

# Holliday Pigments Limited

Accounts 31 December 1997

together with directors' and auditors' reports

Registered number: 107845



## Directors' report

For the year ended 31 December 1997

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 1997.

### 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 1998.

### Results and dividends

Results and dividends are as follows:

	£'000
Retained profit at 1 January 1997	2,537
Profit for the financial year	2,297
Dividends paid	(1,500)
Transfer from revaluation reserve	5
Retained profit at 31 December 1997	<u>3,339</u>

### Directors and their interests

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

Dr. M.J. Peagram	(resigned 4 February 1997)
R.G. Rae	
G.J. Selvage	
D. M. Adams	
M.J. Young	
N.G. Scott	(resigned 11 July 1997)
M. Day	(appointed 1 September 1997)

The interests of Dr. M.J. Peagram and R.G. Rae in the shares and options to acquire shares in the parent company, Holliday Chemical Holdings PLC are disclosed in the directors' report of that company.

None of the other directors own shares in the parent company.

## Directors' report (continued)

### Directors and their interests (continued)

Their interests in options over 2p ordinary shares of the parent company are as follows:

Director	At 1 January 1997	Granted during year	At 31 December 1997	Option price	Earliest exercise date	Expiry date
<b>1993 Share option scheme</b>						
G.J. Selvage	8,000	-	8,000	207p	7 October 1997	7 October 2004
D.M. Adams	18,000	-	18,000	139p	10 June 1999	10 June 2006
M.J. Young	18,000	-	18,000	139p	10 June 1999	10 June 2006
G.J. Selvage	-	18,000	18,000	181.5p	19 September 2000	19 September 2007
D.M. Adams	-	18,000	18,000	181.5p	19 September 2000	19 September 2007
M.J. Young	-	18,000	18,000	181.5p	19 September 2000	19 September 2007
M. Day	-	18,000	18,000	181.5p	19 September 2000	19 September 2007
<b>1996 Savings Related Share Option Scheme</b>						
D.M. Adams	1,629	-	1,629	127p	1 November 2001	30 April 2002
D.M. Adams	-	1,310	1,310	158p	1 November 2002	30 April 2003

There are no other interests which are required to be disclosed under Section 234 of the Companies Act 1985.

### 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 those 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.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

## Directors' report (continued)

### 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.

### 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 1997 expressed in relation to the total amounts invoiced by suppliers for goods and services during the year were equivalent to 62 days.

### 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  
Stoneferry  
Hull  
HU8 8DN

27 March 1998

By order of the Board,



M. Day

Director

## Auditors' report

Leeds

### 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 9.

### Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 1997 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

St. Paul's House  
Park Square  
Leeds  
LS1 2PJ

27 March 1998

## Profit and loss account

For the year ended 31 December 1997

	Note	1997 £'000	1996 £'000
<b>Turnover</b>	2	14,623	16,020
Cost of sales		(10,232)	(10,753)
<b>Gross profit</b>		4,391	5,267
Other operating expenses	3	(1,683)	(1,548)
<b>Operating profit</b>		2,708	3,719
Interest payable and similar charges	4	(40)	(29)
Investment income	5	181	195
<b>Profit on ordinary activities before taxation</b>	6	2,849	3,885
Tax on profit on ordinary activities	8	(552)	(1,200)
<b>Profit for the financial year</b>		2,297	2,685
Dividends paid	9	(1,500)	(2,300)
Retained profit for the year		797	385
Transfer from revaluation reserve		5	5
<b>Retained profit, beginning of year</b>		2,537	2,147
<b>Retained profit, end of year</b>	17	3,339	2,537

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 1997

	Note	1997 £'000	1996 £'000
<b>Fixed assets</b>			
Tangible assets	10	11,455	7,328
<b>Current assets</b>			
Stocks	11	2,085	1,688
Debtors - amounts falling due within one year	12	4,193	3,517
- amounts falling due after more than one year	12	1,000	1,000
Cash at bank and in hand		303	492
		7,581	6,697
<b>Creditors: Amounts falling due within one year</b>	13	(5,913)	(5,596)
<b>Net current assets</b>		1,668	1,101
<b>Total assets less current liabilities</b>		13,123	8,429
<b>Creditors: Amounts falling due after more than one year</b>	14	(8,969)	(5,072)
<b>Net assets</b>		4,154	3,357
<b>Capital and reserves</b>			
Called-up share capital	16	593	593
Revaluation reserve	17	222	227
Profit and loss account	17	3,339	2,537
<b>Equity shareholders' funds</b>	18	4,154	3,357

Signed on behalf of the Board

M. Day

Director



27 March 1998

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

# Notes to the accounts

31 December 1997

## 1 Accounting policies

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

### *a. Basis of accounting*

The accounts are 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, Holliday Chemical Holdings 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 comprises the value of sales (excluding VAT, foreign agents' commissions, trade discounts and freight) of goods and services in the normal course of business.

### *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*

It is the general policy of the company to provide for pension liabilities on a going concern basis, on the advice of external actuaries, by payments to independent trusts or to insurance companies. Independent actuarial valuations on a going concern basis are carried out every three years. The regular pension cost charged to the profit and loss account is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from the regular pension costs are allocated to the profit and loss account on a prudent basis over a period not exceeding employees' average remaining service lives.



## Notes to the accounts (continued)

### 1 Accounting policies (continued)

#### *e. Taxation*

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

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

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.

#### *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	2.5% 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 represents expenses incurred in bringing each product to its present location and condition and includes materials and a reasonable proportion of direct processing costs and manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal 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.

## Notes to the accounts (continued)

### 1 Accounting policies (continued)

#### 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

### 2 Segment information

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

	1997 £'000	1996 £'000
United Kingdom	2,016	2,478
Continental Europe	1,081	995
Asia and Middle East	5,022	5,258
North America	4,665	5,684
Other	1,839	1,605
	<u>14,623</u>	<u>16,020</u>

### 3 Other operating expenses

	1997 £'000	1996 £'000
Distribution costs	702	692
Administrative expenses	981	856
	<u>1,683</u>	<u>1,548</u>

### 4 Interest payable and similar charges

	1997 £'000	1996 £'000
On bank loans and overdrafts	<u>40</u>	<u>29</u>

### 5 Investment income

	1997 £'000	1996 £'000
Other interest receivable and similar income	<u>181</u>	<u>195</u>

## Notes to the accounts (continued)

### 6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1997 £'000	1996 £'000
Depreciation of tangible fixed assets	866	902
Auditors' remuneration	17	16
Staff costs (Note 7)	<u>4,591</u>	<u>4,340</u>

### 7 Staff costs

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

	1997 £'000	1996 £'000
Employee costs during the year amounted to:		
Wages and salaries	3,944	3,728
Social security costs	305	291
Other pension costs	<u>342</u>	<u>321</u>
	<u>4,591</u>	<u>4,340</u>

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

	1997 Number	1996 Number
Production	129	128
Sales and distribution	11	11
Administration	<u>17</u>	<u>18</u>
	<u>157</u>	<u>157</u>

### Remuneration

The remuneration of the directors was as follows:

	1997 £'000	1996 £'000
Emoluments	<u>346</u>	<u>362</u>

## Notes to the accounts (continued)

### 7 Staff costs (continued)

#### *Pensions*

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

	1997 Number	1996 Number
Money purchase schemes	1	-
Defined benefit schemes	3	3
	<u>4</u>	<u>3</u>

#### *Highest paid director*

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

	1997 £'000	1996 £'000
Emoluments	<u>153</u>	<u>218</u>

The company did not make any pension contributions in respect of the highest paid director (1996 - £nil).

No value has been ascribed to directors' interests in share options over the 2p ordinary shares of the parent company within directors' remuneration. Details of options held by directors are dealt with in the directors' report.

### 8 Tax on profit on ordinary activities

The tax charge comprises:

	1997 £'000	1996 £'000
Corporation tax at 31.5% (1996 - 33%)	552	1,239
Adjustment to corporation tax in respect of prior years	-	(39)
	<u>552</u>	<u>1,200</u>

The tax charge in the current year is affected by deferred taxation attributable to fixed asset timing differences not recognised.

### 9 Dividends paid

	1997 £'000	1996 £'000
<i>Ordinary dividends on equity shares</i>		
Final dividend paid of 252.9p (1996 - 387.9p) per share	<u>1,500</u>	<u>2,300</u>

## Notes to the accounts (continued)

### 10 Tangible fixed assets

The movement in the year was as follows:

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost or valuation</b>			
Beginning of year	2,732	13,990	16,722
Additions	119	4,967	5,086
Disposals	(130)	(1,054)	(1,184)
End of year	<u>2,721</u>	<u>17,903</u>	<u>20,624</u>
<b>Depreciation</b>			
Beginning of year	935	8,459	9,394
Charge	81	785	866
Disposals	(121)	(970)	(1,091)
End of year	<u>895</u>	<u>8,274</u>	<u>9,169</u>
<b>Net book value</b>			
Beginning of year	<u>1,797</u>	<u>5,531</u>	<u>7,328</u>
End of year	<u>1,826</u>	<u>9,629</u>	<u>11,455</u>

a. Freehold land amounting to £595,000 (1996 - £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:

	1997 £'000	1996 £'000
Original cost	2,482	2,493
Depreciation based on cost	<u>(878)</u>	<u>(923)</u>
	<u>1,604</u>	<u>1,570</u>

## Notes to the accounts (continued)

### 11 Stocks

	1997 £'000	1996 £'000
Raw materials	304	138
Work in progress	733	593
Finished goods and goods for resale	1,048	957
	<u>2,085</u>	<u>1,688</u>

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

### 12 Debtors

	1997 £'000	1996 £'000
Amounts falling due within one year:		
Trade debtors	3,347	2,804
Amounts owed by other group undertakings	83	110
VAT	254	146
ACT recoverable	375	-
Prepayments and accrued income	134	457
	<u>4,193</u>	<u>3,517</u>
Amounts falling due after more than one year:		
Amounts owed by other group undertakings	1,000	1,000
	<u>5,193</u>	<u>4,517</u>

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

	1997 £'000	1996 £'000
Trade creditors	1,673	1,047
Amounts owed to other group undertakings	3,027	2,787
Other creditors		
- UK corporation tax payable	610	1,239
- ACT payable	375	-
- social security and PAYE	100	128
Accruals and deferred income	128	395
	<u>5,913</u>	<u>5,596</u>

The company has cross guaranteed overdrafts of other group companies. The amount outstanding on the group facility at 31 December 1997 was £59,595,000 (1996 - £39,714,000).

## Notes to the accounts (continued)

### 14 Creditors: Amounts falling due after more than one year

	1997 £'000	1996 £'000
Due after five years, not by instalments:		
- amounts due to parent company	<u>8,969</u>	<u>5,072</u>

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

### 15 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:

	1997 £'000	1996 £'000
Excess of tax allowances over book depreciation of fixed assets	1,185	881
Short term timing differences	<u>(7)</u>	<u>(14)</u>
	<u>1,178</u>	<u>867</u>

Had full provision been made for deferred taxation the tax charge for the year ended 31 December 1997 would have increased by £311,000 (1996: £29,000).

### 16 Called-up share capital

	1997 £'000	1996 £'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)

### 17 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	227	2,537	3,357
Retained profit for the year			797	797
Transfer from revaluation reserve		(5)	5	-
End of year	<u>593</u>	<u>222</u>	<u>3,339</u>	<u>4,154</u>

### 18 Reconciliation of movement in equity shareholders' funds

	1997 £'000	1996 £'000
Profit for the financial year	2,297	2,685
Dividends paid and proposed	(1,500)	(2,300)
Net increase to equity shareholders' funds	<u>797</u>	<u>385</u>
Opening equity shareholders' funds	<u>3,357</u>	<u>2,972</u>
Closing equity shareholders' funds	<u>4,154</u>	<u>3,357</u>

### 19 Guarantees and other financial commitments

#### a) Capital commitments

At the end of the year capital commitments contracted but not provided for were £5,078,000 (1996 - £12,000).

#### b) Pension arrangements

The amount charged in the profit and loss account for pension costs of the company was £342,000 (1996 - £321,000).

The majority of the employees of the company are members of the Holliday Chemical Holdings Pension Scheme, a funded defined benefit scheme, with employee contributions of 2%, 3% or 5% of eligible earnings and employer contributions of 10% of eligible earnings.

A full actuarial valuation of the Holliday Chemical Holdings Pension Scheme was performed as at 1 April 1997 by Messrs. William M. Mercer Limited which confirmed that these contribution rates were sufficient to keep the scheme fully funded on a going concern basis.

Further details of the latest actuarial review and the assumptions used therein are given in the accounts of Holliday Chemical Holdings PLC.



## Notes to the accounts (continued)

### 19 Guarantees and other financial commitments (continued)

#### *c) Forward foreign exchange contracts*

At 31 December 1997, the total sterling equivalent of forward exchange contracts entered into by the company amounted to £8,659,817 (1996 - £10,931,871) of which £6,981,870 (1996 - £8,838,856) was not covered by net foreign currency monetary assets at the balance sheet date.

### 20 Subsequent event

On 27 January 1998 Holliday Chemical Holdings PLC, the company's ultimate parent company, was acquired by Yule Catto & Co plc, a company registered in England and Wales.

### 21 Ultimate holding company

The company is a wholly owned subsidiary undertaking of Holliday Chemical Holdings PLC. As from 27 January 1998 the company's ultimate parent company is Yule Catto & Co. plc.

The group in which the results of the company are consolidated is that headed by Holliday Chemical Holdings PLC. The consolidated accounts of Holliday Chemical Holdings PLC are available from Companies House.

As a subsidiary undertaking of Holliday Chemical Holdings 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 Holliday Chemical Holdings PLC.