Yule Catto & Co plc

Preliminary Results for the year ended 31 December 2011

VERY STRONG RESULTS AND TRANSFORMATION INTO A FOCUSED SPECIALITY POLYMER BUSINESS

FINANCIAL HIGHLIGHTS (excluding the divested Pharma business)

- Underlying Group sales up 92% to £1,117 million, mainly due to the PolymerLatex acquisition
    - up 18% to £1,269 million on an underlying pro-forma basis*
- Underlying profit before tax up 99% to £84.8 million#
    - up 25% to £96.0 million on an underlying pro-forma basis*#
- Underlying earnings per share up 30% at 18.8p
- Net borrowings of £164.3 million, reduced by over £70 million since PolymerLatex acquisition
- Net cash inflow from operating activities (IFRS) up 85% to £45.0 million
- Final dividend of 2.3p per share giving a full year dividend of 3.5p, up 35%

*including results of PolymerLatex for 2010 and 2011 in full with an allowance for finance costs
excludes the divested Pharma business that made £4.1 million underlying operating profit; including Pharma underlying pro-forma PBT would be £100.1 million whilst underlying reported PBT would be £88.9 million

OPERATIONAL HIGHLIGHTS

- PolymerLatex acquisition completed in March, effectively doubling the size of the business
- Integration is well on track, with synergy run rate of £15 million at the year end; synergy run rate now expected to reach £25 million by March 2013
- Disposal of non-core Pharma business in November marked the last stage in the Group's transformation to a focused speciality Polymer business
- Continued strength in Asia and Rest of World, with pro-forma operating profit up 29%
- Europe and North America profitability strongly ahead
- Acquisition of Quality Polymer in October increased our South East Asian dispersions capacity and improved market share
- 70,000 tonne expansion of Nitrile latex plant in Pasir Gudang (Malaysia) now under construction, on stream Q4 2012
- Innovation pipeline continues to underpin our leading market positions

Adrian Whitfield, Chief Executive, comments:

"2011 was a pivotal year in the development of the Yule Catto Group. With the increased scale created by the PolymerLatex acquisition, and the subsequent sale of our Pharma business, Yule Catto has now become a substantial focused speciality Polymer business with a strong and diversified portfolio of products and well invested facilities in Europe and Asia.

"Whilst the general economic environment requires a degree of caution, I am pleased that the business has made a solid start to the year, and the Board remains confident about the prospects for the Group in 2012 and beyond."

14 March 2012

ENQUIRIES:

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RESULTS SUMMARY

As reported

	Underlying performance[a]		IFRS	
	2011 audited £'000	2010 audited £'000	2011 audited £'000	2010 audited £'000
Total sales [b]	1,116,862	582,858	1,116,862	588,547
EBITDA [c]	115,208	60,716	115,208	60,716
Operating profit	96,368	50,435	54,329	59,414
Profit before taxation	84,795	42,595	39,439	54,219
Earnings per share [g]	18.8p	14.5p	9.8p	20.7p
Dividends per share [d]	3.5p	2.6p	3.5p	2.6p
Net borrowings [e]	164,325	63,370	156,129	76,044
Cash generated from operations[f]	80,191	42,228	80,191	42,228
Free cash flow before dividends [h]	36,331	9,825	36,331	9,825

The above table represents the results of Yule Catto & Co plc, its subsidiaries and its share of joint ventures.

Pro-forma

	Underlying performance	
	2011 unaudited £'000	2010 unaudited £'000
Total sales [b]	1,268,845	1,077,694
EBITDA	132,189	120,385
Operating profit	109,650	93,206
Profit before taxation	95,977	76,966

Pro-forma numbers reflect the results of PolymerLatex as though it were under the Group's ownership for the relevant reporting periods, with an estimate of the associated notional finance cost for those periods.

(a) Underlying performance excludes special items as shown on the consolidated income statement.
(b) As defined in the glossary of terms in note 11.
(c) As defined in the glossary of terms in note 11 and reconciled at note 6.
(d) See note 7.
(e) As shown on the consolidated balance sheet on page 17.
(f) As shown within the consolidated cash flow statement on page 18.
(g) As shown on the consolidated income statement on page 13.
(h) As shown within the reconciliation of net cash flow from operating activities on page 19.

Cautionary statement

The purpose of this report is to provide information to the members of the Company. It contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this report and the company undertakes no obligation to update these forward-looking statements. Nothing in this report should be construed as a profit forecast.

Underlying performance

The Group's management uses underlying performance to plan for, control and assess the performance of the Group. Underlying performance differs from the statutory IFRS performance as it excludes the effect of special items, which are defined in note 1. The Board's view is that underlying performance provides more meaningful information for the Group's investors and so it is the primary focus of the Group's narrative reporting. Where appropriate, statutory performance inclusive of special items is also described.

CHAIRMAN'S STATEMENT

Overview

2011 was an exceptional year for Yule Catto. We delivered a very strong set of financial results. Just as importantly though, it marked the end of a process of transformation for the Group from a small diversified chemical business in 2007 through to a much larger focused speciality Polymer business in 2011, with a broad product offering and exposure to high growth markets.

At the end of March, we completed the acquisition of PolymerLatex, effectively doubling the size of our business. Subsequently, in November, we concluded the sale of our Pharmaceutical business, the last non-core asset we needed to divest to complete the transformation process to become a focused speciality Polymer business.

Strategy

Our broad strategy remains unchanged. We are focused on geographic expansion around existing business hubs, further increasing our presence in emerging markets, and in developing market sectors where our technology, new product development and manufacturing capabilities give us a real competitive advantage. Consistent with this strategy we commenced construction of 70,000 tonnes of new nitrile latex capacity in the year in Malaysia, due on line in the fourth quarter of 2012, and completed the acquisition of a small dispersion manufacturer there in late 2011.

Performance

We delivered a very strong set of financial results. The Group reported underlying profit before tax of £84.8 million, an increase of some 100%, and underlying sales were £1,117 million an increase of 92% over 2010. Throughout the year the Board has reviewed the performance of the business on a pro-forma basis, which includes the results of PolymerLatex for 2010 and 2011 in full, with an allowance for the finance cost of the acquisition for the periods we did not actually own the business. On this basis, and excluding the divested Pharma business, the comparisons are more representative, and are very strong with sales of £1,269 million, up 18%, and underlying profit before tax of £96.0 million, up 25%.

Integration progress

When we announced the acquisition of PolymerLatex we committed to deliver hard synergies of at least £20 million from the combination of both polymer businesses. I am pleased to say that, at the end of 2011, only nine months after the acquisition, we had already established a synergy run rate (annualised rate of delivery) of £15 million. The Board now anticipates we will achieve an annual run rate of £25 million by March 2013.

Balance Sheet

The acquisition of PolymerLatex was structured so as to ensure that the enlarged Group had a solid balance sheet, with an estimated ratio of net borrowings to EBITDA at the date of acquisition of just below 2.0. The strong performance during the year, and the divestment of the Pharma business has resulted in net borrowings reducing substantially from the position at the date of acquisition, and our closing net borrowings was £164.3 million. This represents a pro-forma underlying net borrowings to EBITDA of 1.2, which the Board considers to be a prudent leverage position.

Dividend

The Board has recommended a final dividend of 2.3p per share, making a total dividend per share for the full year of 3.5p. This represents growth of 35% on the adjusted full year dividend per share for 2010. Looking ahead, the Board expects to increase the dividend ahead of earnings growth in accordance with the Board's stated intention of pursuing a progressive dividend policy.

Safety, Health and Environment

The Group is absolutely committed to the continuous improvement of its performance in respect of safety, health and the environment. I am pleased that most of the metrics that we measure in this area showed good improvement over the course of the year.

People
The Group's employees, including those who have left as part of the restructuring, have worked extremely hard this year to deliver the transformation of the Group, and the Board thanks them for all their efforts.

Board composition
At the forthcoming AGM, I shall not be seeking re election as Chairman. After eleven years as a Director, the last three being as Chairman, and after the transformational year of 2011, I feel this is the right time for a change. Dr A A Dobbie has also indicated he will not be seeking re-election. He has been a director for five years and Chairman of the Remuneration Committee for the last three. We thank him for his valuable contribution and wish him well in the future.

In January 2012, Dominique Fournier joined the Board as a Non-Executive Director. Dominique has subsequently become potentially conflicted and he decided to step down from the Board on 13th March 2012.

The appointment of three new non-executive directors is well advanced and we expect to make further announcements shortly.

During 2011, we brought Neil Johnson onto the Board as our Senior Independent Non-Executive Director, and I am very pleased he has agreed to succeed me as Chairman.

Current Trading & Outlook
Looking forward, we continue to anticipate several years of low growth in western economies with global growth generally driven by emerging markets, where we have a significant and increasing presence.

Whilst the general economic environment requires a degree of caution, I am pleased that the business has made a solid start to the year. Earnings will benefit from the synergies from the PolymerLatex acquisition coming through over the course of 2012, and the Board remains confident about the prospects for the Group in 2012 and beyond.

PETER WOOD
Chairman
14 March 2012

CHIEF EXECUTIVE'S REPORT

Overview

2011 was a pivotal year in the development of the Yule Catto Group. The acquisition of PolymerLatex was announced in December 2010 and completed at the end of March 2011 when we received the relevant clearances. With the sale of our Pharma business in November 2011, and the increased scale created by the PolymerLatex acquisition, Yule Catto has now become a substantial focused speciality Polymer business, with a strong and diversified portfolio of products, and well invested facilities in Europe and Asia.

As part of the integration the combined Polymer business has adopted the Synthomer brand name, and we now operate all of our Polymer operations around the world under this well recognised and respected name.

The integration process between PolymerLatex and Synthomer started in April following completion of the acquisition. This has been an intense process covering all operating regions. In Europe this has so far resulted in the closure of the Mouscron site in Belgium and the exit from Latex production in Stallingborough in the UK. In addition to this manufacturing network rationalisation there have been significant changes to the Commercial and Technical organisations with the closure of Synthomer's technical service and research laboratories in Frankfurt, Germany and Dispersion research laboratories in Harlow, UK. Every effort has been made to retain core skills and fill defined vacancies as a result of these changes. During the year some 200 people left the business as a result of these changes. The resulting savings will be mainly seen in 2012.

In Asia the operations of Synthomer in Kluang and PolymerLatex in Pasir Gudang have also been brought under one management structure. In R&D the implementation of a combined innovation process is well underway with the very clear aim of pursuing strong market needs, fast speed to market and delivering added value to our customers.

The integration process absorbed a lot of management effort in 2011. Clearly much of the focus was on delivering the synergies we committed to on launching the acquisition. However, and just as importantly, it has been about building a strengthened management team and greater capability throughout the organisation. Overall this process has been very successful. In parallel with the integration process, we have remained very focused on driving performance, where we have seen very good results, with Group pro-forma operating profit of £109.7 million, 18% ahead of 2010.

When we announced the acquisition of PolymerLatex we anticipated at least £20 million of annual synergies. As at the end of December 2011 the annualised run rate from synergies stood at £15 million. We now anticipate that by the end of March 2013 the annual run rate of synergies will be £25 million. This should result in a benefit to operating profit in 2012 of some £15 million compared to 2011.

The macroeconomic environment deteriorated over the course of 2011 as the sovereign debt crisis developed. End market demand for our products was generally good through the first half of the year, with volumes ahead 3%, with European volumes broadly flat but strong growth in Asia. The second half however saw significant destocking. This arose from a combination of the macroeconomic uncertainties and customers delaying orders to take full advantage of the benefits of falling input costs. This was most noticeable in the fourth quarter, where demand was down by some 13%. This was a similar pattern to what we saw in 2009 and, as then, margin management generally compensated for the volume shortfall, resulting in our strong overall financial performance.

Raw material price volatility in basic monomers created difficulties through the year, which the business worked hard to overcome. Most monomer prices moved up strongly during the first half of the year and this, combined with a tight supply situation created a challenging environment for the business. Raw material prices fell sharply in the fourth quarter, creating different challenges as customers destocked. Throughout this volatile period, the business' priority has remained on ensuring a balanced approach to margin and volume with a continued focus on value delivery, which was broadly successful.

We manage the business in two segments. 'Europe and North America' and 'Asia and Rest of World'. The reported results are on an 'origination basis', meaning the segmental sales and operating profits are reported based on where the product is manufactured. We export many speciality products from Europe to Asia. Looking at sales on a destination basis, Europe and North America comprises 63% of Group turnover with Asia and ROW accounting for 37%.

Europe & North America (ENA)

Underlying – as reported*	**2011**	**2010**
Sales (£'m)	777.7	335.8
Operating Profit (£'m)	73.1	36.4
Underlying – pro-forma**		
Sales (£'m)	913.0	779.9
Operating Profit (£'m)	85.5	77.6

* Underlying performance excludes special items as shown on the consolidated income statement.
** reconciliation of underlying performance to pro-forma results provided in the financial review

Pro-forma operating profit in our ENA business was ahead by 10%.

Volumes for the year were down, affected by the destocking activity we saw over the second half of 2011. The destocking was broad based with volumes down across almost all segments. Our focus on margin management and benefits from our innovation pipeline ensured that overall profitability still increased substantially.

Alongside the plant closures in Europe we are investing in our Stallingborough Dispersions facility to raise the overall capability of the site. During the year we made some modest increases to our HSSBR capacity by debottlenecking. These changes have created a much more capable, robust manufacturing network in Europe.

Some £3 million of synergy benefits from cost reductions came through in the Group results for the year, and these are almost entirely reflected in the ENA segment.

The coming together of PolymerLatex and Yule Catto's R&D activities has created a stronger R&D capability in Europe. We now have a broad portfolio of projects primarily focused on commercially driven projects to develop technically leading products in both key growth segments and traditional business segments where our strong market positions can be maintained. The development programme has led to new product launches in a number of segments during the year including speciality adhesives, construction, paper coating and synthetic grass applications.

Asia and Rest of World (ARW)

Underlying – as reported*	**2011**	**2010**
Sales (£'m)	339.1	247.0
Operating Profit (£'m)	32.1	23.9
Underlying – pro-forma**		
Sales (£'m)	355.8	297.8
Operating Profit (£'m)	33.0	25.5

* Underlying performance excludes special items as shown on the consolidated income statement.
** reconciliation of underlying performance to pro-forma results provided in the financial review

Pro-forma operating profit in our ARW segment was ahead by 29%.

Manufactured volumes in ARW were 9% up at the half year, but destocking, particularly in Nitrile, resulted in full year volumes showing no growth.

In order to maintain leadership in the fast growing Synthetic Glove market a 70,000 tonne nitrile latex expansion to the Pasir Gudang plant was sanctioned during the year and is now under construction. The new capacity will come on stream in Q4 2012. This expansion will also be structured to allow SBR production, and we are aiming to build a growing presence in Asia in SBR, leveraging our leading technology, over the coming years. This was one of the strategic objectives we set ourselves at the time of the PolymerLatex acquisition, taking advantage of our greater financial flexibility and scale.

Our Dispersions facilities in Asia operated near capacity through most of 2011. In October we completed the acquisition of Quality Polymer, a Malaysian Dispersions manufacturer owned by one of our major customers. This has resolved our near term Dispersion capacity issue in the region, whilst improving our market share in Malaysia.

In Asia, the integration of the R&D activities has been focused on optimising the combined range of NBR latex to ensure the best and most comprehensive of offerings to our customers for glove dipping applications and also on improvements in product consistency and quality to deliver improved operational efficiencies. In parallel, to support the changing needs of the market and drive sustained growth in the region, extensive research and applications work is ongoing to develop the next generation of latices. This development work is focused on improving the strength and feel of gloves, whilst maintaining the key barrier and chemical resistance properties of the latex.

ADRIAN WHITFIELD
Chief Executive
14 March 2012

FINANCIAL REVIEW

Profit and Loss account

The acquisition of PolymerLatex substantially changed the size of the Group. The acquisition was completed on 31 March 2011 after competition clearance was received. To allow a meaningful comparison of the results for 2011, the table below shows pro-forma results by adjusting the underlying performance of the Group to include the underlying results of PolymerLatex for 2010 and 2011, and to allow for an estimated interest cost of £2.1 million per quarter for the periods that the business was not actually owned. The underlying pro-forma results provide the most meaningful comparison of year on year performance.

	2011				2010		
		PolymerLatex				PolymerLatex	
	Underlying	Q1 2011	Pro-forma		Underlying	Full year 2010	Pro-forma
	£'m	£'m	£'m		£'m	£'m	£'m
Sales	1,116.8	152.0	1,268.8		582.8	494.9	1,077.7
Operating Profit	96.4	13.3	109.7		50.4	42.8	93.2
Profit Before Tax	84.8	11.2	96.0		42.6	34.4	77.0
Europe and North America							
Sales	777.7	135.3	913.0		335.8	444.1	779.9
Operating Profit	73.1	12.4	85.5		36.4	41.2	77.6
Asia and ROW							
Sales	339.1	16.7	355.8		247.0	50.8	297.8
Operating Profit	32.1	0.9	33.0		23.9	1.6	25.5
Unallocated Operating Profit	(8.8)	0.0	(8.8)		(9.9)	0.0	(9.9)

Sales, Operating Profit and Profit Before Tax - Underlying Pro-forma

Total sales increased by 18% to £1,269 million. Volumes for the year were 3% lower and the increase in sales value was driven in the main by the recovery of monomer price increases. Translation increased turnover by 1%.

Underlying pro-forma operating profit of £109.7 million was ahead by 18%, with strong profit growth in both segments.

Had PolymerLatex been bought on the 1 January 2011 then it is estimated that the finance costs for the year would have been some £2.1 million higher, resulting in a pro-forma underlying profit before tax for the Group of £96.0 million, an increase of 25% on the equivalent result, calculated on the same pro-forma basis in 2010.

Sales, Operating Profit and Profit Before Tax - Underlying Non Pro-forma

Total sales increased by 92% to £1,117 million, whilst Group operating profit increased by 91% mainly due to the PolymerLatex acquisition. Finance costs increased due to higher borrowings for the acquisition, partly mitigated by the beneficial impact of the repayment of some high coupon fixed rate debt in September 2010. As a result, profit before tax increased by 99% to £84.8 million.

Tax and EPS

The underlying tax rate of 23% (2010 20%), was low reflecting the benefits of pioneer status (extended tax holiday) on our nitrile investments in Malaysia, and a zero rate in the UK as a result of losses after deduction of the contributions to the UK pension scheme. The overall rate, whilst low, has increased, as a result of the PolymerLatex acquisition as much of the acquired business' profits are made in Germany, which has an overall corporate rate of the order of 32%.

Profit attributable to minority interests was £1.6 million (2010 £1.3 million).

As a result, overall underlying earnings per share for 2011 was 18.8p per share, compared to a 14.5p per share for 2010, as adjusted to reflect the rights issue in December 2010. This is an increase in underlying earnings per share of 30%. On a pro-forma basis, including the first quarter's results of PolymerLatex, EPS would have been 21.1p, an increase of 46%.

Dividend

The Group committed to a minimum dividend per share of 3.0 pence for 2011, at the time of the interim announcement with an interim dividend of 1.2p. The Board has recommended a higher full year dividend of 3.5p and therefore a final dividend of 2.3p per share is recommended, payable on 6 July 2012 to shareholders on the register on 8 June 2012.

Special Items and IFRS

The Group reports its financial results according to International Financial Reporting Standards (IFRS). However, to provide a clearer indication of the Group's underlying performance, a number of special items are split out and shown in a separate column of the consolidated income statement due to their one off or non-economic nature, and are excluded from the comments on underlying performance above and throughout the Chief Executive's review of business performance. Special items comprise:

Restructuring costs associated with delivering the synergy targets for the PolymerLatex acquisition. At the time of the acquisition the Group announced an estimated total cash expenditure of £20 million to deliver these synergies of which £15.8 million was incurred in 2011. Some £4.4 million of non cash asset write downs have also been expensed as a result of the plant closures giving a total expense of £20.2 million.

Acquisition costs relating mainly to the purchase of PolymerLatex of £1.4 million charged in the year.

Various cross currency and interest rate swaps for hedging purposes, which involve maturities of up to five years. IFRS requires that where the strict requirements of IAS 39 are not met, changes in the market value should be recognised annually in the income statement. However, such financial instruments are maintained by the Group for the length of the contract and over their lifetime have a fair value of nil. Hence the notional annual adjustment, a loss of £0.9 million (2010 gain £2.6 million) is segregated from the underlying performance. During the year the Group also settled the mark to market position on a number of interest rate swaps acquired with the former PolymerLatex business. The associated charge to special items was £2.4 million.

Amortisation of intangibles of £20.4 million (comprising £19.1 million in the company and subsidiaries and £1.3 million in share of joint ventures). IFRS acquisition accounting requires an explicit number to be placed on certain intangibles and amortised through the consolidated income statement, with the balance of the excess of the purchase price over the physical assets being carried as goodwill, which is subject to annual impairment testing. The amortisation expense arising from this in 2011 represents nine month's amortisation, and has been treated as a special item and will continue to be so as the associated intangible assets are amortised down to zero.

Tax credits of £15 million of which £7.5 million related to historic issues that were closed during 2011, £5.1 million was in respect of the release of deferred tax associated with the amortisation of acquired intangibles and £2.4 million represented the tax relief from restructuring and site closure costs incurred during the year.

On an IFRS reported basis, Group revenue increased by 86% to £1,059 million, reflecting the effect of the PolymerLatex acquisition, and profit before tax declined to £39.4 million (2010 £54.2 million). Whilst underlying profit before tax doubled with the PolymerLatex acquisition, the IFRS results include the special items above. A loss from discontinued operations of £40.3 million was recorded in the year which principally represents the impairment of the non-core Pharma business offset by £4.1 million of operating profits prior to sale.

Balance sheet

Goodwill increased to £244.7 million at the end of 2011 from £124.0 million at the end of 2010. £164.2 million was recognised on acquisition of the PolymerLatex Group during the year, offset by a recognised impairment on the non-core Pharma business of £36.9 million at 30 June 2011, prior to its disposal on 30 November 2011. Currency translation reduced goodwill by £6.6 million.

Acquired intangible assets increased to £165.4 million at 31 December 2011 from £nil in the prior year. Acquired intangibles of £191.2 million were recognised as a result of the acquisition of the PolymerLatex Group and Quality Polymers Sdn Bhd, relating to customer relationships and technology. These additions were offset by amortisation charges of £19.1 million and currency translation adjustments of £6.7 million.

Property, plant and equipment (PPE) was £183.6 million at 31 December 2011 compared to £102.6 million at 31 December 2010. Additions during the year comprised £25.5 million of capital expenditure and £120.4 million due to acquisitions. £31.8 million of the acquired asset value resulted from fair value adjustments. These additions were offset by depreciation, exchange adjustments and an impairment on the Pharma assets prior to sale.

Deferred tax liability has increased from £6.7 million to £61.4 million during the year. The primary driver of this movement is due to the recognition of deferred tax liabilities on the recognised intangible assets and PPE fair value uplifts.

Pensions

In the main UK defined benefit pension scheme the majority of investments are in equities. Equities were little changed over the course of 2011. The yield on high-quality corporate bonds decreased substantially (0.6%) during the year, which increased liabilities. The company made cash contributions to the fund in the year of £12.6 million. The overall effect of these changes was that there was an increase in the accounting deficit of the scheme, which stood at £73.9 million at the end of 2011 (2010 £56.5 million).

The UK scheme was closed to future accrual during 2009 and there are no active members in the scheme.

Overseas net pension liabilities increased to £44.1 million (2010 £9.5 million) reflecting the inclusion of liabilities in the PolymerLatex Germany scheme of some £34.5 million The PolymerLatex scheme is a traditional German unfunded “on balance sheet” arrangement.

Borrowings, cash flow and liquidity

The following cash flow is in the format used by management and it provides a clearer presentation of the movements in underlying net borrowings than the IFRS statement:

	2011 audited £'m	2010 audited £m
Underlying operating profit (before joint ventures)	91.5	47.5
Operating profit from discontinued operations	4.1	4.4
Movement in working capital	(5.0)	(10.7)
Depreciation and amortisation (underlying)*	22.8	14.6
Capital expenditure (net)	(21.9)	(10.5)
Interest paid (net)	(15.2)	(9.2)
Tax paid	(19.9)	(8.7)
Pension funding in excess of IAS 19 charge	(10.9)	(12.2)
Minority interest and joint venture cash flows	6.3	(3.8)
Operating cash flow	51.8	11.4
Cash impact of restructuring and termination of businesses	(6.2)	(1.4)
Acquisitions & disposals (net)	(362.0)	15.7
Acquisition costs	(4.4)	(1.2)
Dividends paid	(8.5)	(2.9)
Net proceeds on issue of shares	216.9	-
Exchange/other	11.5	3.1
Movement in underlying borrowings	(100.9)	24.7
Closing underlying net borrowings	164.3	63.4

*includes £4.0 million of depreciation from the discontinued Pharma business in 2011 (2010 £4.3 million).

Underlying net borrowings increased significantly during the year to £164.3 million with the additional leverage for the PolymerLatex acquisition.

Group pro-forma EBITDA increased substantially to £132.2 million reflecting the PolymerLatex acquisition.

Capital expenditure increased substantially in 2011 to £24.2 million (£21.9 million net of proceeds from asset disposals). This reflects the increased scale of the Group.

Underlying working capital outflow for the year was an outflow of £5.0 million (IFRS basis £14.8 million). After a substantial outflow in the first half of 2011, the position mainly reversed on the back of lower input costs and volumes over the second half of the year. Control of working capital is a core focus of the business management.

Cash spend on acquisitions comprised the £386.1 million we spent on PolymerLatex (of which £216.9 million was funded from the rights issue) and £10.1 million spent on Quality Polymer, the Malaysian dispersion business purchased in October. Divestment proceeds of £34.2 million were received for the sale of the Pharma business (comprising £28.5 million in cash and £5.7 million deferred consideration).

Whilst net borrowings overall increased to £164.3 million, this closing position represents a reduction of over £70 million from the position at the date of the PolymerLatex acquisition.

Financing and liquidity

As at the year end the Group had US private placement debt (net of derivatives) of £75 million, and £14 million in a 4 year amortising loan in Malaysian ringgit. In December 2010 the Group agreed a new three year £210 million loan facility (comprising a term loan of £150 million, and an undrawn revolving facility of £60 million) for the acquisition of PolymerLatex. This loan facility had an original maturity of December 2013, but during 2011 this date was extended to March 2015. In aggregate this amounts to £299 million of term debt at the end of year of which £239 million was borrowed.

Alongside the undrawn £60 million loan facility, the Group had £86 million of cash in hand. Repayments due in 2012 under loan arrangements comprise £24 million (net of derivatives) of US private placements and £4 million under the Malaysian loan facility.

In arriving at the Group's net borrowings, some £20.9 million of non recourse off balance sheet factoring has been added back. Excluding this adjustment net borrowings would have been £143.4 million.

Underlying pro-forma net borrowings to EBITDA, the Group's key leverage metric, was 1.2 at the end of 2011.

DAVID BLACKWOOD
Finance Director
14 March 2012

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 Underlying performance	2011 Special items	2011 IFRS	2010 Underlying performance	2010 Special items	2010 IFRS
		audited	audited	audited	audited	audited	audited
		£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations							
Group revenue		1,059,438	-	1,059,438	563,832	5,689	569,521
Share of joint ventures' revenue		57,424	-	57,424	19,026	-	19,026
Total sales	2	1,116,862	-	1,116,862	582,858	5,689	588,547
Group revenue		1,059,438	-	1,059,438	563,832	5,689	569,521
Company and subsidiaries before special items		91,549	-	91,549	47,501	-	47,501
Restructuring and site closure		-	(20,230)	(20,230)	-	-	-
Acquisition costs		-	(1,427)	(1,427)	-	(4,182)	(4,182)
Amortisation of acquired intangibles		-	(19,096)	(19,096)	-	-	-
Operations sold or closed during the year		-	-	-	-	13,161	13,161
Company and subsidiaries		91,549	(40,753)	50,796	47,501	8,979	56,480
Share of joint ventures		4,819	(1,286)	3,533	2,934	-	2,934
Operating profit / (loss)	2	96,368	(42,039)	54,329	50,435	8,979	59,414
Interest payable		(12,312)	-	(12,312)	(8,266)	-	(8,266)
Interest receivable		739	-	739	426	-	426
		(11,573)	-	(11,573)	(7,840)	-	(7,840)
Fair value adjustment		-	(3,317)	(3,317)	-	2,645	2,645
Finance costs	4	(11,573)	(3,317)	(14,890)	(7,840)	2,645	(5,195)
Profit / (loss) before taxation		84,795	(45,356)	39,439	42,595	11,624	54,219
Taxation		(19,438)	14,955	(4,483)	(8,432)	6,558	(1,874)
Profit / (loss) for the year from continuing operations		65,357	(30,401)	34,956	34,163	18,182	52,345
Discontinued operations							
(Loss)/profit for the year from discontinued operations		-	(40,257)	(40,257)	-	2,929	2,929
Profit / (loss) for the year		65,357	(70,658)	(5,301)	34,163	21,111	55,274
Profit attributable to minority interests		1,645	-	1,645	1,300	4,236	5,536
Profit / (loss) attributable to equity holders of the parent		63,712	(70,658)	(6,946)	32,863	16,875	49,738
		65,357	(70,658)	(5,301)	34,163	21,111	55,274
Earnings / (loss) per share							
From continuing operations							
Basic		18.8p	(9.0)p	9.8p	14.5p	6.2p	20.7p
Diluted		18.4p	(8.8)p	9.6p	14.1p	6.0p	20.1p
From continuing and discontinued operations							
Basic		18.8p	(20.8)p	(2.0)p	14.5p	7.5p	22.0p
Diluted		18.4p	(20.4)p	(2.0)p	14.1p	7.3p	21.4p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	2011			2010		
	Equity holders of the parent	**Minority interests**	**Total**	**Equity holders of the parent**	**Minority interests**	**Total**
	audited	audited	audited	audited	audited	audited
	£'000	£'000	£'000	£'000	£'000	£'000
Profit for the period	(6,946)	1,645	(5,301)	49,738	5,536	55,274
Actuarial gains and losses	(33,959)	-	(33,959)	76	-	76
(Losses)/gains on cash flow hedges arising during the period	(7,344)	-	(7,344)	4,495	-	4,495
Exchange differences on translation of foreign operations	(4,402)	(202)	(4,604)	6,030	649	6,679
Gains on a hedge of a net investment taken to equity	509	-	509	1,732	-	1,732
Tax relating to components of other comprehensive income	1,295	-	1,295	300	-	300
Other comprehensive income for the period	(43,901)	(202)	(44,103)	12,633	649	13,282
Total comprehensive income for the period	(50,847)	1,443	(49,404)	62,371	6,185	68,556

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital redemption reserve	Own shares	Hedging and translation reserve	Cash flow hedging reserve
	audited	audited	audited	audited	audited	audited
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2011	14,566	33,034	949	-	6,828	4,495
(Loss) /profit for the year	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	(3,893)	(7,344)
Total comprehensive income for the period	-	-	-	-	(3,893)	(7,344)
Dividends paid	-	-	-	-	-	-
Investment by minority interest	-	-	-	-	-	-
Issue of share capital	19,422	205,871	-	-	-	-
Expenses on issue of shares	-	(8,371)	-	-	-	-
Shares purchased by ESOP trust	-	-	-	659	-	-
Share-based payments	-	-	-	(659)	-	-
At 31 December 2011	33,988	230,534	949	-	2,935	(2,849)

	Retained earnings	Total	Minority interest	Total equity
	audited	audited	audited	audited
	£'000	£'000	£'000	£'000
At 1 January 2011	46,444	106,316	6,249	112,565
(Loss)/profit for the year	(6,946)	(6,946)	1,645	(5,301)
Other comprehensive income for the period	(32,664)	(43,901)	(202)	(44,103)
Total comprehensive income for the period	(39,610)	(50,847)	1,443	(49,404)
Dividends paid	(8,489)	(8,489)	-	(8,489)
Investment by minority interest	-	-	2,920	2,920
Issue of share capital	-	225,293	-	225,293
Expenses on issue of shares	-	(8,371)	-	(8,371)
Shares purchased by ESOP trust	-	659	-	659
Share-based payments	609	(50)	-	(50)
At 31 December 2011	(1,046)	264,511	10,612	275,123

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

	Share capital	Share premium	Capital redemption reserve	Own shares	Hedging and translation reserve	Cash flow hedging reserve
	audited	audited	audited	audited	audited	audited
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	14,566	33,034	949	-	(934)	-
Profit for the year	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	7,762	4,495
Total comprehensive income for the period	-	-	-	-	7,762	4,495
Dividends paid	-	-	-	-	-	-
Investment by minority interest	-	-	-	-	-	-
Divestment by minority interest	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
At 31 December 2010	14,566	33,034	949	-	6,828	4,495

	Retained earnings	Total	Minority interest	Total equity
	audited	audited	audited	audited
	£'000	£'000	£'000	£'000
At 1 January 2010	19	47,634	6,903	54,537
Profit for the year	49,738	49,738	5,536	55,274
Other comprehensive income for the period	376	12,633	649	13,282
Total comprehensive income for the period	50,114	62,371	6,185	68,556
Dividends paid	(2,913)	(2,913)	(6,585)	(9,498)
Investment by minority interest	-	-	130	130
Divestment by minority interest	-	-	(384)	(384)
Share-based payments	(776)	(776)	-	(776)
At 31 December 2010	46,444	106,316	6,249	112,565

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011

	2011	2010
	audited	audited
	£'000	£'000
Non-current assets		
Goodwill	244,690	124,027
Acquired intangible assets	165,366	-
Other intangible assets	863	363
Property, plant and equipment	183,599	102,568
Financial asset	5,589	-
Deferred tax assets	1,116	161
Investment in joint ventures	14,325	3,716
	615,548	230,835
Current assets		
Inventories	73,825	65,379
Trade and other receivables	146,692	111,285
Cash and cash equivalents	85,922	36,211
Derivatives at fair value	17,368	22,765
Total current assets	323,807	235,640
Current liabilities		
Borrowings	(31,739)	(9,876)
Trade and other payables	(193,630)	(140,079)
Current tax liability	(37,864)	(28,763)
Derivatives at fair value	(5,628)	-
Total current liabilities	(268,861)	(178,718)
Non-current liabilities		
Borrowings	(215,901)	(102,379)
Trade and other payables	(181)	(144)
Deferred tax liability	(61,379)	(6,672)
Post retirement benefit obligations	(117,910)	(65,997)
	(395,371)	(175,192)
Net assets	275,123	112,565
Equity		
Called up share capital	33,988	14,566
Share premium	230,534	33,034
Capital redemption reserve	949	949
Hedging and translation reserve	2,935	6,828
Cash flow hedging reserve	(2,849)	4,495
Retained earnings	(1,046)	46,444
Equity attributable to equity holders of the parent	264,511	106,316
Minority interests	10,612	6,249
Total equity	275,123	112,565
Analysis of net borrowing		
Cash and cash equivalents	85,922	36,211
Current borrowings	(31,739)	(9,876)
Financial asset	5,589	-
Non-current borrowings	(215,901)	(102,379)
Net borrowings	(156,129)	(76,044)
Special item: deduct fair value adjustment*	12,759	12,674
Special item: add non-recourse factoring	(20,955)	-
Net borrowings (underlying performance)	(164,325)	(63,370)

*currency element of derivatives associated with US dollar private placement debt

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2012.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	2011		2010	
	audited £'000	audited £'000	audited £'000	audited £'000
Operating				
Cash generated from operations		80,191		42,228
Interest received	739		426	
Interest paid	(15,954)		(9,630)	
Net interest paid		(15,215)		(9,204)
UK corporation tax paid	(52)		(39)	
Overseas corporate tax paid	(19,878)		(8,693)	
Total tax paid		(19,930)		(8,732)
Net cash inflow from operating activities		45,046		24,292
Investing				
Dividends received from joint ventures		3,399		2,667
Purchase of property, plant and equipment	(24,248)		(10,592)	
Sale of property, plant and equipment	2,327		43	
Net capital expenditure and financial investment		(21,921)		(10,549)
Purchase of businesses	(365,379)		(371)	
Sale of businesses	28,460		16,075	
Net cash impact of acquisitions and disposals		(336,919)		15,704
Net cash (outflow) / inflow from investing activities		(355,441)		7,822
Financing				
Equity dividends paid		(8,489)		(2,913)
Dividends paid to minority interests		-		(6,585)
Investment by minority shareholder		2,920		130
Proceeds on issue of shares		225,293		-
Expenses on issue of shares		(8,371)		-
Purchase of own shares		(659)		-
Repayment of borrowings		(4,340)		(35,978)
Proceeds of non-current borrowings		154,100		-
Net cash inflow / (outflow) from financing activities		360,454		(45,346)
Increase / (decrease) in cash and bank overdrafts during the year		50,059		(13,232)
Comprised of:				
Cash and cash equivalents		42,208		(10,657)
Bank overdrafts		7,851		(2,575)
		50,059		(13,232)

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO MOVEMENT IN NET BORROWINGS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	audited	audited
	£'000	£'000
Net cash inflow from operating activities	45,046	24,292
Add back: reduction in factored invoices	9,807	-
Add back: dividends received from joint ventures	3,399	2,667
Less: net capital expenditure and financial investment	(21,921)	(10,549)
Less: dividends paid to minority interests	-	(6,585)
Free cash flow before dividends	36,331	9,825
Net cash impact of acquisitions (underlying)	(396,141)	(371)
Net cash impact of disposals (underlying)	34,178	16,075
Investment by minority shareholder	2,920	130
Proceeds on issue of shares	225,293	-
Expenses on issue of shares	(8,371)	-
Purchase of own shares	(659)	-
Equity dividends paid	(8,489)	(2,913)
Exchange movements	13,983	1,922
Movement in net borrowings (underlying performance)	(100,955)	24,668

1 Special items

The special items disclosed are made up as follows:

		Note	2011 audited £'000	2010 audited £'000
Continuing operations				
Total sales				
Revenue of operations sold or closed during the year			-	5,689
Operating profit / (loss)				
Operating profit of operations sold or closed during the year			-	890
Restructuring and site closure	Cash costs		(15,792)	-
	Non cash costs		(4,438)	
Acquisition costs			(1,427)	(4,182)
Amortisation of acquired intangibles	Subsidiaries		(19,096)	-
	Share of Joint ventures		(1,286)	-
Profit arising from the sale or closure of operations		3	-	12,271
			(42,039)	8,979
Finance costs				
Fair value adjustment		4	(3,317)	2,645
(Loss) / profit before taxation from continuing operations			(45,356)	11,624
Taxation			14,955	6,558
(Loss) / profit for the year from continuing operations			(30,401)	18,182

The restructuring and site closure costs charged to the consolidated income statement above are in respect of post acquisition activities to integrate the former PolymerLatex business with that of the existing Group. 'Cash costs' represent those charges which have or will be defrayed in the form of cash settlements to third parties. At 31 December 2011 £5,801,000 of these costs have been physically paid to third parties. 'Non cash costs' represent charges for the write off of specific fixed assets and stocks held on sites which are being closed as part of the integration exercise.

	Note	2011	2010
Discontinued operations			
Total sales			
Revenue of operations sold or closed during the year		63,115	62,933
Operating profit of discontinued operations			
Operating profit of operations sold or closed during the year		4,124	4,450
Impairment of goodwill		(36,885)	-
Impairment of fixed assets prior to sale of operation		(5,620)	-
Loss arising from the sale or closure of operations	3	(813)	(858)
		(39,194)	3,592
Taxation			
Taxation on operating profit of operations sold or closed during the year		(1,063)	(663)
(Loss) / profit for the year from discontinued operations		(40,257)	2,929

The amounts included in discontinued operations above are in respect of the Group's Pharma business which was sold during 2011 (see note 8).

The (loss)/profit for the year from discontinued operations is attributable solely to equity holders of the parent.

2 Segmental analysis

Following the acquisition of PolymerLatex the Group revised its reporting to the Executive Committee for the purposes of resource allocation and assessment of segment performance. It now reports under three revised reportable segments under IFRS8, being Polymer Chemicals Europe & North America, Polymer Chemicals Asia & Rest of World, and Pharma Chemicals. As noted in the Chief Executive's report the Group disposed of its Pharma Chemicals business in the second half of 2011 and now recognises this as a discontinued activity.

	2011			2010		
	Underlying performance audited £'000	**Special items** audited £'000	**IFRS** audited £'000	**Underlying performance** audited £'000	**Special items** audited £'000	**IFRS** audited £'000
Total sales by activity						
Polymer Chemicals – Europe and North America						
Subsidiaries	743,534	-	743,534	335,807	-	335,807
Share of Joint ventures	34,196	-	34,196	-	-	-
	777,730	-	777,730	335,807	-	335,807
Polymer Chemicals – Asia and Rest of World						
Subsidiaries	315,904	-	315,904	228,025	5,689	233,714
Share of Joint ventures	23,228	-	23,228	19,026	-	19,026
	339,132	-	339,132	247,051	5,689	252,740
Total sales	1,116,862	-	1,116,862	582,858	5,689	588,547
Operating profit by activity						
Polymer Chemicals – Europe and North America						
Subsidiaries	70,649	(35,495)	35,154	36,408	-	36,408
Share of Joint ventures	2,498	(1,286)	1,212	-	-	-
	73,147	(36,781)	36,366	36,408	-	36,408
Polymer Chemicals – Asia and Rest of World						
Subsidiaries	29,788	(3,831)	25,957	20,941	13,161	34,102
Share of Joint ventures	2,321	-	2,321	2,934	-	2,934
	32,109	(3,831)	28,278	23,875	13,161	37,036
Divisional operating profit	105,256	(40,612)	64,644	60,283	13,161	73,444
Unallocated corporate expenses	(8,888)	(1,427)	(10,315)	(9,848)	(4,182)	(14,030)
Operating profit/(loss)	96,368	(42,039)	54,329	50,435	8,979	59,414

	2011 audited £'000	**2010** audited £'000
Total sales by destination		
Western Europe	609,166	248,283
Eastern Europe	35,952	23,311
North America	38,827	28,433
Asia	317,481	214,256
Africa and Middle East	95,816	64,537
Rest of World	19,620	9,727
	1,116,862	588,547

3 (Loss) / profit arising from the sale or closure of an operation

	2011 audited £'000	2010 audited £'000
Continuing operations		
Sale of Revertex Finewaters Sdn Bhd	-	12,271
	-	12,271
Discontinued operations		
Closure of Uquifa's Italian manufacturing site	(355)	(858)
Sale of Uquifa Pharma Business	(458)	-
	(813)	(858)

4 Finance costs

	2011 audited £'000	2010 audited £'000
Interest payable on bank loans and overdrafts	9,230	5,251
Interest payable on other loans	3,082	3,015
	12,312	8,266
Less: interest receivable	(739)	(426)
Net interest payable	11,573	7,840
Fair value adjustment	3,317	(2,645)
Total finance costs	14,890	5,195

The fair value adjustment is the mark to market adjustment in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied.

5 Reconciliation of operating profit to cash generated from operations

		2011	2010
		audited	audited
		£'000	£'000
Operating profit – continuing operations		54,329	59,414
Operating profit - discontinued operations		4,124	4,450
Less: share of profits of joint ventures		(3,533)	(2,934)
		54,920	60,930
Adjustments for:			
Depreciation (underlying)		22,373	14,315
Amortisation (underlying)		468	303
Amortisation: Special items		19,096	-
Profit arising from the sale or closure of operations		-	(12,271)
Restructuring and site closure	Cash costs	15,792	-
	Non cash costs	4,438	-
Share-based payments		1,269	333
Acquisition costs expensed in the period		1,427	4,182
Profit on sale of fixed assets		(196)	(36)
Acquisition costs cash spent in the period		(4,421)	(1,188)
Termination of interest swap acquired		(3,026)	-
Cash impact of restructuring and site closure		(5,801)	-
Cash impact of termination of discontinued operations		(422)	(1,445)
Pension funding in excess of IAS 19 charge		(10,933)	(12,191)
Decrease /(increase) in inventories		7,320	(8,362)
Increase in trade and other receivables		(8,481)	(14,210)
(Decrease)/increase in trade and other payables		(13,632)	11,868
Cash generated from operations		80,191	42,228

Reconciliation of movement in working capital

	2011	2010
Decrease/(increase) in inventories	7,320	(8,362)
Increase in trade and other receivables	(8,481)	(14,210)
(Decrease)/increase in trade and other payables	(13,632)	11,868
Movement in working capital	(14,793)	(10,704)
Add back: reduction in factored invoices	9,807	-
Movement in working capital (underlying)	(4,986)	(10,704)

6 Reconciliation of EBITDA

		2011		2010	
		Underlying audited £'000	**IFRS** audited £'000	**Underlying** audited £'000	**IFRS** audited £'000
Operating profit		96,368	54,329	50,435	59,414
Less: Profit arising from the sale or closure of operations		-	-	-	(12,271)
Less: Operating profit of businesses sold or closed during the year		-	-	-	(890)
Add: Acquisition costs		-	1,427	-	4,182
Add: Restructuring and site closure	Cash costs	-	15,792	-	-
	Non cash costs	-	4,438	-	-
Add back: amortisation (underlying)		468	468	303	303
Add back: amortisation (special items)		-	20,382	-	-
Add back: depreciation (underlying)		18,372	18,372	9,978	9,978
EBITDA		115,208	115,208	60,716	60,716

7 Dividends

	2011		2010	
	Pence per share audited	£'000	Pence per share audited	£'000
Interim dividend	1.2	4,075	1.3	2,913
Proposed final dividend	2.3	7,817	1.3	4,414

8 Disposal of subsidiaries

The Group disposed of the following interest in Group companies in 2011:

Company name	Date of sale	Purchaser	Division	Sale type
Union Quimico Farmaceutica S.A.	30 November 2011	Third party trade	Pharma Chemicals	Share
Holliday International Limited	30 November 2011	Third party trade	Pharma Chemicals	Share
Uquifa Mexico S.A. de C.V.	30 November 2011	Third party trade	Pharma Chemicals	Share

The consolidated net assets of the companies at the date of disposal were as follows:

	£'000
Property, plant and equipment	24,070
Other intangibles	109
Inventories	13,582
Trade receivables	15,776
Net cash	388
Deferred tax liability	(3,332)
Current tax liability	(639)
Trade payables	(14,930)
	35,024
Loss on disposal	(458)
Total consideration	34,566
Satisfied by:	
Cash (net of disposal costs)	28,848
Financial asset	5,718
	34,566
Cash flow:	
Cash consideration	28,848
Cash disposed	(388)
Net cash inflow arising on disposal	28,460
Deferred consideration in form of financial asset	5,718
Net cash inflow arising on disposal (underlying)	34,178

The financial asset will be settled in cash by the buyer on or before 30 September 2014, and is subject to a bank guarantee from HSBC Bank Plc in favour of Yule Catto & Co plc.

In view of the security held, the Directors consider this deferred consideration virtually certain to be received and have therefore recognised it as a Non-Current Financial Asset, and within the Group's definition of Net Borrowings.

The amount of £5,589,000 included in Non-current assets at 31 December 2011 represents the agreed amount of $10,000,000 discounted at the rate of 5% per annum from 30 September 2014 to date of completion, plus an appropriate amount unwound on this discounting in the period up to the end of the year.

The impact of this disposal on the Group's results in the current period and prior periods is disclosed in note 1.

During the year the Pharma business contributed £6,548,000 to the Group's net operating cashflows and paid £4,276,000 in respect of investing activities.

9 Acquisition of subsidiaries

The Group acquired the following subsidiary companies during the year ended 31 December 2011:

PolymerLatex Group

The Group acquired 100% of the issued share capital of PolymerLatex Deutschland Beteiligungsgesellschaft mbH, a group focused on the manufacturer of aqueous polymer latex, on 31 March 2011 for a total consideration of £150.3 million. Further details including justification for this acquisition can be found in the Chief Executive's report.

Quality Polymer Sdn Bhd

The Group acquired 100% of the issued share capital of Quality Polymer Sdn Bhd on 14 October 2011 through its 70% owned subsidiary Revertex (Malaysia) Sdn Bhd. The total consideration paid was £10.2 million. Quality Polymer Sdn Bhd is a manufacturer of aqueous acrylic and vinylic polymer dispersions. This acquisition has increased the Group's Dispersion production capacity and market share in Asia.

The consideration paid in respect of these acquisitions and the fair value of Net Assets acquired is summarised as follows:

	PolymerLatex Group £'000	Quality Polymer £'000	Total £'000
Net assets acquired			
Intangible assets	180,240	10,939	191,179
Other intangibles	675	-	675
Property, plant and equipment	119,388	991	120,379
Investment in joint ventures	10,975	-	10,975
Inventories	32,189	437	32,626
Trade and other receivables	46,971	2,194	49,165
Cash and cash equivalents	32,347	113	32,460
Derivatives at fair value	(5,016)	-	(5,016)
Trade and other payables	(79,765)	(1,881)	(81,646)
Current tax liability	(19,264)	218	(19,046)
Borrowings	(237,367)	-	(237,367)
Deferred tax liability	(64,471)	(2,844)	(67,315)
Post retirement benefit obligations	(30,781)	-	(30,781)
Fair value of net assets acquired	(13,879)	10,167	(3,712)
Goodwill arising on acquisition	164,184	-	164,184
Total consideration	150,305	10,167	160,472
Satisfied by			
Cash consideration	154,884	10,167	165,051
Gain on cash flow hedge	(4,579)	-	(4,579)
	150,305	10,167	160,472
Cash flow			
Cash consideration	150,305	10,167	160,472
Cash acquired	(32,347)	(113)	(32,460)
Borrowings acquired	237,367	-	237,367
Net cash outflow arising on acquisition	355,325	10,054	365,379
Special item: adjustment for factored invoices	30,762	-	30,762
Net cash outflow arising on acquisition (underlying)	386,087	10,054	396,141

The "Fair Value Adjustments" to the value of assets acquired including Intangible assets, Property, plant and equipment and Provisions are made in accordance with International Financial Reporting Standard 3 "Business Combinations" (revised 2008).

The goodwill arising on the acquisition of the business represents the premium the Group paid to acquire companies which complement the existing business and create significant opportunities for cross-selling and other synergies.

	PolymerLatex Group	Quality Polymer	Total
Acquisition transaction costs expensed	£'000	£'000	£'000
In 12 months to 31 December 2010	4,182	-	4,182
In 12 months to 31 December 2011	1,159	268	1,427
	5,341	268	5,609

In the period from acquisition to 31 December 2011 PolymerLatex Group contributed revenue of £431,730,000 and operating profit of £45,658,000 to the Group's results.

In the period from acquisition to 31 December 2011 Quality Polymer Sdn Bhd contributed revenue of £2,088,000 and operating profit of £214,000 to the Group's results.

If the acquisition of PolymerLatex Deutschland Beteiligungsgesellschaft mbH had been completed on the first day of the financial year, total sales (including share of JV's) for the period would have been £1,268,845,000 and the Group's underlying operating profit (including share of JV's) would have been £109,650,000. The pre acquisition results of Quality Polymer Sdn Bhd are not material to the overall result of the Group for the year ended 31 December 2011.

10 Further information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2011 or 2010, but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 will be delivered following the Company's annual general meeting. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) Companies Act 2006 or equivalent preceding legislation. While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement itself does not contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS, a copy of which will be posted to the shareholders, on 17 April 2012.

The financial statements were approved by the Board of Directors on 14 March 2012.

The accounting policies used to prepare these preliminary results are the same as those used in the preparation of the Group's audited accounts for the year ended 31 December 2010, which has been delivered to the Registrar of Companies. Copies can be obtained by the public from the Company's registered office Temple Fields, Harlow, Essex, CM20 2BH, or on the Company website www.yulecatto.com.

The interim dividend of 1.2p per share was paid on 10 November 2011. The directors recommend a final dividend of 2.3p per share payable on 6 July 2012 to those shareholders registered at the close of business on 8 June 2012.

Earnings per ordinary share are based on the attributable profit for the period and the weighted average number of shares in issue during the period – 339.6 million (2010 226.3 million).

Going concern

The directors have acknowledged the latest guidance on going concern and in reaching their conclusions have taken into account factors including:

- the Group's Euro denominated £150 million term loan facility and £60 million multicurrency revolving credit facility the termination dates of which were extended from 13 December 2013 to 31 March 2015 on 22 December 2011.
- the first repayment under the 2004 series private placement notes of US$43 million due in September 2012.

The Directors have appropriately considered the Group's risks and uncertainties including:

- The current economic conditions and potential impact of the level of demand for the Group's products;
- Recent volatility in the currency markets and the ability of the company to hedge exposures;
- Volatility in prices of the Group's raw materials; and
- The Group's exposures to credit and liquidity risk.

After making enquiries and taking account of reasonably possible changes in trading performance, the directors have concluded that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and these preliminary results.

11 Glossary of terms

Total sales	Total sales represent the total of revenue from Yule Catto & Co plc, its subsidiaries, and its share of the revenue of joint ventures.
EBITDA	EBITDA is calculated as operating profit before depreciation, amortisation and special items.
Operating profit	Operating profit represents profit from continuing activities before finance costs and taxation.
Special items	The following are disclosed separately as special items in order to provide a clearer indication of the Group's underlying performance: • *Amortisation of acquired intangible assets;* • *Impairment of non-current assets;* • *Costs of business combinations as defined by IFRS 3 and related debt issue costs;* • *Re-structuring and site closure costs;* • *Fair value adjustment – mark to market adjustments in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied;* • *Amounts advanced in respect of invoices sold under non-recourse factoring arrangements;* • *Other non-recurring and non-operating items;* • *Tax impact of above items; and* • *Settlement of prior period tax issues.*
Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding special items.
Free cash flow	Free cash flow represents cash flow before cash impact of acquisitions and disposals, purchase of own shares, equity dividends paid and exchange movements.
Net borrowings	Net borrowings represent cash and cash equivalents together with short and long term borrowings, as adjusted for the effect of related derivative instruments irrespective of whether they qualify for hedge accounting, non-recourse factoring arrangements, and the inclusion of financial assets.
Pro-forma	The information described as pro-forma in this report reflects the inclusion of the unaudited results of PolymerLatex for the first quarter of 2011 and the whole of 2010 restated to Yule Catto's accounting policies.