Tuesday 28 August 2012

Yule Catto & Co plc

Interim Results for the six months ended 30 June 2012

SOLID PERFORMANCE IN CHALLENGING MARKET CONDITIONS

H1 HIGHLIGHTS *	**H1 2012**	**H1 2011**	**change**
Underlying pro-forma basis	£'m	£'m	%
Sales	603.3	664.3	(9.2)
Operating Profit (EBIT)	62.1	59.0	5.3
Europe and North America	*55.7*	*45.8*	*21.6*
Asia and ROW	*11.0*	*19.0*	*(42.1)*
Unallocated	*(4.6)*	*(5.8)*	*20.7*
Profit before Tax	56.0	52.4	6.9
Underlying basis			
EPS (p)	12.3	9.5	29.5
DPS (p)	2.2	1.2	83.3

- Solid Group performance despite challenging macroeconomic conditions and tough trading environment in Asian nitrile markets
- Strong performance in Europe and North America reflecting underlying profit growth and the benefits of the PolymerLatex acquisition synergies
- £9 million of synergies from PolymerLatex in H1; on track to deliver £25 million of total synergies by March 2013
- Asia and ROW impacted by previously announced competitive environment in nitrile latex, with continued good levels of growth across other businesses
- 83.3% increase in interim dividend reflects commitment to deliver a progressive dividend policy
- Strong balance sheet; Net debt reduced to £174 million (H1 2011: £240 million)
- Board strengthened by appointments of Ishbel Macpherson and Dr. Just Jansz

*** All numbers on an underlying basis. 2011 comparatives, other than EPS, are adjusted to a pro-forma basis**

Commenting on the results, Adrian Whitfield, Group Chief Executive, said:

"We have delivered a solid set of results in a challenging environment driven by a strong performance in Europe and North America, which accounted for 84% of our profits. The PolymerLatex acquisition has significantly enhanced our product portfolio and reach, as well as provided additional cash resources which we are using to invest in emerging markets and innovation to position us for future growth.

As previously announced, the nitrile latex business experienced a difficult competitive environment, driving a weaker performance in that part of our Asia and ROW business, with the rest of the portfolio making good progress.

Assuming there is no further deterioration in the global economy, the Board's expectations remain unchanged from the June trading update, for full year underlying profit before tax ahead of 2011 pro-forma of £96 million."

ENQUIRIES:

Adrian Whitfield, Group Chief Executive
David Blackwood, Group Finance Director
Tel: 01279 442791

Charles Armitstead / Rosie Oddy
Pendomer Communications
Tel: 020 3603 5220

Adrian Whitfield, Group Chief Executive, and David Blackwood, Group Finance Director will be presenting the Company's results at a meeting for analysts and investors at 09.30 at the offices of Canaccord Genuity (88 Wood Street, London, EC2V 7QR). The presentation will be webcast on the company's website www.yulecatto.com

Calculation of pro-forma numbers and IFRS information:

	Underlying				IFRS	
	As reported	Six months ended 30 June 2011 PolymerLatex Q1 2011	Pro-forma	Six months ended 30 June 2012	Six months ended 30 June 2012	Six months ended 30 June 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Total sales (including share of JV's)	512,296	151,982	664,278	603,297	603,297	512,296
Europe and North America	33,463	12,362	45,825	55,706	41,875	22,666
Asia and ROW	18,089	920	19,009	10,959	7,838	17,059
Unallocated	(5,880)	-	(5,880)	(4,576)	(4,576)	(6,726)
Operating profit (including share of JV's)	45,672	13,282	58,954	62,089	45,137	32,999
Finance costs	(4,471)	(2,100)	(6,571)	(6,073)	(6,898)	(6,305)
Profit before taxation	41,201	11,182	52,383	56,016	38,239	26,694
Taxation	(8,141)	(3,243)	(11,384)	(13,432)	(10,013)	(2,186)
Discontinued operations	-	-	-	-	-	(35,207)
Profit for the period	33,060	7,939	40,999	42,584	28,226	(10,699)
Profit attributable to minority interests	844	-	844	897	604	844
Profit attributable to equity holders of parent	32,216	7,939	40,155	41,687	27,662	(11,543)
	33,060	7,939	40,999	42,584	28,226	(10,699)

The pro-forma adjustment in this report reflects the inclusion of the unaudited results of PolymerLatex for the first quarter of 2011 (pre acquisition period) restated to Yule Catto's accounting policies. An estimate of the impact on finance costs if the business had been owned for that period has been made at the rate of £2.1 million per quarter.

Yule Catto & Co plc (YULC.L) may also be referred to in this report as "Yule Catto", the "Company" or the "Group"

Cautionary statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This IMR and the consolidated financial statements for the six months ended 30 June 2012 and for the six months ended 30 June 2011 have been reviewed but not audited. All reference to sales and operating profit in the Chairman's statement and business review, which follows, reflect underlying performance including share of joint ventures, as per note 4, unless otherwise stated.

CHAIRMAN'S STATEMENT

Overview

The Group delivered a solid set of results for the first half of 2012 despite a very difficult economic environment, a £2.5 million adverse translation impact of the euro, and the competitive environment in our nitrile latex business in Asia.

As expected, the acquisition of PolymerLatex has significantly benefited our business in Europe, delivering increased scale, an enhanced product portfolio, stronger market positions and greater efficiencies. The strength of our business in Europe underpins Yule Catto's long-term growth strategy providing the necessary cash generation to accelerate its growth into emerging markets.

H1 Results*

Group revenues declined by 9.2% to £603.3 million (2011: £664.3 million), mainly due to the impact of volumes which were 9.5% lower than H1 2011. However, Group EBIT increased by 5.3% to £62.1 million (2011: £59.0 million) due to synergies achieved from the PolymerLatex acquisition and good margin management across our European business. This more than offset the weak results in nitrile and the effect of the weaker euro.

Underlying profit before tax increased to £56.0 million, 6.9% ahead of prior year on a pro-forma basis and 36.0% ahead on a non pro-forma basis.

Earnings per share for the half year, on an underlying basis, were 12.3 pence per share, 29.5% ahead of prior year.

As reported at the time of our full year 2011 results in March, we now expect to achieve a run rate of synergy benefits of £25 million by March 2013. This will result in £16 million benefit to full year 2012 operating profit compared to 2011 with a further £6 million year on year benefit in 2013. Some £3 million of benefits were delivered in 2011. The synergy process remains on plan, and the benefits can clearly be seen in the results of our European and North American business segment.

*We have set out the interim results on a pro-forma basis to provide a clear like-for-like comparison on the prior period. All comments in this Chairman's statement refer to pro forma numbers unless otherwise stated. The pro-forma adjustment in this report reflects the inclusion of the unaudited results of PolymerLatex for the first quarter of 2011 restated to Yule Catto's accounting policies. An estimate of the impact on finance costs if the business had been owned for that period has been made at the rate of £2.1 million per quarter.

Divisional Performance

Europe & North America (on an underlying pro-forma basis)

	H1 2012	H1 2011
Sales (£'m)	438.2	479.0
Operating Profit (£'m)	55.7	45.8

Our business in Europe and North America delivered a substantial increase in operating profit, as a result of underlying profit growth and the synergies we have achieved to date from the PolymerLatex acquisition.

Volumes were down by 11.5% on the first half of 2011. This was partly due to margin management, but mainly as a result of a further slowdown in the European economy generally, particularly in the construction industry.

Raw material prices were volatile during the period, increasing through the first quarter and peaking by May, and have since fallen sharply. We continue to mitigate the impact of this volatility through the active management of selling prices and unit margins as we have done over recent years.

Asia & Rest of World (on an underlying pro-forma basis)

	H1 2012	H1 2011
Sales (£'m)	165.1	185.3
Operating Profit (£'m)	11.0	19.0

As flagged in our May interim management statement and our June trading update, the nitrile market in Asia has become extremely challenging, with excess capacity and aggressive competitive behaviour. As a result, operating profit in Asia and ROW declined 42.1%, on volumes down by 4.2% against a very strong comparative prior year period. The balance of our business, which accounts for circa 50% of revenues in Asia & ROW performed well, with EBIT ahead 18%.

The outlook for nitrile remains unchanged from the update we provided in June, and we do not foresee any meaningful recovery in the trading environment in the next 12 to 18 months. The Group has experienced a drop in market share in nitrile as the competitive environment has developed and this is affecting margins. The Group remains the overall global market leader with around one third of the market.

We remain confident about the underlying long term attractiveness of the high growth Asian nitrile latex glove market. We continue to invest for future growth in this region to improve efficiency, capacity and geographic reach across our entire product range.

Balance sheet

The Group's financial position remains robust, with net borrowings down to £174.2 million from £240.4 million at the midpoint of 2011. Net debt was slightly up on the year end position of £164.3 million, primarily as a result of a substantial increase in working capital over and above the normal seasonal outflow from the year end, reflecting the effect of the higher input prices. This was similar to what we saw in 2011 when a rapid first half escalation in raw material prices affected working capital. Operating levels as a percentage of sales remained broadly unchanged.

There was no significant change in the level of the Group's pension deficit from the start of the year.

At the end of June, the Group had net liquid resources available of £13.8 million (cash and equivalents less short term borrowings) and an undrawn £60.0 million revolving credit line maturing in March 2015 together with various uncommitted overdraft lines.

Dividend

The Board has considered future dividend policy and intends to target a dividend cover of three times by 2015. For 2012 the Board expects to declare a total dividend of 5.5p and progressively move towards the 2015 target.

Consistent with this we are declaring an interim dividend of 2.2p.

IFRS

The Group reported an IFRS profit before tax of £38.2 million (2011 - £26.7 million). This is £17.8 million below underlying profit before tax (2011 - £14.5 million) due to the special items detailed in the 'Special Items' paragraph below.

Special items

The Group had a number of special items in the half year, which are not part of underlying results. The operating expense amount of £17.0 million relates to the PolymerLatex acquisition, comprising £3.1 million of restructuring expenses associated with the continuing integration and synergy extraction and £13.9 million of intangible amortisation. The loss on fair value within finance costs of £0.8 million relates to the cross currency swaps that hedge the Group's US private placement debt into sterling, but do not qualify for hedge accounting under the narrow framework of IAS 39. The majority of the taxation amount of £3.4 million is the notional tax credit on the intangible amortisation expense.

Taxation

The Group benefits from tax holiday arrangements in the nitrile business in Malaysia and no tax is usually payable in the UK, as a result of contributions to the closed defined benefit UK pension fund. The increase in profits earned in Germany with its relatively high tax rate, following the PolymerLatex acquisition and subsequent integration, has resulted in an overall underlying taxation rate of 24%.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2011. These risks include:

- Conditions in the global economy, economic fluctuations in customer industries and volatility and cyclicality of the global chemicals and polymers markets may adversely affect the results of operations, financial condition and cash flows of the Group;

- Volatility in raw material prices and energy prices may adversely affect the profitability of the Group and its working capital position;

- The failure of the Group to procure key raw materials may lead to production interruptions that may adversely affect the profitability of the Group and its working capital position;

- The markets in which the Group operates are highly competitive and the Group may lose market share to other producers or sellers of water based polymers or to other products that can be substituted for the products of the Group;

- The Group operates in a number of different geographies which may present different legal and regulatory risks. In addition, the Group operates in a number of different tax regimes, which may increase the volatility of the effective tax rate and cash tax rate of the Group;

- The ability of the Group to compete is highly dependent on its ability to develop technological innovations, to introduce new products and to protect its intellectual property, trade secrets and know-how. Failure to do so could have an adverse affect on the Group;

- The Group may be liable for damages based on product liability claims brought against its customers in end-use markets. In addition, compliance with extensive environmental, health and safety laws and regulations could require material expenditure, changes in the operations of the Group or site remediation;

- The manufacture, storage and transportation of chemicals is inherently dangerous and any incidents relating to the hazards which the Group faces may adversely affect its financial condition, results of operations and reputation;

- Fluctuations in currency exchange rates may significantly impact the results of the operations of the Group and may significantly affect the comparability of financial results between financial periods;

- Credit market conditions and credit ratings may restrict the ability of the Group to obtain credit facilities or to refinance its existing debt facilities in the longer term. In addition, interest rate fluctuations and increases in bank lending margins may increase the Group's costs of borrowing in the longer term;

- The carrying value of goodwill and non-current assets is sensitive to changes in estimates of future growth rates and discount rates; and

- The Group has funding risks relating to defined benefit pension schemes and any deterioration in the value of assets in which the pension scheme has invested as against the financial obligations to make payments to members of the schemes could have an adverse affect on the Group. Changes in interest rates will also affect the Group's pension liabilities.

The Group continues to manage these risks as set out in the annual report.

Outlook

The Board remains cautious regarding the wider economic outlook, given continuing issues in the eurozone and their effect on the global economy. However, Yule Catto's strong portfolio of market leading products, our high percentage of sales into Asia and other developing economies, and the near term synergy benefits from PolymerLatex, all underpin the Board's confidence in the Group's prospects for the longer term.

Assuming there is no further deterioration in the global economy, the Board's expectations remain unchanged from the June trading update, for full year underlying profit before tax ahead of 2011 pro-forma of £96 million.

NEIL JOHNSON
Chairman
28 August 2012

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Continuing operations						
Group revenue	570,574	-	570,574	488,576	-	488,576
Share of joint ventures' revenue	32,723	-	32,723	23,720	-	23,720
Total sales	603,297	-	603,297	512,296	-	512,296
Group revenue	570,574	-	570,574	488,576	-	488,576
Company and subsidiaries before special items	59,100	-	59,100	43,482	-	43,482
Restructuring and site closure	-	(3,093)	(3,093)	-	(4,516)	(4,516)
Acquisition costs	-	-	-	-	(846)	(846)
Amortisation of acquired intangibles	-	(13,049)	(13,049)	-	(6,880)	(6,880)
Company and subsidiaries	59,100	(16,142)	42,958	43,482	(12,242)	31,240
Share of joint ventures	2,989	(810)	2,179	2,190	(431)	1,759
Operating profit / (loss)	62,089	(16,952)	45,137	45,672	(12,673)	32,999
Interest payable	(6,858)	-	(6,858)	(4,926)	-	(4,926)
Interest receivable	785	-	785	455	-	455
	(6,073)	-	(6,073)	(4,471)	-	(4,471)
Fair value adjustment	-	(825)	(825)	-	(1,834)	(1,834)
Finance costs	(6,073)	(825)	(6,898)	(4,471)	(1,834)	(6,305)
Profit/(loss) before taxation	56,016	(17,777)	38,239	41,201	(14,507)	26,694
Taxation	(13,432)	3,419	(10,013)	(8,141)	5,955	(2,186)
Profit/(loss) for the period	42,584	(14,358)	28,226	33,060	(8,552)	24,508
Discontinued operations						
Loss for the year from discontinued operations	-	-	-	-	(35,207)	(35,207)
Profit / (loss) for the period	42,584	(14,358)	28,226	33,060	(43,759)	(10,699)
Profit attributable to minority interests	897	(293)	604	844	-	844
Profit / (loss) attributable to equity holders of the parent	41,687	(14,065)	27,622	32,216	(43,759)	(11,543)
	42,584	(14,358)	28,226	33,060	(43,759)	(10,699)
Earnings per share						
From continuing operations						
Basic	12.3p	(4.2)p	8.1p	9.5p	(2.5)p	7.0p
Diluted	12.1p	(4.1)p	8.0p	9.3p	(2.5)p	6.8p

Special items
The special items are shown in more detail in note 3.

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012 continued

	Year ended 31 December 2011		
	Underlying performance	**Special items**	**IFRS**
	£'000	£'000	£'000
	Audited	Audited	Audited
Continuing operations			
Group revenue	1,059,438	-	1,059,438
Share of joint ventures' revenue	57,424	-	57,424
Total sales	1,116,862	-	1,116,862
Group revenue	1,059,438	-	1,059,438
Company and subsidiaries before special items	91,549	-	91,549
Restructuring and site closure	-	(20,230)	(20,230)
Acquisition costs	-	(1,427)	(1,427)
Amortisation of acquired intangibles	-	(19,096)	(19,096)
Company and subsidiaries	91,549	(40,753)	50,796
Share of joint ventures	4,819	(1,286)	3,533
Operating profit / (loss)	96,368	(42,039)	54,329
Interest payable	(12,312)	-	(12,312)
Interest receivable	739	-	739
	(11,573)	-	(11,573)
Fair value adjustment	-	(3,317)	(3,317)
Finance costs	(11,573)	(3,317)	(14,890)
Profit / (loss) before taxation	84,795	(45,356)	39,439
Taxation	(19,438)	14,955	(4,483)
Profit / (loss) for the year from continuing operations	65,357	(30,401)	34,956
Discontinued operations			
(Loss) / profit for the year from discontinued operations	-	(40,257)	(40,257)
Profit / (Loss) for the year	65,357	(70,658)	(5,301)
Profit attributable to minority interests	1,645	-	1,645
Profit attributable to equity holders of the parent	63,712	(70,658)	(6,946)
	65,357	(70,658)	(5,301)
Earnings per share			
From continuing operations			
Basic	18.8p	(9.0)p	9.8p
Diluted	18.4p	(8.8)p	9.6p

Special items
The special items are shown in more detail in note 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Equity holders of the parent	**Minority interests**	**Total**	**Equity holders of the parent**	**Minority interests**	**Total**
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	£'000	£'000	£'000	£'000	£'000	£'000
Profit / (loss) for the period	27,622	604	28,226	(11,543)	844	(10,699)
Actuarial gains / (losses)	(3,163)	-	(3,163)	1,959	-	1,959
(Losses) / gains on cash flow hedges arising during the period	111	-	111	(4,495)	-	(4,495)
Exchange differences on translation of foreign operations	(8,368)	(186)	(8,554)	9,417	(168)	9,249
(Losses) / gains on a hedge of a net investment taken to equity	1,374	-	1,374	(1,814)	-	(1,814)
Tax relating to components of other comprehensive income	-	-	-	-	-	-
Other comprehensive income for the period	(10,046)	(186)	(10,232)	5,067	(168)	4,899
Total comprehensive income for the period	17,576	418	17,994	(6,476)	676	(5,800)

	Year ended 31 December 2011		
	Equity holders of the parent	**Minority interests**	**Total**
	Audited	Audited	Audited
	£'000	£'000	£'000
(Loss) / profit for the year	(6,946)	1,645	(5,301)
Actuarial gains / (losses)	(33,959)	-	(33,959)
(Losses) / gains on a cash flow hedges arising during the period	(7,344)	-	(7,344)
Exchange differences on translation of foreign operations	(4,402)	(202)	(4,604)
(Losses) / gains of a hedge of a net investment taken into equity	509	-	509
Tax relating to components of other comprehensive income	1,295	-	1,295
Other comprehensive income for the year	(43,901)	(202)	(44,103)
Total comprehensive income for the year	(50,847)	1,443	(49,404)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital redemption reserve	Own shares	Hedging and translation reserve	Cash flow hedging reserve	Retained earnings	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2012	33,988	230,534	949	-	2,935	(2,849)	(1,046)	264,511	10,612	275,123
(Loss) / profit for the period	-	-	-	-	-	-	27,622	27,622	604	28,226
Other comprehensive income for the period	-	-	-	-	(6,994)	111	(3,163)	(10,046)	(186)	(10,232)
Total comprehensive income for the period	-	-	-	-	(6,994)	111	24,459	17,576	418	17,994
Share based payments	-	-	-	-	-	-	(6,024)	(6,024)	-	(6,024)
At 30 June 2012 (Unaudited)	33,988	230,534	949	-	(4,059)	(2,738)	17,389	276,063	11,030	287,093

	Share capital	Share premium	Capital redemption reserve	Own shares	Hedging and translation reserve	Cash flow hedging reserve	Retained earnings	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2011	14,566	33,034	949	-	6,828	4,495	46,444	106,316	6,249	112,565
(Loss) / profit for the period	-	-	-	-	-	-	(11,543)	(11,543)	844	(10,699)
Other comprehensive income for the period	-	-	-	-	7,603	(4,495)	1,959	5,067	(168)	4,899
Total comprehensive income for the period	-	-	-	-	7,603	(4,495)	(9,584)	(6,476)	676	(5,800)
Issue of share capital	19,422	205,871	-	-	-	-	-	225,293	-	225,293
Expenses on issue of share capital	-	(8,371)	-	-	-	-	-	(8,371)	-	(8,371)
At 30 June 2011 (Unaudited)	33,988	230,534	949	-	14,431	-	36,860	316,762	6,925	323,687

	Share capital	Share premium	Capital redemption reserve	Own shares	Hedging and translation reserve	Cash flow hedging reserve	Retained earnings	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2011	14,566	33,034	949	-	6,828	4,495	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	-	-	-	-	(3,893)	(7,344)	(32,664)	(43,901)	(202)	(44,103)
Total comprehensive income for the period	-	-	-	-	(3,893)	(7,344)	(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	19,422	205,871	-	-	-	-	-	225,293	-	225,293
Expenses on issue of share capital	-	(8,371)	-	-	-	-	-	(8,371)	-	(8,371)
Shares purchased by ESOP trust	-	-	-	659	-	-	-	659	-	659
Share-based payments				(659)	-	-	609	(50)	-	(50)
At 31 December 2011 (Audited)	33,988	230,534	949	-	2,935	(2,849)	(1,046)	264,511	10,612	275,123

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2012

	30 June 2012	30 June 2011	31 December 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Non-current assets			
Goodwill	239,298	252,591	244,690
Acquired intangible assets	147,042	179,527	165,366
Other intangible assets	668	3,838	863
Property, plant and equipment	185,663	222,316	183,599
Financial asset	5,394	-	5,589
Deferred tax assets	1,162	158	1,116
Investment in joint ventures	13,196	14,422	14,325
Total non-current assets	592,423	672,852	615,548
Current assets			
Inventories	73,087	102,524	73,825
Trade and other receivables	183,941	202,200	146,692
Cash and cash equivalents	56,291	41,639	85,922
Derivatives at fair value	15,620	14,511	17,368
Total current assets	328,939	360,874	323,807
Current liabilities			
Borrowings	(27,767)	(6,833)	(31,739)
Trade and other payables	(187,844)	(239,454)	(193,630)
Current tax liability	(41,202)	(41,318)	(37,864)
Derivatives at fair value	(4,881)	(5,328)	(5,628)
Total current liabilities	(261,694)	(292,933)	(268,861)
Non-current liabilities			
Borrowings	(199,830)	(253,155)	(215,901)
Trade and other payables	(156)	-	(181)
Deferred tax liability	(56,122)	(72,294)	(61,379)
Post retirement benefit obligations	(116,467)	(91,657)	(117,910)
Total non-current liabilities	(372,575)	(417,106)	(395,371)
Net assets	287,093	323,687	275,123
Equity			
Called up share capital	33,988	33,988	33,988
Share premium	230,534	230,534	230,534
Capital redemption reserve	949	949	949
Hedging and translation reserve	(4,059)	14,431	2,935
Cash flow hedging reserve	(2,738)	-	(2,849)
Retained earnings	17,389	36,860	(1,046)
Equity attributable to equity holders of the parent	276,063	316,762	264,511
Minority interests	11,030	6,925	10,612
Total equity	287,093	323,687	275,123
Analysis of net borrowing			
Cash and cash equivalents	56,291	41,639	85,922
Current borrowings	(27,767)	(6,833)	(31,739)
Financial asset	5,394	-	5,589
Non-current borrowings	(199,830)	(253,155)	(215,901)
Net borrowings	(165,912)	(218,349)	(156,129)
Special item: deduct fair value adjustment	11,859	9,684	12,759
Special item: add non-recourse factoring	(20,132)	(31,773)	(20,955)
Net borrowings (underlying performance)	(174,185)	(240,438)	(164,325)

The Group's US private placement US dollar term debt was economically hedged from dollars into sterling using long dated cross currency swaps at the date it was borrowed. The US dollar term debt is shown at the 30 June 2012 spot rate in net borrowings. The mark to market of the currency element of these swaps which hedges this US dollar term debt is shown as a reconciling item in the above analysis.

The 30 June 2011 balance sheet has been revised, see note 10.

The financial statements were approved by the Board of Directors and authorised for issue on 28 August 2012.

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June 2012		Six months ended 30 June 2011		Year ended 31 December 2011	
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
	£'000	£'000	£'000	£'000	£'000	£'000
Operating						
Cash generated from operations		16,440		13,828		80,191
Interest received	785		455		739	
Interest paid	(6,883)		(6,728)		(15,954)	
Net interest paid		(6,098)		(6,273)		(15,215)
UK corporation tax paid	(38)		(27)		(52)	
Overseas corporate tax paid	(8,605)		(10,500)		(19,878)	
Total tax paid		(8,643)		(10,527)		(19,930)
Net cash (outflow) / inflow from operating activities		1,699		(2,972)		45,046
Investing						
Dividends received from joint ventures		411		809		3,399
Purchase of property, plant and equipment	(16,595)		(10,099)		(24,248)	
Sale of property, plant and equipment	70		3		2,327	
Net capital expenditure and financial investment		(16,525)		(10,096)		(21,921)
Purchase of business	-		(352,208)		(365,379)	
Sale of businesses	-		-		28,460	
Net cash impact of acquisitions and disposals		-		(352,208)		(336,919)
Net cash (outflow) / inflow from investing activities		(16,114)		(361,495)		(355,441)
Financing						
Equity dividends paid		-		-		(8,489)
Investment by minority shareholder		-		-		2,920
Proceeds on issue of shares		-		225,293		225,293
Expenses on issue of shares		-		(8,371)		(8,371)
Purchase of own shares		-		-		(659)
Repayment of borrowings		(3,918)		(1,927)		(4,340)
(Repayments) / proceeds of non-current borrowings		(9,706)		153,401		154,100
Net cash inflow / (outflow) from financing activities		(13,624)		368,396		360,454
(Decrease) / increase in cash and bank overdrafts during the period		(28,039)		3,929		50,059
Comprised of:						
Cash and cash equivalents		(27,682)		1,651		42,208
Bank overdrafts		(357)		2,278		7,851
		(28,039)		3,929		50,059

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO MOVEMENT IN NET DEBT FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Net cash inflow / (outflow) from operating activities	1,699	(2,972)	45,046
Add back: reduction in factored invoices	-	-	9,807
Add back: dividends received from joint ventures	411	809	3,399
Less: net capital expenditure and financial investment	(16,525)	(10,096)	(21,921)
	(14,415)	(12,259)	36,331
Net cash impact of acquisitions (underlying)	-	(382,970)	(396,141)
Net cash impact of disposals (underlying)	-	-	34,178
Investment by minority shareholder	-	-	2,920
Proceeds on issue of shares	-	225,293	225,293
Expenses on issue of shares	-	(8,371)	(8,371)
Purchase of own shares	-	-	(659)
Equity dividends paid	-	-	(8,489)
Exchange movements	4,555	1,239	13,983
Movement in net borrowings (underlying performance)	(9,860)	(177,068)	(100,955)

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The information for the year ended 31 December 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not contain a reference to any matters which the auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

The annual financial statements of Yule Catto & Co plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in the half-yearly financial report has been prepared in accordance with International Accounting Standards 34 'Interim Financial Reporting', as adopted by the European Union. The same accounting policies and methods of computations are followed in these financial statements as in the most recent audited annual financial statements.

Having regard to the financial position and future prospects of the Group, the directors have concluded that the Group is a going concern and have prepared these financial statements on that basis.

3. Special items

The special items disclosed are made up as follows:

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Continuing operations			
Operating (loss) / profit			
Restructuring and site closure - cash costs	(2,456)	(4,516)	(15,792)
- non-cash costs	(637)	-	(4,438)
	(3,093)	(4,516)	(20,230)
Acquisition costs	-	(846)	(1,427)
Amortisation of acquired intangibles - subsidiaries	(13,049)	(6,880)	(19,096)
– share of joint ventures	(810)	(431)	(1,286)
	(16,952)	(12,673)	(42,039)
Finance costs			
Fair value adjustment	(825)	(1,834)	(3,317)
(Loss) / profit before taxation from continuing operations	(17,777)	(14,507)	(45,356)
Taxation	3,419	5,955	14,955
(Loss) / profit for the year from continuing operations	(14,358)	(8,552)	(30,401)
Discontinued operations			
Total sales			
Revenue of operations sold or closed during the period	-	35,381	63,115
Operating (loss) / profit of discontinued operations			
Operating profit of operations sold or closed during the year	-	2,291	4,124
Impairment of goodwill	-	(36,885)	(36,885)
Impairment of fixed assets prior to sale of operation	-	-	(5,620)
Loss arising from the sale or closure of operations	-	-	(813)
	-	(34,594)	(39,194)
Taxation on operating profit of operations sold or closed during the year	-	(613)	(1,063)
(Loss) / profit for the year from discontinued operations	-	(35,207)	(40,257)

4. Segmental analysis

	Total sales*			Operating profit		
	Underlying performance £'000	Special items £'000	IFRS £'000	Underlying performance £'000	Special items £'000	IFRS £'000
Six months ended 30 June 2012						
Analysis by activity						
Continuing activity						
Polymer Chemicals – Europe & North America	438,238	-	438,238	55,706	(13,831)	41,875
Polymer Chemicals – Asia & Rest of World	165,059	-	165,059	10,959	(3,121)	7,838
Total sales	603,297	-	603,297			
Divisional operating profit				66,665	(16,952)	49,713
Unallocated corporate expenses				(4,576)	-	(4,576)
Operating profit / (loss)				62,089	(16,952)	45,137

	Total sales*			Operating profit		
	Underlying performance £'000	Special items £'000	IFRS £'000	Underlying performance £'000	Special items £'000	IFRS £'000
Six months ended 30 June 2011						
Analysis by activity						
Continuing activity						
Polymer Chemicals – Europe & North America	343,677	-	343,677	33,463	(10,797)	22,666
Polymer Chemicals – Asia & Rest of World	168,619	-	168,619	18,089	(1,030)	17,059
Total sales	512,296	-	512,296			
Divisional operating profit / (loss)				51,552	(11,827)	39,725
Unallocated corporate expenses				(5,880)	(846)	(6,726)
Operating profit / (loss)				45,672	(12,673)	(32,999)

	Total sales*			Operating profit		
	Underlying performance £'000	Special items £'000	IFRS £'000	Underlying performance £'000	Special items £'000	IFRS £'000
Year ended 31 December 2011						
Analysis by activity						
Continuing activity						
Polymer Chemicals – Europe & North America	777,730	-	777,730	73,147	(36,781)	36,366
Polymer Chemicals – Asia & Rest of World	339,132	-	339,132	32,109	(3,831)	28,278
Total sales	1,116,862	-	1,116,862			
Divisional operating profit				105,256	(40,612)	64,644
Unallocated corporate expenses				(8,888)	(1,427)	(10,315)
Operating profit / (loss)				96,368	(42,039)	54,329

*Includes share of revenue from joint ventures

5. Reconciliation of profit / (loss) from operations to cash generated from operations

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Operating profit – continuing operations	45,137	32,999	54,329
Operating profit – discontinued operations	-	2,291	4,124
Less: share of profit of joint ventures	(2,179)	(1,759)	(3,533)
	42,958	33,531	54,920
Adjustments for:			
Depreciation and amortisation	9,527	9,324	22,841
Amortisation: special items	13,049	6,880	19,096
Restructuring and site closure – cash costs	2,456	4,516	15,792
– non-cash costs	637	-	4,438
Acquisition costs expensed in the period	-	846	1,427
Share based payments	407	-	1,269
(Profit) / loss on sale of fixed assets	239	(3)	(196)
Acquisition costs cash spent in period	(401)	(3,812)	(4,421)
Termination of interest swap acquired	-	-	(3,026)
Share based payments – cash settled	(6,431)	-	-
Cash impact of restructuring and site closure	(9,551)	(2,585)	(5,801)
Cash impact of termination of business	-	(451)	(422)
Pension funding in excess of IAS19 charge	(3,059)	(3,804)	(10,933)
(Increase) / decrease in inventories	(844)	(4,177)	7,320
Increase in trade and other receivables	(39,036)	(39,797)	(8,481)
Increase / (decrease) in trade and other payables	6,489	13,360	(13,632)
Cash generated from operations	16,440	13,828	80,191

6. Tax – continuing operations

Tax on the underlying profit before taxation for the six month period is charged at 24% (six months ended 30 June 2011: 20%; year ended 31 December 2011: 23%), representing the best estimate of the average annual effective income tax rate expected for the full year. Inclusion of the best estimate for the tax charge on the special items profit before taxation results in a tax rate of 26% (six months ended 30 June 2011: 8%; year ended 31 December 2011: 11%), on the IFRS profit before taxation for continuing operations.

7. Dividends

The interim dividend of 2.2p per ordinary share was approved by the Board on 28 August 2012 and will be paid on 8 November 2012 to members on the register at the close of business on 12 October 2012.

8. Earnings per share – continuing operations

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	Unaudited	Unaudited	Audited
	'000 shares	'000 shares	'000 shares
Weighted average number of shares in issue - basic	339,549	339,881	339,611
Weighted average number of shares in issue - diluted	345,016	346,910	347,127

	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
Earnings (Profit / (loss) attributable to equity holders of the parent)	41,687	(14,065)	27,622	32,216	(8,552)	23,664
Earnings per share	12.3p	(4.2)p	8.1p	9.5p	(2.5)p	7.0p
Diluted earnings per share	12.1p	(4.1)p	8.0p	9.3p	(2.5)p	6.8p

	Year ended 31 December 2011		
	Underlying performance	Special items	IFRS
	£'000	£'000	£'000
Earnings (Profit attributable to equity holders of the parent)	63,712	(30,401)	33,311
Basic earnings per share	18.8p	(9.0)p	9.8p
Diluted earnings per share	18.4p	(8.8)p	9.6p

9. Defined benefit schemes

The defined benefit plan assets have been updated to reflect their market value as at the 30 June 2012. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the Statement of Comprehensive Income in accordance with the Group's accounting policy.

10. Revision of fair value adjustments included in the June 2011 balance sheet

The June 2011 balance sheet as originally published included provisional estimates of the fair value adjustments resulting from the acquisition of PolymerLatex Deutschland Beteiligungsgesellschaft GmbH. These were amended for inclusion in the December 2011 balance sheet, following completion of the fair value evaluation process. The June 2011 balance sheet has been revised to incorporate these amendments.

11. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note.

12. Seasonality

Historically, there has been no fixed pattern to seasonality in H1 compared to H2 performance in the Group, but, everything else being equal, because of the summer and Christmas break periods in Europe, management would expect the second half profits to be slightly weaker than the first half year.

13. Further information

The financial statements were approved by the Board of Directors on 28 August 2012.

This statement can be obtained by the public from the Company's registered office at Temple Fields, Harlow, Essex, CM20 2BH, or on the company website www.yulecatto.com.

14. 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: • Profit or loss impact arising from the sale or closure of an operation; • 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 the 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.
Net borrowings	Net borrowings represents 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, and non-recourse factoring arrangements.

Responsibility statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

A M Whitfield	D C Blackwood
Chief Executive	Group Finance Director

28 August 2012

INDEPENDENT REVIEW REPORT TO YULE CATTO & CO PLC

We have been engaged by the company to review the interim consolidated financial results in the half-yearly financial report for the six months ended 30 June 2012, which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim consolidated financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The interim consolidated financial results included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the consolidated interim financial results in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial results in the half-yearly financial report for the six months ended 30 June 2012 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

24 August 2012
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory auditors
St Albans