated by the Cadbury Committee have been fully implemented throughout the group and the effects are documented throughout this report to shareholders. The necessary monitoring of the group's internal control framework is now firmly in place and has been incorporated within the external audit programme, supplementing our internal review procedures.

Providing the particular economic factors which tend to influence our activities do not deteriorate from present levels there is no reason to suppose that the group cannot maintain overall progress in the current year. The group's operating managements are well organised and are hopeful that they can maintain or improve their respective market shares; together with the usual vigilance on costs and the sustained motivation of employees, we expect once more to drive higher profits from our operations.

CATTO
10 April 1996

REVIEW OF OPERATIONS

Speciality Chemicals

Fluctuating material costs, as well as unpredictable demand patterns, challenged our principal chemical companies during 1995 and, in this context, it is pleasing to report excellent progress in all main product groups. A number of companies in this sector have been engaged on capital projects relating to capacity increases and environmental protection, and these are being progressively commissioned within time and budgetary cost parameters.

The strong sales demand of the first half of the year gave way to a weaker Autumn but as the escalating trend in raw materials reversed we have seen a return to more favourable market conditions.

Further geographic expansion of our speciality chemical activities has been achieved in early 1996 with two new investments in the manufacture of emulsions for the paint and adhesives industries.

- Revertex (Malaysia) Sdn Bhd entered a contractual co-operative venture in China through a newly formed subsidiary Revertex (Guangdong) Chemicals Ltd.
- Harlow Chemical Company Ltd has invested £1.2 million to acquire a 49% shareholding in Dhahran Chemical Industries Ltd, a Saudi Arabian manufacturer of aqueous emulsions.

Synthetic Rubber Latices

Our main synthetic latex operations have been restructured under the Synthomer banner, significantly contributing to the achievement of good progress in all sectors. The benefits of a reduction in operating costs, the pooling of development resources, and the debottlenecking of capacity at our European plants has been coupled with our technical strength in South East Asia to take advantage of substantial new market opportunities. A major investment by our South African joint venture, Synthetic Latex Company (Pty) Ltd, will yield new capacity in mid 1996 to match the better economic conditions prevailing.

While weaker demand in the European carpet industry has adversely affected our compounding plants, it is pleasing to report good progress in realising diversification programmes. In particular, Revertex Belgium SA continues to show substantial progress in the adhesives sector. To maximise production efficiencies, our plant at Oss in the Netherlands is being expanded, and this will allow the transfer of all compound production from the Frankfurt am Main factory. Following transfer and clearance of the Frankfurt site, we shall proceed with the construction of a new sales and technical centre which will be opened in mid 1997, bringing together key personnel from a number of locations.

Emulsions

UK industry indicators show no recovery in paint sales during 1995 and this has been reflected in our domestic sales. As previously reported, the growth in newer application areas has been particularly encouraging and, as part of our 1996 investment programme, we shall convert spare capacity which has served traditional markets to meet the growing demand in these new sectors.

Major investment at our Durban plant has helped Revertex (South Africa) (Pty) Limited to maintain its strong market position and this was reflected in record profits in 1995. Although much effort by the government of South Africa is going into developing the regeneration programme, elements including the housing programmes are subject to delay; nonetheless a high priority is being attached to meeting post-apartheid aspirations.

In Malaysia a slowing of growth in the construction sector, exacerbated by a shortage of cement, led to more difficult trading conditions than we have experienced for some years. This, together with the high raw

material prices during the second half of the year, temporarily held back profitability. The current outlook suggests more favourable market conditions and better prospects for the resumption of growth in the coating sectors of the economy. A major investment was completed in November with the commissioning of a new emulsion polymerisation reactor to meet expected growth in demand over the next few years.

Natural rubber latices

The transfer of worldwide marketing responsibility to Revertex (Malaysia) Sdn Bhd was successfully completed at the beginning of 1995.

High prices for the rubber latex used in our manufacturing processes led to difficult trading conditions but the medium term prospect for the glove industry is one of steady growth. The emphasis will remain on technical innovation and customer service to meet the growing demand of a glove manufacturing industry which is now firmly centred on Malaysia. The company's other speciality latices have maintained their market shares and have successfully increased export volumes.

During the year further investment took place to enhance the plant's environmental treatment system and this has produced significant efficiency improvements in processing effluent waste.

Other Speciality Products

Growth in the PVC market has placed exceptional demands on the Harlow Chemical Company Limited for speciality polyvinyl alcohol products and additional plant capacity is currently being commissioned. Production has also now begun of other speciality vinyl polymer products which have been designed to meet specific requirements in niche markets.

Following the acquisition of Oxford Chemicals Limited in late 1994, a major restructuring and relocation of this business within Revertex Chemicals Limited has taken place. A head office and technical centre is under construction to serve our Bactria biocide and Lithene polybutadiene businesses. This centre will be opened in spring 1996 and will allow the relocation of all support functions to the Seaton Carew, Teesside site.

During 1995, Oxford Chemicals Limited, together with its US subsidiary, performed in line with ambitious targets set at the time of acquisition and is providing an excellent growth vehicle for development in the fine chemical sector. Technical advances in our Bactria range enabled good progress to be made and, in Lithene polybutadienes, we have successfully replaced volume lost from certain major consumers who have relocated production to developing countries.

Following a period of consolidation since its acquisition, Revertex Finewaters Sdn Bhd confirmed its strong position in the Malaysian adhesives market. Although affected by high material prices, growth was achieved and the business has not only established a pre-eminent position in its domestic market but also continues to expand exports to new markets.

In Revertex (Malaysia) Sdn Bhd the new alkyd and polyester plant, which was commissioned only two years ago, is already operating near capacity. A move towards higher margin speciality products is gathering momentum and the balanced portfolio of alkyd and polyester products will enable this business to take advantage of market growth. The plasticiser operation took a temporary downturn in the second half of the year when China halted imports and competitive products were directed to other markets in South East Asia. The underlying trend of low capital investment and tight cost control will ensure the ongoing success of this operation. This business became a joint venture with Exxon Chemical Eastern Inc in January 1995 and co-operation between the two companies will maintain our plasticiser activities at the forefront of world technology.

Consumer Chemicals

Although faced with many of the material price increases experienced throughout the chemical industry, higher sales and cost containment ensured another satisfactory profit advance. Whilst current conditions are far from easy in the UK market, we believe that, with continued tight control on costs and continual examination of margins and prices, we may look forward to another year of improving profitability. Sales under own label brands have shown good growth over the past year and we are improving service levels and the technical back-up provided to customers. Exports continue to grow satisfactorily to both traditional and new markets and we view this as a prime area of development opportunity.

Our aerosol filling operations have expanded their customer base and profitability with a renewed emphasis on customer care. Our faith in developing a range of non-ozone depleting products has been rewarded and, as producers comply with the Montreal protocol, we expect good growth in this market sector. The company's sound technical background has helped customers to effect a trouble free transition to our new propellants as the previous ozone depletants have been phased out.

Autoclenz Limited moved ahead strongly as yet more customers have been attracted by the high quality of service provided by the company.

Building Products

As has been well documented in the media the building industry in the UK remained in a depressed state throughout 1995. In Continental Europe, whilst activity levels were higher, signs of a reduction in demand became apparent during the course of the year. Against this background our companies successfully improved their respective market shares and were able to report a substantial move forward in profit. Continuing adjustment of our operations to meet the varied demand patterns which are currently being experienced provides confidence that we can offset any potential areas of market weakness with an improved performance in the more buoyant sectors thereby maintaining a steady rate of growth.

Rooflights

Once again rooflights have progressed well. In Germany, Jet Kunststofftechnik GmbH capitalised on its excellent performance in 1994 to return a second successive year of record results, to which sales of its new smoke ventilation products made a significant contribution. Bik Bouwprodukten BV consolidated its leading market position in the Netherlands through a programme of continuing product development, backed by a strong emphasis on operational efficiency. The company's strong technical base and well engineered products provide a firm basis for future progress.

Braat Delft Metaalconstructies BV showed pleasing growth in sales and profitability. It combined the successful installation of several large contracts with the development of a strong order book for smaller projects which should translate into an improved performance in 1996.

Unyielding recession in the UK construction market required a reassessment of the activities of Coxdome Limited and led to a partial withdrawal from the market for more specialised, custom designed spaceglazing. The company will now focus on the production of high quality standard rooflights and modular skylight systems where the benefits of recent investment in new manufacturing technology are already being felt. Despite restructuring, the company maintained profitability and is positioned to take advantage of any improvement in market conditions.

Earlier profit improvement programmes contributed to a substantial move forward in the performance of Williaam Cox Ireland Limited. Sales and profit both increased with the promise of further growth to come in the current year.

Office Partitioning and Furniture Systems

The second half of 1995 saw a gradual improvement in the demand for products for the office environment. Initiatives taken by Unilock Limited in the earlier part of the year enabled it to take advantage of this improvement and progressively expand its order book. Particularly pleasing was the growth of its localised area team operations which produced record sales and profits. Further expansion of these activities is planned for 1996.

In France, despite demand continuing at a low level, Unilock SA achieved a marked improvement in profitability and entered 1996 with a substantially better order book. The weakness of the French economy will ensure difficult trading conditions but strong emphasis on operational efficiency and sales development have established a sound foundation from which the company will benefit as recovery in market activity takes place.

Screenbase Limited has had a successful year developing the role of office screening within furniture systems. In November it launched three new product ranges, including a complete screen hung, wire managed work station system accompanied by complementary seating and storage accessories which offers a screen based "one stop" solution to office furnishing. Extremely encouraging market reaction to the three new ranges augurs well for sales in 1996.

Other Activities

Unilock HCP Limited successfully completed several major projects including Europe's largest perimeter heating contract at the new Ministry of Defence Collocation at Bristol. Cladding sales also developed well during the year at good margins. To take full advantage of the specialist engineering skills that exist within the company its activities have been integrated with the Special Products department of Unilock Ltd to form a new unit that will be able to maximise the potential for custom designed, fabricated metal products. With a very healthy order book the combined operation has made an extremely positive start in 1996.

Kimmenade Nederland BV maintained a healthy level of sales throughout the year for its roofing systems, despite a depressed marketplace. Strong emphasis on cost management and an improvement from its Belgian operations produced a better profit performance.

Our plastics stockholding activity, Williaam Cox Plastics Stockholding Limited faced a turbulent market for plastic sheet with escalating material costs and fluctuating demand levels. The company is continually refining its operational base to improve customer service and has increased the number of its outlets. In achieving a record level of profit in demanding circumstances it has established the platform from which to make major strides in consolidating its position as a leader in this market sector.

[The Review of Operations will cover pages 5 to 13 inclusive with the addition of photographs]

REPORT OF THE DIRECTORS

Accounts

The directors submit their annual report and the audited financial statements for the year ended 31 December 1995.

Results and dividends	£000
Profit for the financial year	20,728
Preference dividend	392
Interim dividend	3,222
Final dividend	4,864
Retained profit for the financial year	<u>12,250</u>

The interim dividend of 3.2p per share was paid on 24 November 1995. The directors recommend a final dividend of 4.8p per share payable on 5 July 1996 to those shareholders registered at the close of business on 8 May 1996. A resolution will be proposed at the Annual General Meeting to obtain authority to offer to shareholders the opportunity to acquire additional shares instead of cash dividend.

Review of operations

A review of the company's operations is set out on pages 5 to 13.

Acquisitions

During the year, negotiations were concluded for the establishment of two new joint ventures, each supported by group technology licences.

- Revertex (Malaysia) Sdn Bhd entered a contractual co-operative venture in China through a newly formed subsidiary Revertex (Guangdong) Chemicals Ltd. This company will manufacture and sell aqueous emulsions used by the paint and adhesives industries.
- Harlow Chemical Company Ltd has invested £1.2 million to acquire a 49% shareholding in Dhahran Chemical Industries Ltd, a Saudi Arabian manufacturer of aqueous emulsions for the paint and adhesives industries.

Fixed assets

The last major revaluation of the company's land and buildings took place in 1989. The movements in fixed assets during the period are set out in note 10 to the financial statements.

Directors

The present membership of the Board is shown on page 2.

Mr. A. E. Richmond-Watson and Mr. P. B. Sawdy retire by rotation and will seek re-election at the forthcoming Annual General Meeting. None of the directors seeking re-election has a service contract. None of the directors was materially interested in any contract with the company during the year. The company has purchased and maintains insurance against directors' and officers' liabilities in relation to the company.

Details of directors' emoluments and of the interests of each director in the share capital of the company are shown in note 9 to the financial statements.

Corporate Governance

The company complies with all of the provisions of the Code of Best Practice of the Cadbury Committee on Financial Aspects of Corporate Governance. Statements by the directors on the provisions relating to going concern and internal controls are set out below.

Going concern

The directors, having made enquiries, consider that the company and the group have adequate resources to continue in operational existence for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the accounts.

Internal controls

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

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

- Financial controls and policies are detailed in procedures manuals.
- Managing directors are required periodically to confirm that their operating units comply in all material respects with these procedures.
- Operating budgets undergo a comprehensive planning and review process prior to submission to the main board for final approval.
- Monthly reporting of trading results, balance sheets and cash flows, is rigorously monitored against budget and prior years.
- Cash management is closely controlled at company and group level and all currency exposures are matched under the supervision of the central treasury function which has been strengthened in 1996.
- Capital expenditure is budgeted annually but is also subject to appraisal procedures prior to commitment, based on an appropriate scale of authority levels.
- Proposed acquisitions are justified according to established criteria and, if approved in principle, are progressed only after satisfactory due diligence of all legal, financial and environmental matters.
- Strict quality standards exist for health and safety, environmental issues and plant operations.
- During the year, a formal mechanism has been implemented, based on self-assessment, for the measurement and assessment of the principal controls across the Group to complement the external audit procedures. The evaluation of risk forms an integral part of this assessment

The Audit Committee has reviewed the operation and effectiveness of this framework in 1995.

Remuneration Committee

The Remuneration Committee is a sub-committee of the Board of Directors, and comprises the Chairman, Lord Catto and three non-executive directors, Dato' Lee Oi Hian, Mr. A. E. Richmond-Watson 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 Company has complied throughout the accounting period with Section A of the best practice provision annexed to the London Stock Exchange Listing Rules with the exception that Lord Catto is Chairman of the Remuneration Committee in addition to his duties as Executive Chairman of the holding company. The directors are of the opinion that this appointment is in the best interests of the company and of its shareholders.

The Remuneration Committee's report is set out on page 19.

REPORT OF THE DIRECTORS

Share capital

During 1995, 1,246,781 ordinary shares were issued in total, comprising 837,071 ordinary shares under the Yule Catto Savings-Related Share Option Scheme, 66,534 ordinary shares under the Yule Catto Executive Share Option scheme, and 343,176 ordinary shares in lieu of cash dividends. The total consideration received for shares issued under the share option schemes was £660,000. £958,000 of dividends were covered by the issue of shares.

Substantial shareholdings

At 31 March 1996, the following substantial interests (3% or more) in the company's ordinary share capital had been notified to the company:

	Ordinary shares	Per cent of ordinary shares in issue
Kuala Lumpur Kepong Bhd	29,845,885	29.43
Lord Catto	4,839,083	4.77
Gartmore Investment Management Ltd	4,699,933	4.63
The Prudential Corporation plc	4,139,360	4.08
National Westminster Bank PLC	3,830,729	3.78
Clerical Medical and General Life Assurance Society	3,171,593	3.13
The Hon. A.G. Catto	3,065,568	3.02

The interests shown for Lord Catto and the Hon. A. G. Catto include shares held non-beneficially as set out in Note 9 to the financial statements. The company has been informed that certain other of the above shareholdings are non-beneficial.

Further shareholder information is set out on page 38 .

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.

Employee involvement

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

A Savings-Related Share Option Scheme, introduced in 1988, offers United Kingdom employees a convenient, tax effective and economical way to save and acquire shares in the company. This scheme was extended, with shareholders' approval, in 1993 to take advantage of provisions permitted by Schedule 9 to ICTA 1988.

As noted in the Report of the Remuneration Committee on page 19 it is proposed, subject to the approval of shareholders, to introduce longer term share incentive plans for directors and senior executives. The resolutions to be proposed at the Annual General Meeting are set out in the attached Notice of Meeting, and further details are contained in the accompanying letter to 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.

Health, safety and the environment

Policies for health, safety and the environment have been adopted and implemented throughout the group for the protection of employees and customers and for the minimisation, monitoring and control of all adverse environmental impact arising from its operations.

Charitable donations

Charitable donations in the year amounted to £35,000 (1994 £33,000). There were no political donations during the year.

Tax status

The company is not a close company for tax purposes.

Crest system

In accordance with Regulation 16 (2) of the Uncertificated Securities Regulations 1995 a directors' resolution was passed on 27th March 1996 to enable the ordinary shares of the Company to be admitted to the Crest system. Further information is given in the accompanying notice to shareholders.

Auditors

A resolution to re-appoint Coopers & Lybrand as the company's auditors will be proposed at the Annual General Meeting.

Annual General Meeting

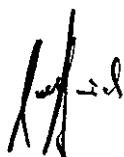
The Annual General Meeting will be held at noon on Thursday, 20 June 1996 in The Presentation Suite, Morgan Grenfell & Co Ltd, 23 Great Winchester Street, London, EC2P 2AX.

By Order of the Board

K.R.F. Bird

Secretary

10 April 1996



STATEMENTS OF DIRECTORS' RESPONSIBILITIES

The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company and the group at the end of the financial year and of the profit of the group for the period to that date. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards.

The directors are also responsible for making judgements and estimates that are reasonable and prudent, as well as maintaining adequate accounting records to both safeguard the assets of the group and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF YULE CATTO & Co plc

We have audited the financial statements on pages 20 to 37.

Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements, and to report our opinion to you.

Basis of opinion

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

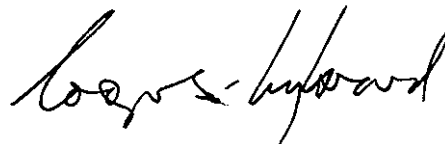
Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1995 and of the profit, total recognised gains and cashflows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

COOPERS & LYBRAND

Chartered Accountants and Registered Auditors, London

10 April 1996



REPORT OF THE REMUNERATION COMMITTEE

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.

Special incentives are designed to reward the achievement of predetermined targets by the individuals concerned. These incentives currently comprise short term cash bonuses related to annual budget and the grant of share options under the Executive Share Option Scheme. Following the report of the Greenbury Committee and study of market practices, undertaken with external advice, the Committee has decided, subject to shareholders' approval, to introduce two longer term incentive plans for key executives. Participants in these plans would not be eligible for further option grants under the existing scheme. Summaries of these plans are set out in the accompanying letter to shareholders.

In framing its remuneration policy, the Committee has given full consideration to Section B of the best practice provision annexed to the London Stock Exchange Listing Rules.

The amount and components of the executive directors' remuneration and share options are set out in note 9 to the financial statements. No elements of remuneration other than basic salary are pensionable. Mr. Walker, the Chief Executive, and Mr. McLeish, the Finance Director, have service contracts which are terminable by the company upon three years' notice. The directors are of the opinion that these contracts effectively enhance commitment and performance of the individuals concerned to the benefit of the company. As noted in the Directors' Report, none of the directors seeking re-election at the forthcoming Annual General Meeting has a director's service contract with the company.

REPORT OF THE AUDITORS TO YULE CATTO & Co plc ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the directors' statements on page 15 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

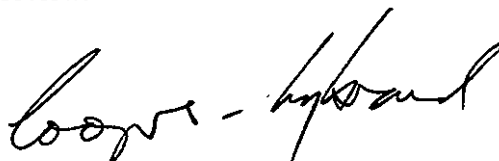
We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Audit Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or its corporate governance procedures, nor on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control on page 15 and going concern on page 15, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 15 appropriately reflects the company's compliance with other paragraphs of the Code specified for our review.

COOPERS & LYBRAND
Chartered Accountants, London
10 April 1996



CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

Continuing Operations	Note	1995 £000	1994 £000
Group sales			
Subsidiaries	2	285,771	241,485
Associated companies		104,996	89,323
	1	<u>390,767</u>	<u>330,808</u>
Operating profit	2	34,564	29,809
Cost of closure of discontinued operations	1	-	(231)
Profit on ordinary activities before interest		<u>34,564</u>	<u>29,578</u>
Interest payable	3	1,443	1,065
Profit on ordinary activities before taxation	1	33,121	28,513
Taxation on profit on ordinary activities	4	9,920	8,554
Profit on ordinary activities after taxation		<u>23,201</u>	<u>19,959</u>
Minority interests		2,473	2,363
Profit for the financial year	5	<u>20,728</u>	<u>17,596</u>
Preference dividends	6	392	392
Ordinary dividends	6	8,086	6,992
Retained profit for the financial year	18	<u>12,250</u>	<u>10,212</u>
Adjusted earnings per share	7	<u>20.3p</u>	<u>17.4p</u>
Earnings per share - FRS3	7	<u>20.3p</u>	<u>17.3p</u>

BALANCE SHEETS

31 December 1995

	Note	1995		1994	
		Group £000	Company £000	Group £000	Company £000
Fixed assets					
Tangible assets	10	43,321	11,486	41,352	11,546
Investments	11	17,922	68,231	13,036	68,231
		<u>61,243</u>	<u>79,717</u>	<u>54,388</u>	<u>79,777</u>
Current assets					
Stocks	12	34,412	-	31,556	-
Debtors	13	69,599	34,613	61,130	32,633
Bank and cash balances		8,523	3,912	10,403	2,345
		<u>112,534</u>	<u>38,525</u>	<u>103,089</u>	<u>34,978</u>
Creditors - due within one year					
Borrowings	14	(9,458)	(3,831)	(4,479)	(594)
Dividends		(5,061)	(5,061)	(4,397)	(4,397)
Other creditors	15	(72,836)	(31,491)	(67,904)	(30,069)
		<u>25,179</u>	<u>(1,858)</u>	<u>26,309</u>	<u>(82)</u>
Net current assets / (liabilities)					
		<u>86,422</u>	<u>77,859</u>	<u>80,697</u>	<u>79,695</u>
Creditors - due after more than one year					
Borrowings	14	(1,736)	(600)	(11,356)	(5,766)
Other creditors	15	(242)	-	(38)	-
Provisions for liabilities and charges					
	16	(5,599)	-	(4,690)	-
Net assets					
		<u>78,845</u>	<u>77,259</u>	<u>64,613</u>	<u>73,929</u>
Capital and reserves					
Called up share capital	17	13,545	13,545	13,420	13,420
Reserves	18	55,064	63,714	41,949	60,509
Shareholders' funds					
	19	68,609	77,259	55,369	73,929
Minority interests		10,236	-	9,244	-
Capital employed					
		<u>78,845</u>	<u>77,259</u>	<u>64,613</u>	<u>73,929</u>

The equity and non-equity interests in the shareholders' funds are detailed in note 19.

Approved on 10 April 1996

A. Walker }
 } Directors
 A.P. McLeish }



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 1995

	Note	1995 £000	1994 £000
Net cash inflow from operating activities	20	24,442	18,383
Returns on investments and servicing of finance			
Interest received		1,165	788
Interest paid		(2,608)	(1,853)
Dividends received from associated companies		2,302	2,792
Dividends paid by the company		(7,814)	(5,956)
Dividends paid to minority shareholders		(1,224)	(529)
Net cash outflow from returns on investments and servicing of finance		(8,179)	(4,758)
Taxation			
UK corporation tax paid		(2,446)	(1,795)
Overseas corporate tax paid		(4,647)	(2,261)
Total tax paid		(7,093)	(4,056)
Net cash inflow before investing activities		9,170	9,569
Investing activities			
Purchase of tangible fixed assets	10	(6,678)	(4,772)
Purchase of subsidiaries and businesses	21	(1,069)	(4,894)
Investments net of disposals	11	(12)	(2,981)
Sale of tangible fixed assets		693	1,651
Net cash outflow from investing activities		(7,066)	(10,996)
Net cash inflow/(outflow) before financing		2,104	(1,427)
Financing			
Issue of ordinary share capital		654	125
Repayment of long term borrowings		(7,662)	(5,530)
Net cash outflow from financing	22	(7,008)	(5,405)
Decrease in cash and cash equivalents	23	(4,904)	(6,832)
Analysis of free cash flow			
Net cash inflow before investing activities		9,170	9,569
Purchase of tangible fixed assets		(6,678)	(4,772)
Sale of tangible fixed assets		693	1,651
Free cash flow after dividends	24	3,185	6,448

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

for the year ended 31 December 1995

	1995	1994
	£000	£000
Profit for the financial year	20,728	17,596
Exchange adjustments	(27)	(364)
Total recognised gains and losses for the year	<u>20,701</u>	<u>17,232</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 1995

	1995	1994
	£000	£000
Profit for the financial year	20,728	17,596
Dividends	(8,478)	(7,384)
Exchange adjustments	(27)	(364)
New share capital issued	654	571
Dividends covered by the issue of shares	958	855
Goodwill written off	(595)	(11,303)
Net movement in shareholders' funds	<u>13,240</u>	<u>(29)</u>
Shareholders' funds at 31 December 1994	55,369	55,398
Shareholders' funds at 31 December 1995	<u>68,609</u>	<u>55,369</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 1995

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

PRINCIPAL ACCOUNTING POLICIES

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 associated companies. The results of businesses acquired or disposed of are consolidated from or to the effective date of acquisition or disposal. Goodwill arising on consolidation, being the excess of purchase consideration over the fair value of the net tangible assets acquired, is written off against reserves in the year of acquisition.

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

Depreciation

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 or the period of the lease
Plant and equipment	- between 3 and 10 years

Leased assets

Assets held under finance leases are capitalised and the deemed capital element of future rentals is included in creditors. An appropriate charge for depreciation and finance costs is included in the profit and loss account. Operating lease rentals are charged to the profit and loss account as incurred.

Stocks

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

Long term contracts

Amounts recoverable on contracts, which are included in debtors, are stated at cost, plus attributable profit to the extent that this is reasonably certain after making provision for contingencies, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received or receivable as progress payments. For any contracts where progress payments exceed the value of work done, the excess is included in creditors as advance progress applications.

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.

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.

Pension funding

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

NOTES TO THE FINANCIAL STATEMENTS

1 Analysis of group sales, profit and net assets

	1995			1994		
	Group sales £000	Profit £000	Net assets £000	Group sales £000	Profit £000	Net assets £000
Analysis by activity						
Speciality chemicals	287,981	29,144	56,245	228,469	26,471	50,601
Building products	102,786	7,609	12,895	102,339	6,302	8,602
Holding companies	-	(1,638)	12,376	-	(2,417)	10,842
Interest payable by associated companies	-	(551)	-	-	(547)	-
	<u>390,767</u>			<u>330,808</u>		
Operating profit		34,564			29,809	
Cost of closure of discontinued operations		-			(2,511)	
Less: release of 1993 provision		-			2,280	
Interest payable		(1,443)			(1,065)	
Profit before taxation		<u>33,121</u>			<u>28,513</u>	
Net borrowings			81,516 (2,671)			70,045 (5,432)
Net assets			<u>78,845</u>			<u>64,613</u>
Analysis by region of operation						
European Union	270,224	23,069	47,076	241,631	18,789	40,796
Asia	95,597	8,384	28,747	70,367	9,025	26,127
Rest of World	24,946	3,111	5,693	18,810	1,995	3,122
	<u>390,767</u>			<u>330,808</u>		
Operating profit		34,564			29,809	
Cost of closure of discontinued operations		-			(2,511)	
Less: release of 1993 provision		-			2,280	
Interest payable		(1,443)			(1,065)	
Profit before taxation		<u>33,121</u>			<u>28,513</u>	
Net borrowings			81,516 (2,671)			70,045 (5,432)
Net assets			<u>78,845</u>			<u>64,613</u>

Of the sales made by operations based in the European Union £166,926,000 (1994 £149,421,000) relates to operations based in the United Kingdom and Ireland, £19,241,000 (1994 £17,987,000) relates to operations based in the Netherlands, £57,174,000 (1994 £50,746,000) relates to operations based in Germany and £26,883,000 (1994 £23,477,000) relates to operations based elsewhere.

	1995 £000	1994 £000
Analysis of group sales by destination		
United Kingdom	127,009	125,078
Other EU countries	126,187	103,440
Other Europe	6,431	11,039
Asia	91,356	65,770
Africa and Middle East	31,907	20,479
Rest of World	7,877	5,002
	<u>390,767</u>	<u>330,808</u>

NOTES TO THE FINANCIAL STATEMENTS

2	Operating profit	Group 1995 £000	Associates 1995 £000	Subsidiaries 1995 £000	1994 £000
	Sales	390,767	104,996	285,771	241,485
	Cost of sales	(284,759)	(75,646)	(209,113)	(173,510)
	Gross profit	106,008	29,350	76,658	67,975
	Distribution costs	(42,034)	(9,989)	(32,045)	(25,998)
	Administrative expenses	(29,605)	(8,606)	(20,999)	(23,125)
	Other operating income	746	261	485	435
		<u>35,115</u>	<u>11,016</u>	<u>24,099</u>	<u>19,287</u>
	Interest payable by associated companies		(551)		
			<u>10,465</u>		
	Share of profits of associated companies			10,465	10,522
	Operating profit			<u>34,564</u>	<u>29,809</u>
			1995		1994
			£000		£000
	Operating profit is stated after charging:				
	Depreciation		5,120		4,851
	Hire of plant and equipment		1,198		1,392
	Other lease rentals		3,268		3,290
	Auditors' remuneration: audit fees		308		271
	Non audit services provided by the group auditors to the holding company and UK registered subsidiaries amounted to £68,000 (1994 £65,000).				
	Research and development expenditure, including the group's share of that incurred by the associates, amounted to £4,882,000 (1994 £4,292,000).				
3	Interest payable		1995		1994
			£000		£000
	Interest payable on bank loans, overdrafts and other loans				
	Repayable within 5 years - not by instalments		2,079		1,557
	- by instalments		134		24
			<u>2,213</u>		<u>1,581</u>
	Repayable wholly or partly in more than 5 years		281		272
			<u>2,494</u>		<u>1,853</u>
	Less: interest receivable		1,051		788
			<u>1,443</u>		<u>1,065</u>
4	Taxation on profit on ordinary activities		1995		1994
			£000		£000
	UK corporation tax at 33%		2,639		1,806
	Overseas taxation		3,746		3,844
	Deferred taxation		8		(956)
	Associated companies		3,527		3,860
	Charge for the year		<u>9,920</u>		<u>8,554</u>

5	Profit for the financial year	1995	1994
		£000	£000
	Dealt with by Yule Catto & Co plc	10,196	8,233
	Retained by subsidiaries	5,883	5,612
	Retained by associated companies	4,649	3,751
		<u>20,728</u>	<u>17,596</u>

As permitted by section 228(7) of the Companies Act 1985 no profit and loss account is presented for Yule Catto & Co plc.

6	Dividends	1995	1994
		£000	£000
	Ordinary - interim of 3.2p per share (1994 2.8p)	3,222	2,788
	- proposed final of 4.8p per share (1994 4.2p)	4,864	4,204
		<u>8,086</u>	<u>6,992</u>
	Preference	392	392
		<u>8,478</u>	<u>7,384</u>

7 Earnings per share

Earnings per share is calculated on profit attributable to ordinary shareholders of £20,336,000 (1994 £17,204,000) and on 100,423,000 shares (1994 99,552,000), being the weighted average number of shares in issue during the year.

8	Employees	1995	1994
		Number	Number
	The average weekly number of employees during the year by activity was:		
	Speciality chemicals	1,484	1,440
	Building products	937	996
	Holding companies	29	30
		<u>2,450</u>	<u>2,466</u>
	Associated companies	820	831
		<u>3,270</u>	<u>3,297</u>
		1995	1994
		£000	£000
	The aggregate remuneration of all group employees comprised:		
	Wages and salaries	35,460	32,771
	Social security costs	4,560	4,531
	Other pension costs	1,158	1,118
		<u>41,178</u>	<u>38,420</u>

NOTES TO THE FINANCIAL STATEMENTS

9 Directors' emoluments	1995 £000	1994 £000
The total emoluments of the directors were:		
Fees	62	51
Remuneration excluding bonuses	338	325
Annual bonus payments	87	62
Pension fund contributions	23	22
Pensions to former directors	2	2
	512	462
	512	462

The directors received emoluments, excluding pension fund contributions, within the following ranges:

	1995 Number	1994 Number
Not more than £5,000	-	2
£ 5,001 - £ 10,000	3	2
£ 10,001 - £ 15,000	3	2
£ 55,001 - £ 60,000	1	1
£ 145,001 - £ 150,000	-	1
£ 160,001 - £ 165,000	1	-
£ 180,001 - £ 185,000	-	1
£ 205,001 - £ 210,000	1	-

In addition to the above £10,000 (1994 £20,000) was paid to third parties in respect of the services of a director.

The remuneration of the individual executive directors holding office at 31 December 1995 was:

	Base Salary 1995 £	Bonuses 1995 £	Benefits 1995 £	Total 1995 £	Total 1994 £
Lord Catto - Chairman	50,000	-	6,292	56,292	56,879
A. Walker - Highest paid director	145,000	48,836	12,142	205,978	182,422
A.P. McLeish	114,500	38,564	9,983	163,047	147,142

The Chairman has waived £5,000 in respect of his remuneration for 1996.

The pension fund contributions for the highest paid director were £15,950 (1994 £15,000).

The annual bonus payments are based on appropriate group profit and cash flow targets and personal business objectives. The structure of the bonus scheme and awards under it are decided by the Remuneration Committee.

The fees of the individual non-executive directors holding office at 31 December 1995 were:

	Total 1995 £	Total 1994 £
R.M. Alias	10,000	5,000
The Hon. A.G. Catto	10,000	*
J.M. Hessels	12,097	10,935
Lee Hau Hian	10,000	10,000
Dato' Lee Oi Hian	10,000	10,000
A.E. Richmond-Watson	*	*
P.B. Sawdy	10,000	10,000

* Fees paid to third parties for the services of directors.

9 Directors' emoluments

Shareholdings

Given below are details of the interests of the directors in the share capital of the company at 31 December 1995 and 31 December 1994.

	Ordinary shares		Options	
	1995	1994	1995	1994
Lord Catto	4,013,444	4,013,444		
	825,939 (a)	825,939 (a)		
A. Walker	80,819	81,423	202,040 (d) 22,837 (e)	264,436 (d) 19,032 (e)
The Hon. A.G. Catto	1,537,839 (b) 1,833,275 (a) (b)	1,537,839 (b) 1,833,275 (a) (b)		
J.M. Hessels	Nil	Nil		
Lee Hau Hian	2,522	2,484		
Dato' Lee Oi Hian	165,620	163,146		
A.P. McLeish	107,224 (c) 15,000 (a)	122,224 (c)	182,040 (d) 22,837 (e)	182,040 (d) 19,032 (e)
R. M. Alias	Nil	Nil		
A.E. Richmond-Watson	969,719 159,632 (a)	1,210,465 Nil		
P.B. Sawdy	Nil	Nil		

(a) Held as a trustee.

(b) Of these shares 305,546 (1994 305,546) were held both beneficially and as a trustee.

(c) Of these shares 48,000 (1994 48,000) were held jointly.

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

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

Between 31 December 1995 and 6 April 1996 Mr A. Walker and Mr A.P. McLeish exercised share options in respect of 15,512 ordinary shares each pursuant to the Yule Catto Employee Savings Related Share Options. Other than this, there were no changes in directors' holdings.

Executive and savings - related options

	At 01.01.95	Number of options		At 31.12.95	Exercise Price	Market price at date of exercise	Exercise Period
		Granted	Exercised				
A. Walker	30,000 (a)	-	(30,000)	-	53.2p	282p	1995-1996
	32,396 (a)	-	(32,396)	-	53.2p	337p	1995-1996
	102,040 (a)	-	-	102,040	113.7p	-	1995-1998
	100,000 (a)	-	-	100,000	299.0p	-	1997-2004
	15,512 (b)	-	-	15,512	72.5p	-	1995-1997
	3,520 (b)	-	-	3,520	196.0p	-	1998-2000
	NIL	3,805 (b)	-	3,805	272.0p	-	2000-2002
A.P. McLeish	102,040 (a)	-	-	102,040	113.7p	-	1995-1998
	80,000 (a)	-	-	80,000	299.0p	-	1997-2004
	15,512 (b)	-	-	15,512	72.5p	-	1995-1997
	3,520 (b)	-	-	3,520	196.0p	-	1998-2000
	NIL	3,805 (b)	-	3,805	272.0p	-	2000-2002

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

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

NOTES TO THE FINANCIAL STATEMENTS

10 Tangible fixed assets

Group	Land and buildings			Plant and equipment £000	Total £000
	Freeholds £000	Leaseholds Long £000	Short £000		
Cost or valuation					
At 1 January 1995	25,822	799	695	48,288	75,604
Exchange adjustments	682	2	14	2,187	2,885
Additions	658	1	23	5,996	6,678
Acquisitions	-	-	-	36	36
Disposals	(77)	-	(10)	(2,242)	(2,329)
	<u>27,085</u>	<u>802</u>	<u>722</u>	<u>54,265</u>	<u>82,874</u>
At cost	18,372	713	722	54,265	74,072
At professional valuation in 1985	5,051	89	-	-	5,140
At professional valuation in 1989	3,662	-	-	-	3,662
At 31 December 1995	<u>27,085</u>	<u>802</u>	<u>722</u>	<u>54,265</u>	<u>82,874</u>
Depreciation					
At 1 January 1995	3,148	134	435	30,535	34,252
Exchange adjustments	181	1	9	1,854	2,045
Charge for the year	452	13	24	4,631	5,120
Acquisitions	-	-	-	5	5
Eliminated on disposals	(6)	-	(8)	(1,855)	(1,869)
At 31 December 1995	<u>3,775</u>	<u>148</u>	<u>460</u>	<u>35,170</u>	<u>39,553</u>
Net book value					
At 31 December 1995	<u>23,310</u>	<u>654</u>	<u>262</u>	<u>19,095</u>	<u>43,321</u>
At 31 December 1994	<u>22,674</u>	<u>665</u>	<u>260</u>	<u>17,753</u>	<u>41,352</u>

Included in the net book value of plant and equipment is £45,000 (1994 £45,000) in respect of assets acquired under finance leases. Properties included at valuation would have been stated on a historical cost basis at cost of £5,887,000 and depreciation of £1,488,000.

Company	Land and buildings		Plant and equipment £000	Total £000
	Freeholds £000	Long leaseholds £000		
Cost or valuation				
At 1 January 1995	11,473	461	936	12,870
Additions	12	-	230	242
Disposals	(5)	-	(91)	(96)
At 31 December 1995	<u>11,480</u>	<u>461</u>	<u>1,075</u>	<u>13,016</u>
At cost	4,211	372	1,075	5,658
At professional valuation in 1985	3,607	89	-	3,696
At professional valuation in 1989	3,662	-	-	3,662
At 31 December 1995	<u>11,480</u>	<u>461</u>	<u>1,075</u>	<u>13,016</u>
Depreciation				
At 1 January 1995	796	68	460	1,324
Charge for the year	166	9	116	291
Eliminated on disposals	-	-	(85)	(85)
At 31 December 1995	<u>962</u>	<u>77</u>	<u>491</u>	<u>1,530</u>
Net book value				
At 31 December 1995	<u>10,518</u>	<u>384</u>	<u>584</u>	<u>11,486</u>
At 31 December 1994	<u>10,677</u>	<u>393</u>	<u>476</u>	<u>11,546</u>

Properties included at valuation would have been stated on a historical cost basis at cost of £4,597,000 and depreciation of £719,000.

11 Investments	Associated companies £000	Other investments £000	Total £000
Group			
Cost			
At 1 January 1995	22,172	44	22,216
Exchange adjustments	-	1	1
Additions	-	18	18
Acquisitions	-	-	-
Disposals	-	(7)	(7)
At 31 December 1995	<u>22,172</u>	<u>56</u>	<u>22,228</u>
Adjustments to net tangible asset values			
At 1 January 1995	(9,180)	-	(9,180)
Exchange adjustments	225	-	225
Retained profits for the year	4,649	-	4,649
At 31 December 1995	<u>(4,306)</u>	<u>-</u>	<u>(4,306)</u>
Net book value			
At 31 December 1995	<u>17,866</u>	<u>56</u>	<u>17,922</u>
At 31 December 1994	<u>12,992</u>	<u>44</u>	<u>13,036</u>

Company	Subsidiaries £000	Associated companies £000	Other investments £000	Total £000
Cost				
At 1 January 1995	70,945	4,037	19	75,001
Additions	-	-	11	11
Disposals	(4)	-	(7)	(11)
At 31 December 1995	<u>70,941</u>	<u>4,037</u>	<u>23</u>	<u>75,001</u>
Provisions				
At 1 January 1995	(6,550)	(220)	-	(6,770)
Utilised	-	-	-	-
At 31 December 1995	<u>(6,550)</u>	<u>(220)</u>	<u>-</u>	<u>(6,770)</u>
Net book value				
At 31 December 1995	<u>64,391</u>	<u>3,817</u>	<u>23</u>	<u>68,231</u>
At 31 December 1994	<u>64,395</u>	<u>3,817</u>	<u>19</u>	<u>68,231</u>

Details of the principal group companies are given on page 37.

12 Stocks	1995 £000	1994 £000
Raw materials and consumables	16,998	16,896
Work in progress	1,188	890
Finished goods	16,226	13,770
	<u>34,412</u>	<u>31,556</u>

NOTES TO THE FINANCIAL STATEMENTS

13 Debtors	1995		1994	
	Group £000	Company £000	Group £000	Company £000
Trade debtors	62,322	-	54,752	-
Amounts owed by subsidiaries	-	28,582	-	31,091
Amounts owed by associated companies	2,671	3,129	1,502	108
Other debtors	3,707	2,833	2,975	1,414
Prepayments and accrued income	899	69	1,901	20
	<u>69,599</u>	<u>34,613</u>	<u>61,130</u>	<u>32,633</u>

Of the amounts owed to group, £405,000 (1994 £262,000) is due after more than one year. Of the amounts owed to the company, £2,000,000 (1994 £Nil) is due after more than one year.

14 Borrowings	1995		1994	
	Group £000	Company £000	Group £000	Company £000
Amounts due within one year				
Instalments due on loans	3,265	-	206	-
Other bank loans and overdrafts	6,193	3,831	4,098	419
Other loans	-	-	175	175
	<u>9,458</u>	<u>3,831</u>	<u>4,479</u>	<u>594</u>
Amounts due after more than one year				
Loans repayable by instalments				
Between 1 and 2 years	86	-	151	-
Between 2 and 5 years	165	-	182	-
Over 5 years	385	-	402	-
Loans repayable otherwise than by instalments				
Between 1 and 2 years	-	-	10,021	5,166
Between 2 and 5 years	1,100	600	600	600
	<u>1,736</u>	<u>600</u>	<u>11,356</u>	<u>5,766</u>

The borrowings which are repayable in more than five years bear interest at rates between 5.0% and 8.3%.

15 Other creditors	1995		1994	
	Group £000	Company £000	Group £000	Company £000
Amounts due within one year				
Trade creditors	48,130	324	40,667	266
Bills of exchange payable	1,080	-	771	-
Advance progress applications	154	-	851	-
Amounts owed to subsidiaries	-	28,070	-	26,296
Amounts owed to associated companies	3,388	1,263	4,476	2,658
Corporate tax	5,778	-	6,471	-
Other taxation and social security	3,759	468	3,330	48
Other creditors	3,051	945	4,120	391
Accruals and deferred income	7,496	421	7,218	410
	<u>72,836</u>	<u>31,491</u>	<u>67,904</u>	<u>30,069</u>
Amounts due after more than one year				
Other creditors	242	-	38	-

16 Provisions for liabilities and charges	Deferred taxation £000	Other provisions £000	Total £000
At 1 January 1995	777	3,913	4,690
Exchange adjustments	17	195	212
Transfers from profit and loss account	8	1,503	1,511
Utilised	-	(814)	(814)
At 31 December 1995	802	4,797	5,599

Deferred taxation	1995		1994	
	Provided £000	Additional contingent liability £000	Provided £000	Additional contingent liability £000
Capital allowances	802	590	777	573

17 Share capital	1995 £000	1994 £000
Authorised		
135,000,000 (1994 135,000,000) ordinary shares of 10p each	13,500	13,500
4,000,000 11.5% cumulative redeemable preference shares 1998-2003 of £1 each	4,000	4,000
	17,500	17,500
Allotted and fully paid		
101,335,044 ordinary shares (1994 100,088,263)	10,134	10,009
3,411,123 preference shares	3,411	3,411
	13,545	13,420

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

Share options

As at 31 December 1995 the following options were outstanding:

Executive share options	Number	Option Price
Exercisable between 1996 - 1997	1,734	108.8p
Exercisable between 1996 - 1998	217,375	113.7p
Exercisable between 1996 - 1999	19,897	143.1p
Exercisable between 1997 - 2004	640,000	299.0p
SAYE options	Number	Option Price
Exercisable between 1996 - 1997	425,035	72.5p
Exercisable between 1998 - 2000	654,786	196.0p
Exercisable between 2000 - 2002	780,434	272.0p

NOTES TO THE FINANCIAL STATEMENTS

18 Reserves	Share premium £000	Revaluation reserve £000	Profit and loss account £000	Total £000
Group				
At 1 January 1995	29,337	5,945	6,667	41,949
Exchange adjustments	-	33	(60)	(27)
Retained profit for the year	-	-	12,250	12,250
Premium on shares issued, net of expenses	563	-	-	563
Shares issued in lieu of cash dividends	(34)	-	958	924
Goodwill written off	-	-	(595)	(595)
Realisation of revaluation reserve	-	(23)	23	-
At 31 December 1995	<u>29,866</u>	<u>5,955</u>	<u>19,243</u>	<u>55,064</u>
Yule Catto & Co plc and subsidiaries	29,866	5,863	95,622	131,351
Associated companies	-	92	11,818	11,910
Goodwill written off on consolidation	-	-	(88,197)	(88,197)
	<u>29,866</u>	<u>5,955</u>	<u>19,243</u>	<u>55,064</u>
Company				
At 1 January 1995	29,337	2,809	28,363	60,509
Retained profit for the year	-	-	1,718	1,718
Premium on shares issued, net of expenses	563	-	-	563
Shares issued in lieu of cash dividends	(34)	-	958	924
At 31 December 1995	<u>29,866</u>	<u>2,809</u>	<u>31,039</u>	<u>63,714</u>

19 Equity and non-equity interests

The non-equity interests are limited to the preference shares of £3,411,000 (1994 £3,411,000). There are no non-equity interests in the reserves or minority interests.

20 Reconciliation of operating profit to net cash inflow from operating activities	1995 £000	1994 £000
Operating profit	34,564	29,809
Share of profits of associated companies	(10,465)	(10,522)
Cost of closure of discontinued operations	-	(231)
	<u>24,099</u>	<u>19,056</u>
Depreciation charge	5,120	4,851
(Profit)/loss on sale of tangible fixed assets	(233)	106
Increase in stocks	(2,791)	(4,336)
Increase in debtors	(8,312)	(5,021)
Increase in creditors and provisions	6,559	3,727
Net cash inflow from operating activities	<u>24,442</u>	<u>18,383</u>

21 Purchase of subsidiaries and businesses

Fair value balance sheets

	1995 £000	1994 £000
Tangible fixed assets	31	1,584
Stocks	65	1,328
Debtors	170	896
Creditors and provisions	(223)	(2,340)
Net borrowings	(26)	(530)
Minority interests	163	-
Shareholders' funds	<u>180</u>	<u>938</u>
Goodwill - group share	595	4,627
Purchase consideration - group share	775	5,565
Purchase consideration - minority interest	268	-
	<u>1,043</u>	<u>5,565</u>
Shares issued	-	(446)
Loan notes issued	-	(600)
Cash and cash equivalents acquired	26	375
Purchase consideration paid	<u>1,069</u>	<u>4,894</u>

During the year Revertex (Malaysia) Sdn Bhd's shareholding in Revertex Finewaters Sdn Bhd increased from 80% to 90% with the acquisition of a minority stake, and Jet Kunststofftechnik GmbH acquired its Berlin distributor RaWa GmbH Rauch-und Warneabzugsanlagen. No fair value adjustments to their balance sheets at acquisition were necessary.

22 Analysis of changes in financing

	1995 £000	1994 £000
Balance at 1 January 1995	54,494	58,133
Net cash outflow from financing	(7,008)	(5,405)
Financing in acquired company	-	155
Shares issued for non-cash consideration	-	446
Loan notes issued	-	600
Effect of foreign exchange rate changes	926	565
Balance at 31 December 1995	<u>48,412</u>	<u>54,494</u>

Financing comprises share capital, share premium, borrowings due after more than one year, together with borrowings of £3,265,000 (1994 £381,000) due within one year with an original maturity of more than 90 days.

23 Analysis of changes in cash and cash equivalents

	1995 £000	1994 £000
Balance at 1 January 1995	6,305	13,177
Net cash outflow before adjustments for the effect of foreign exchange rate changes	(4,904)	(6,832)
Effect of foreign exchange rate changes	929	(40)
Balance at 31 December 1995	<u>2,330</u>	<u>6,305</u>

Cash and cash equivalents comprise bank and cash balances of £8,523,000 (1994 £10,403,000) less borrowings due within one year with an original maturity of less than 90 days (including borrowings repayable on demand) of £6,193,000 (1994 £4,098,000).

NOTES TO THE FINANCIAL STATEMENTS

24 Free cash flow

The group's free cash flow after dividends comprises the net cash inflow from operating activities and dividends received from associated undertakings, less net interest and tax payments and net purchases of tangible fixed assets.

25 Commitments

	1995		1994	
	Group £000	Company £000	Group £000	Company £000
Capital expenditure authorised but not provided for in the accounts				
Contracted	1,024	-	738	-
Authorised but not contracted	567	-	2,260	-

	1995		1994	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Commitments under operating leases are as follows				
Operating leases which expire				
Within 1 year	112	995	44	1,093
Between 1 and 5 years	226	1,719	145	1,761
After 5 years	2,053	214	2,041	11
	<u>2,391</u>	<u>2,928</u>	<u>2,230</u>	<u>2,865</u>

26 Contingent liabilities and guarantees

- The company has given guarantees amounting to £8,349,000 (1994 £7,925,000) in respect of bank and other facilities of subsidiaries and associated companies.
- Other guarantees and contingent liabilities of the group amount to £4,668,000 (1994 £3,704,000).
- 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.

27 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.

The total pension cost for the group was £1,158,000 (1994 £1,118,000) of which £460,000 (1994 £487,000) relates to overseas schemes. The pension cost relating to the UK schemes is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. These funds were all valued during 1994. The assumptions which have the most significant effects on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 9% per annum, that salary increases would average 6% per annum, that present and future pensions would increase at the rate of 3% per annum and that the annual growth of UK dividends would be 4.5%.

At the date of the latest actuarial valuation, the aggregate market value of the assets of the UK schemes was £39,647,000 and the actuarial value of these assets was sufficient to cover 111% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

	Country of incorporation and operation	Group interest in equity %		Country of incorporation and operation	Group interest in equity %
SPECIALITY CHEMICALS			BUILDING PRODUCTS		
Arrow Chemicals Ltd <i>Hygiene, pollution control and maintenance chemicals.</i>	England	100*	Bik Bouwprodukten BV <i>Thermoplastic rooflights.</i>	Netherlands	100
Autoclenz Ltd <i>Provision of vehicle valeting services.</i>	England	100*	Braat Delft Metaalconstructies BV <i>Glass rooflights.</i>	Netherlands	100
Brencliffe Ltd <i>Car and household cleaning products.</i>	England	100*	Coxdome Ltd <i>Thermoplastic rooflights and roof glazing systems.</i>	England	100*
Dimex Ltd <i>Cleaning and maintenance chemicals.</i>	England	100*	Jet Kunststofftechnik GmbH <i>Thermoplastic rooflights.</i>	Germany	100
Greenhill Chemical Products Ltd <i>Packing and contract filling of aerosols.</i>	England	100*	Kimmenade Belgium NV <i>Flat roof waterproofing.</i>	Belgium	100
Nielsen Chemicals Ltd <i>Chemicals and vehicle cleaning products.</i>	England	100*	Kimmenade Nederland BV <i>Flat roof waterproofing.</i>	Netherlands	100
Oxford Chemicals Ltd <i>Manufacture of organic chemicals, specialising in flavours and fragrances.</i>	England	100	Screenbase Ltd <i>Free-standing office screen systems.</i>	England	100*
Revertex Belgium SA <i>Compounds, dispersions and adhesives for the textile and packaging industries.</i>	Belgium	100	Transplastix Ltd <i>Thermoplastic rooflights.</i>	England	100*
Revertex Chemicals Ltd <i>Manufacture and sale of liquid polybutadienes, industrial bactericides and fungicides.</i>	England	100*	Unilock Ltd <i>Design, manufacture and installation of office partitioning systems.</i>	England	100*
Revertex Finewaters Sdn Bhd <i>Adhesives</i>	Malaysia	63	Unilock SA <i>Installation of office partitioning systems.</i>	France	100
Revertex (Malaysia) Sdn Bhd <i>Synthetic resin emulsions, alkyds, polyester resins, PVC plasticisers and natural rubber latices and compounds.</i>	Malaysia	70	Unilock HCP Ltd <i>Perimeter heating and metal cladding systems.</i>	England	100*
Revertex (South Africa)(Pty) Ltd <i>Synthetic resin emulsions, synthetic rubber latices and allied products.</i>	South Africa	75	Unilock Office Screens Ltd <i>Free-standing office screen systems.</i>	England	100*
Techsol Ltd <i>Own label consumer chemicals manufacture.</i>	England	100*	Williaam Cox Plastics Stockholding Ltd <i>Sheet plastics stockholding.</i>	England	100*
Yule Catto Consumer Chemicals Ltd <i>Hygiene, pollution control and maintenance chemicals, vehicle cleaning products.</i>	England	100*	Williaam Cox Ireland Ltd <i>Thermoplastic rooflights and sheet plastics stockholding.</i>	Ireland	50+
Synthomer Ltd <i>Synthetic rubber latices and related compounds.</i>	England	50*+	HOLDING COMPANIES		
Synthomer GmbH <i>Synthetic rubber latices and related compounds.</i>	Germany	50+	Yule Catto (Deutschland) GmbH	Germany	100
Harlow Chemical Co Ltd <i>Synthetic resin emulsions and polyvinyl alcohol.</i>	England	50*+	Yule Catto Group Ltd	England	100*
Viking Polymers Ltd <i>Synthetic resin emulsions.</i>	England	50+	Yule Catto International Ltd	England	100*
			Yule Catto Nederland BV	Netherlands	100
			* Shares held by Yule Catto & Co plc + Associated companies		

SHAREHOLDER INFORMATION

Analysis of shareholders as at 31 March 1996

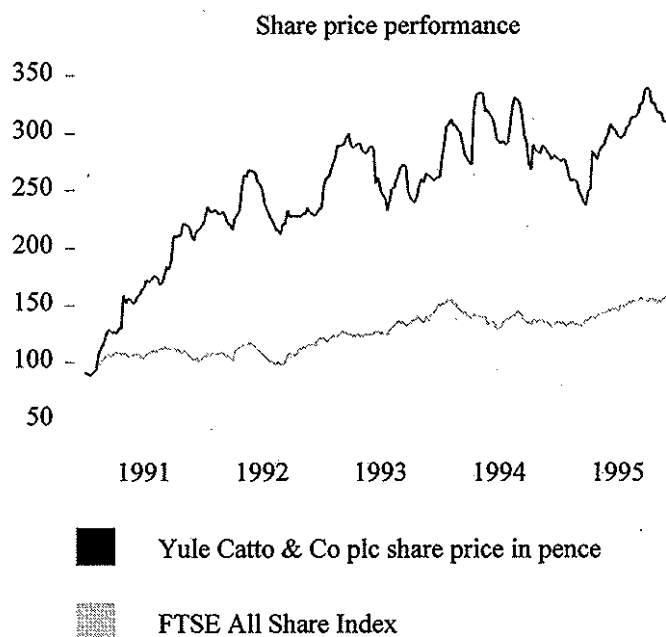
	Number of holders	Number of shares	% of issued capital
By size of holding			
1 - 5,000	1,330	1,927,650	1.90
5,001 - 10,000	185	1,348,537	1.34
10,001 - 50,000	190	4,120,506	4.06
50,001 - 100,000	52	3,707,146	3.65
100,001 - 500,000	62	14,535,765	14.33
500,001 upwards	29	75,786,608	74.72
	1,848	101,426,212	100.00
By category of shareholder			
Private shareholders	1,448	8,327,585	8.21
Bank or nominees	321	57,518,012	56.71
Major corporate shareholder	1	29,845,885	29.43
Insurance companies and pension funds	8	2,507,842	2.47
Other institutions	70	3,226,888	3.18
	1,848	101,426,212	100.00

Share price information

The latest ordinary share price is available on the Financial Times Cityline service, telephone 0891 123456, (calls are charged at 39p per minute cheap rate and 49p per minute at all other times). The code for Yule Catto & Co plc is 4567.

The middle market value of the listed ordinary shares at 30 December 1995 was 305p.

The market value of the listed ordinary shares at 31 March 1982 was 19.5p.



Scrip dividends

Ordinary shareholders can elect to receive additional shares in lieu of a cash dividend. This gives shareholders the opportunity to obtain additional shares simply and without dealing costs. The company benefits as a result of tax savings and improved cash flow giving greater retention of cash earnings for future investment. A document which explains the scheme in more detail is posted to shareholders shortly before each dividend is due. Careful consideration of this document is recommended.

FIVE YEAR FINANCIAL SUMMARY

	1995	1994	1993	1992	1991
	£000	£000	£000	£000	£000
Group sales					
Subsidiaries	285,771	241,485	235,946	221,872	225,541
Associated companies	104,996	89,323	54,518	45,554	39,384
	<u>390,767</u>	<u>330,808</u>	<u>290,464</u>	<u>267,426</u>	<u>264,925</u>
Profit summary					
Speciality chemicals	29,144	26,471	21,470	19,144	18,128
Building products	7,609	6,302	5,028	7,512	8,509
Holding companies	(1,638)	(2,417)	(1,957)	(2,007)	(1,494)
Interest payable by associated companies	(551)	(547)	(345)	(349)	(323)
Operating profit	<u>34,564</u>	<u>29,809</u>	<u>24,196</u>	<u>24,300</u>	<u>24,820</u>
Interest payable	(1,443)	(1,065)	(2,276)	(2,135)	(3,012)
Profit before tax and exceptional items	<u>33,121</u>	<u>28,744</u>	<u>21,920</u>	<u>22,165</u>	<u>21,808</u>
Exceptional items	-	(231)	(3,701)	-	4,418
Profit before taxation	<u>33,121</u>	<u>28,513</u>	<u>18,219</u>	<u>22,165</u>	<u>26,226</u>
Profit for the financial year	20,728	17,596	10,612	14,264	18,158
Ordinary dividends	8,086	6,992	5,845	5,007	4,569
Shareholders' funds	68,609	55,369	55,398	42,520	39,273
Capital employed	78,845	64,613	62,712	50,011	44,508
Net borrowings	2,671	5,432	2,770	10,045	11,457
Free cash flow after dividends	3,185	6,448	3,285	10,263	6,849
Capital expenditure	12,109	9,450	7,876	8,521	11,604
Cost of acquisitions	1,069	8,940	26,225	4,928	43
Adjusted earnings per ordinary share	20.3 p	17.4 p	15.2 p	16.0 p	15.7 p
Dividends per ordinary share	8.0 p	7.0 p	6.2 p	5.8 p	5.3 p
Dividend cover	2.5	2.5	2.5	2.8	3.0
Assets per ordinary share	64 p	52 p	52 p	45 p	41 p

Prior year figures have been restated in accordance with Financial Reporting Standard No.3 and for the effects of the rights issue in November 1993.