Yule Catto & Co plc

Preliminary Results for the year ended 31 December 2010

Underlying profits strongly ahead and further substantial reduction in net debt

FINANCIAL HIGHLIGHTS

- Profit before taxation* up 19% to £47.0m (2009 £39.6m)
- Polymers operating profit* ahead by 10%
- Earnings per share* up 22% at 16.2p (2009 13.3p)
- Substantial reduction in net debt* to £63m (2009 £88m)
- Final dividend equating to 1.3p per share (2009: nil)

* Before special items, as defined in notes 1 and 11

OPERATIONAL HIGHLIGHTS

- 46% of Group revenue now generated in Asia and other high growth developing countries
- Solid new product development pipeline underpins Polymers robust market positions
- Commenced construction of 15,000 tonnes of new nitrile capacity in Malaysia
- Transformational acquisition of PolymerLatex announced December 2010
  - Total consideration of £376m, supported by successful £225m Rights Issue
  - A leading global player in latex products operating in Europe and Asia
  - An excellent strategic fit, offering attractive returns and growth opportunities
  - Transaction on track to complete by end of March

Adrian Whitfield, Chief Executive, comments:

"2010 was a very good year for Yule Catto, with the Group delivering a 19% improvement in underlying profit before tax, and achieving a further substantial reduction in its debt over the course of the year. These results consolidate the considerable progress we have made over the last three years.

The highlight of the year was the transformational acquisition of PolymerLatex announced in December, which will substantially increase the Group's scale and growth opportunities."

9 March 2011

ENQUIRIES:
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YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2010
RESULTS SUMMARY

	Underlying performance[a]		IFRS	
	2010 £'000 audited	2009 £'000 audited	2010 £'000 audited	2009 £'000 audited
Continuing Operations				
Total sales (b)	645,791	532,162	651,480	543,398
EBITDA (c)	69,503	64,092	69,503	64,092
Operating profit	54,885	49,416	63,006	21,406
Profit before taxation	47,045	39,547	57,811	7,136
Earnings per share (f)	16.2p	13.3p	22.0p	2.6p
Dividend per share (d) (f)	2.6p	n/a	2.6p	n/a
Net borrowings (e)	63,370	88,038	76,044	97,646

Notes:
The above table represents the results of Yule Catto & Co plc, its subsidiaries and its share of joint ventures.
(a) Underlying performance excludes special items as shown on the Consolidated Income Statement.
(b) As defined in the glossary of terms at note 11.
(c) As defined in the glossary of terms at note 11 and reconciled at note 6.
(d) See note 7.
(e) As shown on the Consolidated Balance Sheet on page 13.
(f) As restated for rights issue, see note 9

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 11. 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.

BUSINESS REVIEW

CHAIRMAN'S STATEMENT

Performance

2010 was a very good year for Yule Catto, building on the strong improvement in Group performance delivered in 2009.

Underlying Group profit before tax increased by 19% to £47.0 million, and earnings rose by 22% to 16.2 pence per share. Net debt reduced further by £25 million to only £63 million. In the last three years we have lowered our net debt by £107 million, whilst improving earnings per share by 62%, despite the deep recession of 2009.

The Group's core business of Polymers accounted for 85% of Group revenue in 2010 and 88% of divisional operating profits. Volumes were ahead in most areas of the business and operating profit increased by 10%, a good result after the strong improvement of 27% we achieved in 2009.

Our strategy in Polymers remains focused on geographical expansion around existing business hubs, further increasing our presence in emerging markets, particularly in Asia, and in developing market sectors where our technology, new product development and manufacturing capabilities give us a real competitive advantage. We started construction of 15,000 tonnes of new nitrile capacity during the year, and we expect production from this expansion to commence in the first half of 2011.

The Pharma business now represents just 10% of Group revenue, and 7% of divisional operating profit. The business started slowly, with a weak first quarter, but performance improved during the year. Full year operating profit was £1.1 million below prior year.

Our one remaining Impact business, William Blythe, continued to improve generating £3.5 million of operating profit and we expect it will continue to show further improvement over the course of 2011.

Polymer Latex Acquisition

The highlight of the year was the acquisition of PolymerLatex for a consideration of £376 million which we announced in December 2010. This is a transformational transaction for the Group, substantially increasing the scale and opportunities of our core Polymer business. We anticipate eventual annual cost synergies of £20m from the integration of the business.

The Group's balance sheet has also been strengthened with the significant amount of equity and debt raised for the acquisition, and my thanks go to our shareholders for their support in this important transaction. We expect to complete the transaction at the end of March.

Dividend

The Group returned to paying dividends at the half year, with an interim payment of 2p per share, with a commitment to pay at least 5p in total for the full year. The remaining 3p per share would equate to £4.4 million on the original number of shares in issue prior to the acquisition of PolymerLatex. At the time of the PolymerLatex announcement, the Group undertook to honour the cash commitment, and the final recommended dividend is therefore a cash dividend of £4.4 million, which, on the enlarged number of shares, equates to 1.3p per share.

Safety, Health and Environment

The Group is absolutely committed to the continuous improvement of its performance in respect of Safety, Health and the Environment. 2010 marked the end of Yule Catto's first period of commitment to the Chemical Industries Sustainable Development goals. I am delighted to report that, over the ten years of this commitment our performance has sharply improved, and the decade ended with all of our sustainability targets significantly bettered.

I would like to thank all of our employees, whose continuing support and contribution has made 2010 such a successful year for the Group.

Outlook

Looking forward, we will be reporting results for the enlarged Group. In our core markets, we continue to anticipate several years of low growth in Western markets with global growth generally driven by emerging markets. Following the acquisition of PolymerLatex, we will have a stronger business in Europe and we will remain well placed to access the attractive opportunities in Asia and other emerging economies with over a third of our combined Polymers business in these markets. We continue to anticipate significant operational synergies from the acquisition and we expect the combined business will enjoy additional market development opportunities.

Raw material prices have risen strongly over recent months, exacerbated by the situation in the Middle East. Both Yule Catto and PolymerLatex have been successful in passing through price increases in recent years, and we intend to remain focussed on this in the enlarged Group.

Both Yule Catto and PolymerLatex have made a solid start to the year, and we are confident about the prospects for the enlarged Group in the years ahead.

PETER WOOD
Chairman

9 March 2011

CHIEF EXECUTIVE'S REPORT

The Group delivered a 19% improvement in underlying profit before tax, and achieved a further substantial reduction in its debt over the course of the year. This was a good performance, consolidating the substantial increase in profits and debt reduction we delivered in 2009.

Overview

Polymers (85% of sales) saw volumes increase by 4% for the year whilst increasing its operating profit by 10% to £56.7 million. As expected this was characterised by strong demand growth in Asia and only modest improvement elsewhere. We progressed the expansion of our nitrile facility in Malaysia, commencing construction of 15,000 tonnes of new capacity which will start production in the first half of 2011.

The acquisition of PolymerLatex was announced in December 2010 and is on track to complete by the end of March 2011, and will substantially increase the scale of our Polymer business. PolymerLatex is a leading global player in latex products, with a strong and diversified portfolio of products and well invested facilities in Europe and Asia. Its combination with Yule Catto will result in a business with increased scale, established market positions, improved cash generation capability and a product portfolio that will provide a foundation from which the enlarged group can grow and compete more effectively in a consolidating emulsion polymers market. It will also accelerate our strategy of investment in new products and expansion into attractive emerging markets.

Pharmaceuticals (10% of sales) saw a decline in profits, of £1.1 million, after a slow start to the year. We filed 3 Drug Master Files (DMF's) in the year as we continue to develop our generic pipeline. The API manufacturing industry however remains challenging with competition from cheaper manufacturing economies in Asia continuing to develop.

We completed most of the restructuring of the Impact Division with the sale of four of the five operating units over the course of 2008. During 2010 the remaining business, William Blythe, further improved, delivering operating profits of some £3.5 million.

Polymer Division

The core products of Polymer Division are water-based emulsion polymers, formulated around vinyl acetate and acrylic dispersions, styrene and nitrile butadiene rubber, as well as polyvinyl alcohol/acetate, and a number of smaller specialist products. The Division's manufacturing assets consist of 22 production units on 14 sites within four geographical regions – Europe, South East Asia, Middle East and South Africa, and employing approximately 1,300 people. The Division trades under the Synthomer and Revertex brand names around the world, and its products are utilised in a wide range of industries, including coatings, adhesives and construction, where they deliver a range of product performance benefits, from enhanced waterproofing to scratch resistance. It is also a major supplier to the medical industry where its natural rubber and synthetic nitrile latex polymers, are used in the manufacture of condoms, catheters, surgical and examination gloves where it holds a world leading position.

2010 proved to be another successful year for the Division, in challenging circumstances, with progress again made on a number of fronts. In many markets there was positive economic recovery, particularly in Asia, however, Europe and the US proved more sluggish and remained weaker than had been predicted. In most markets volumes developed strongly through the first half, although this was followed by more variable performance in some European markets in the later part of the year. The Division's full year polymer volumes were up 4%, led by excellent performance in nitrile butadiene rubber, alkyd resins and specialities which all delivered significant double digit growth.

Raw material supply and pricing, in particular acrylic and butadiene monomers, created a number of difficulties which the business worked hard to overcome throughout the year. All monomer prices showed a resilient upward move during the year and this combined with a tight supply environment created a number of challenges for the business. However the Division was generally able to mitigate these by effective procurement strategies enabling production to continue albeit with significantly higher input prices. In the light of the rising raw material costs and relatively stable demand in Europe, the Division's priority was to ensure a balanced approach to margin and volume with a continued focus on value delivery, which was broadly successful. The cost strategy employed in 2009 delivered benefits in 2010 with full year costs down on 2009.

We upgraded our latex and lithene research facilities during the year, and higher margin new product launches supported profitability over the course of the year.

The UK business in particular suffered during the year with three unplanned events holding back latex production volumes over the course of the year. Butadiene supply issues in the first quarter were effectively resolved by sourcing higher cost raw materials from Europe, a styrene fire at the Stallingborough plant temporarily impacted production in the third quarter and the extremely cold weather in December reduced our ability to produce and ship.

Synthetic Latex

Polymer Division's Synthetic Latex dispersions business consists of two product families, Styrene Butadiene Rubber (SBR) manufactured in Germany and the UK and Nitrile Butadiene Rubber (NBR) manufactured in the UK and Malaysia.

Overall SBR latex had a very positive year with a degree of recovery in the construction and specialties market, with non carpet volumes improving by almost 7% over 2009. Previously mentioned issues in Stallingborough did limit progress in the carpet market where conditions also remained difficult and volumes were down on prior year.

In NBR the business experienced strong demand for gloves in part bolstered by the high cost of natural rubber. Margins were held stable in the face of rising monomer costs and strong competition. To meet the continued growth in demand for NBR the Board approved a new phase of expansion in Malaysia, which is expected to start up before the end of H1 2011 and add 15,000 tonnes of capacity.

Dispersions

2010 was a disappointing year for Dispersions with low customer demand in the European decorative paint market. Slightly lower volumes than 2009 were also experienced in South Africa and the Middle East however, strong margin management allowed these businesses to deliver an improved bottom line. Asia, as in most other product groups, developed positively during the year with volumes strongly ahead.

Compounds

The European carpet market remains in a volatile state, and while there is evidence that the market is strengthening volumes declined slightly from 2009. While a number of customers have reported anticipated improvements this is yet to be reflected in visible demand or actual sales.

Specialities

<u>Polyvinyl Alcohol</u>

Alcotex® had another very good year with excellent progress in both volume and margin. Demand globally recovered and volumes moved ahead strongly, with a particularly strong performance in Asia. During the year further investment was made in improving plant performance which resulted in several record months of production.

<u>Liquid Polybutadiene</u>

2010 saw a very strong recovery in Lithene® sales on the back of a more buoyant automotive sector. Volumes increased strongly and the work on improving product mix has continued to deliver benefits. Further investments in the plant during the year have delivered more consistent quality and the ability of this plant to produce at higher levels of output.

<u>Alkyds and Polyester</u>

The recovery of industrial markets in South East Asia drove demand for Alkyd resins while the lack of new infrastructure projects severely retarded Polyester sales. The flexible nature of these plants allowed more Alkyd Resin to be produced resulting in a double digit volume increase and strong margins, while Polyester experienced a decline. In aggregate, the combined business delivered a good volume increase, and improved profitability.

<u>Natural Rubber</u>

Natural Rubber had a very difficult year with volumes down 6%. Heavy rainfall in Southern Thailand and Malaysia resulted in lower volumes of field latex and CL60 which resulted in a strong and consistently upward move for the natural rubber price. These conditions forced many manufacturers to halt production, or switch to NBR where they could, resulting in the lowest sales volume achieved for a number of years. However, this volume deficit was more than compensated by higher pricing and increased margin.

Pharma Chemicals

Pharma Chemicals manufactures a broad range of Active Pharmaceutical Ingredients for the life science industry at manufacturing facilities in Barcelona, Spain and Cuernavaca, Mexico. The products are marketed to a broad range of blue chip generic and ethical customers who formulate and distribute the finished dosage form.

Destocking at most of our customers finished in the first six months, and the order book strengthened through the year. However, following the weak start to the year, the business ended the year with operating profits some £1.1 million below 2009. Costs remained in line with expectations, even after taking into account utility and raw material price rises. This was achieved by continued productivity and process improvements throughout the year.

Our strategy of selective dossier development saw the approval of a Marketing Authorisation in Portugal for Omeprazole. We intend to roll this out to the wider European market over the next 18 months. The strategy of registration of other marketing authorisations of an enlarged range of generic products was developed during 2010, and we made our first finished dosage sales of Pantoprazole.

In Mexico the sales increases of 2009 were consolidated in 2010, through a strong increase in generic sales versus ethical products.

Impact Chemicals

Impact Chemicals originally comprised five businesses, four of which were sold during 2008. The remaining business, William Blythe, is a worldwide supplier of inorganic specialities based on copper, iodine and tin from its UK manufacturing facility. Products are used in a range of applications such as semiconductor manufacture, pharmaceutical actives, non-toxic flame retardants, safety glass coatings and catalysts.

During the period, William Blythe traded ahead of 2009.

ADRIAN WHITFIELD
Chief Executive

9 March 2011

FINANCIAL REVIEW

Income Statement – Underlying Performance

Total sales increased by 21% driven in the main by the recovery of input price increases and volume gains in the Polymer business. Translation increased turnover by 2.2%. Turnover within Europe comprised some 46% of sales (2009 50%), with sales outside Europe heavily skewed towards Asia and other developing economies, which accounted for 46% of turnover.

Underlying operating profit of £54.9 million was ahead by 11%, driven by higher Polymer profitability, whilst finance costs fell to £7.8 million (2009 £9.9 million) on lower net borrowings.

The underlying tax rate of 19% (2009 20%) reflects the benefits of pioneer status on our investment in Malaysia.

Profit attributable to minority interests was £1.3 million (2009 £1.6 million).

The resultant underlying earnings per share of 16.2 pence is a year-on-year increase of 22%. The Group committed to a minimum dividend per share of 5p for 2010, of which 2p was paid for the interim results. Consistent with that promise a final cash dividend of £4.4 million, (being 3p multiplied by the number of shares prior to the PolymerLatex acquisition) will be paid. Post the rights issue to fund the acquisition, the number of shares in circulation is 340 million, and this therefore equates to a final cash dividend per share of 1.3p.

Income Statement – Special Items

To provide a clearer indication of the Group's underlying performance, a number of special items are shown in a separate column of the consolidated income statement. Special items include:

- Sale of Revertex Finewaters. The sale of this business was completed in June 2010, and the revenue and profits of that business are shown as special items in 2009 and 2010. Additionally, the gain on disposal, and the share of that gain attributable to minority interests are shown as special items in 2010.

- Various cross currency and interest rate swaps for hedging purposes, which involve maturities of up to seven 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 gain of £2.6 million (2009 loss £4.4 million) is segregated from the underlying performance.

- The expenses of winding down the Italian Pharma site, the closure of which was announced in 2007.

- Release of tax provisions relating to historic issues that were closed during the course of 2010 of £6.6 million.

- Acquisition cost relating to the purchase of PolymerLatex of £4.2 million charged in the year.

Pensions

In the main UK defined benefit pension scheme the majority of investments are in equities. Equity markets improved in 2010, and overall the fund delivered a return of 11.6%. The yield on high-quality corporate bonds decreased somewhat (0.3%) during the year, which increased liabilities. The company made cash contributions to the fund in the year of £13.6 million. The government announced the replacement of RPI with CPI as the measure of inflation during the year. Most of the group pension liabilities in payment receive either fixed or RPI linked increases. Consequently this change has only affected the liabilities with respect to the period in deferment, and has reduced liabilities by some £7 million. The overall effect of these changes was that there was a decrease in the deficit of the scheme, which stood at £56 million at the end of 2010 (2009 £70 million).

The UK scheme was closed to future accrual during 2009 and as at the end of 2010 there were no active members in the scheme.

IFRS

On an unadjusted IFRS basis, Group revenue increased by £104.5 million to £632.5 million. Profit before taxation at £57.8 million was £50.7 million higher than the previous period, reflecting the change between the years in the mark to market of the Group's currency swaps, the profit on disposal of businesses and goodwill impairment incurred in 2009.

Borrowings

Underlying net debt reduced significantly during the year.

Capital expenditure slowed substantially in 2009 with the global recession to £8.7 million. Capex increased during 2010, but at £10.6 million remained below depreciation.

Investment in the cash costs of running the Italian Pharma site came to some £1.4 million, whilst net proceeds from divestments totalled £10.9 million, from the sale of Revertex Finewaters (net of distribution to the minority shareholders).

Working capital outflow for the year was £11.9 million as expected, with the impact of volumes and input costs increases. Control of working capital is a core focus of the business management.

Minority interest dividends increased substantially to £6.6 million, due to the distribution of 30% of the proceeds from the sale of Revertex Finewaters to the minority shareholders.

The combination of stronger EBITDA, low capex, divestment proceeds and the substantial working capital outflow resulted in underlying net debt reducing to £63.4 million from £88.0 million at the end of 2009.

Refinancing and liquidity

At the year end the Group had US private placement debt (net of derivatives) of £75 million. Additionally the Group had £18.2 million in a 5 year loan in Malaysian ringgit, and an undrawn £30 million revolving loan facility, maturing December 2011. In December the Group agreed a new three year £210 million loan facility for the acquisition of PolymerLatex, and received net proceeds of £219 million from the rights issue in January. The existing £30 million loan facility was therefore cancelled in January 2011. £24 million of US private placement debt is due in 2012.

Net Debt to EBITDA, the Group's key leverage metric, fell to under 1.0 at the end of the year from 1.3 at the end of 2009.

DAVID BLACKWOOD
Finance Director

9 March 2011

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2010

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010			2009		
		Underlying performance	**Special items**	**IFRS**	**Underlying performance**	**Special items**	**IFRS**
		£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited
Continuing operations							
Group revenue		626,765	5,689	632,454	516,712	11,236	527,948
Share of joint ventures' revenue		19,026	-	19,026	15,450	-	15,450
Total sales	2	645,791	5,689	651,480	532,162	11,236	543,398
Group revenue		626,765	5,689	632,454	516,712	11,236	527,948
Company and subsidiaries before special items		51,951	-	51,951	48,174	-	48,174
Impairment of goodwill		-	-	-	-	(30,000)	(30,000)
Acquisition costs		-	(4,182)	(4,182)	-	-	-
Operations sold or closed during the year		-	12,303	12,303	-	1,990	1,990
Company and subsidiaries		51,951	8,121	60,072	48,174	(28,010)	20,164
Share of joint ventures		2,934	-	2,934	1,242	-	1,242
Operating profit/(loss)	2	54,885	8,121	63,006	49,416	(28,010)	21,406
Interest payable		(8,266)	-	(8,266)	(10,308)	-	(10,308)
Interest receivable		426	-	426	439	-	439
		(7,840)	-	(7,840)	(9,869)	-	(9,869)
Fair value adjustment		-	2,645	2,645	-	(4,401)	(4,401)
Finance costs	4	(7,840)	2,645	(5,195)	(9,869)	(4,401)	(14,270)
Profit/(loss) before taxation		47,045	10,766	57,811	39,547	(32,411)	7,136
Taxation		(9,095)	6,558	(2,537)	(7,981)	9,065	1,084
Profit/(loss) for the year from continuing operations		37,950	17,324	55,274	31,566	(23,346)	8,220
Discontinued operations							
Profit for the year from discontinued operations		-	-	-	-	3,668	3,668
Profit/(loss) for the year		37,950	17,324	55,274	31,566	(19,678)	11,888
Profit attributable to minority interests		1,300	4,236	5,536	1,572	630	2,202
Profit/(loss) attributable to equity holders of the parent		36,650	13,088	49,738	29,994	(20,308)	9,686
		37,950	17,324	55,274	31,566	(19,678)	11,888
Earnings per share*							
From continuing operations							
Basic		16.2p	5.8p	22.0p	13.3p	(10.7)p	2.6p
Diluted		15.7p	5.7p	21.4p	12.9p	(10.3)p	2.6p
From continuing and discontinued operations							
Basic		16.2p	5.8p	22.0p	13.3p	(9.1)p	4.2p
Diluted		15.7p	5.7p	21.4p	12.9p	(8.7)p	4.2p

*As restated for rights issue, see note 9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	2010			2009		
	Minority interests	**Equity holders of the parent**	**Total**	**Minority interests**	**Equity holders of the parent**	**Total**
	£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited
Profit for the year	5,536	49,738	55,274	2,202	9,686	11,888
Actuarial gains and losses	-	76	76	-	(12,619)	(12,619)
Gains /(losses) on a hedge of a net investment taken to equity	-	1,732	1,732	-	(253)	(253)
Gains/(losses) on cash flow hedges arising during the period	-	4,495	4,495	-	(678)	(678)
Exchange differences on translation of foreign operations	649	6,030	6,679	(825)	(6,933)	(7,758)
Tax relating to components of other comprehensive income	-	300	300	-	306	306
Other comprehensive income for the period	649	12,633	13,282	(825)	(20,177)	(21,002)
Total comprehensive income for the period	6,185	62,371	68,556	1,377	(10,491)	(9,114)

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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 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
	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

	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 2009	14,566	33,034	949	-	6,252	678
Profit for the year	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	(7,186)	(678)
Total comprehensive income for the period	-	-	-	-	(7,186)	(678)
Dividends paid	-	-	-	-	-	-
Shares purchased by ESOP trust	-	-	-	47	-	-
Share-based payments	-	-	-	(47)	-	-
At 31 December 2009	14,566	33,034	949	-	(934)	-

	Retained earnings	Total	Minority interest	Total
	audited	audited	audited	audited
	£'000	£'000	£'000	£'000
At 1 January 2009	2,056	57,535	9,157	66,692
Profit for the year	9,686	9,686	2,202	11,888
Other comprehensive income for the period	(12,313)	(20,177)	(825)	(21,002)
Total comprehensive income for the period	(2,627)	(10,491)	1,377	(9,114)
Dividends paid	-	-	(3,631)	(3,631)
Shares purchased by ESOP trust	-	47	-	47
Share-based payments	590	543	-	543
At 31 December 2009	19	47,634	6,903	54,537

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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010

	2010	2009
	£'000	£'000
	audited	audited
Non-current assets		
Goodwill	124,027	124,027
Other intangible assets	363	604
Property, plant and equipment	102,568	103,815
Deferred tax assets	161	1,139
Investment in joint ventures	3,716	3,798
	230,835	233,383
Current assets		
Inventories	65,379	56,145
Trade and other receivables	111,285	99,006
Cash and cash equivalents	36,211	42,384
Derivatives at fair value	22,765	11,763
Total current assets	235,640	209,298
Current liabilities		
Borrowings	(9,876)	(38,924)
Trade and other payables	(140,079)	(125,609)
Current tax liability	(28,763)	(34,556)
Total current liabilities	(178,718)	(199,089)
Non-current liabilities		
Borrowings	(102,379)	(101,106)
Trade and other payables	(144)	(216)
Deferred tax liability	(6,672)	(9,044)
Post retirement benefit obligations	(65,997)	(78,689)
	(175,192)	(189,055)
Net assets	112,565	54,537
Equity		
Called up share capital	14,566	14,566
Share premium	33,034	33,034
Capital redemption reserve	949	949
Hedging and translation reserve	6,828	(934)
Cash flow hedging reserve	4,495	-
Retained earnings	46,444	19
Equity attributable to equity holders of the parent	106,316	47,634
Minority interests	6,249	6,903
Total equity	112,565	54,537
Analysis of net borrowing		
Cash and cash equivalents	36,211	42,384
Current borrowings	(9,876)	(38,924)
Non-current borrowings	(102,379)	(101,106)
Net borrowings	(76,044)	(97,646)
Deduct: special items	12,674	9,608
Net borrowings (underlying performance)	(63,370)	(88,038)

The financial statements were approved by the Board of Directors and authorised for issue on 9 March 2011.

CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £'000 audited	2010 £'000 audited	2009 £'000 audited	2009 £'000 audited
Operating					
Cash generated from operations	5		42,228		64,499
Interest received		426		439	
Interest paid		(9,630)		(10,959)	
Net interest paid			(9,204)		(10,520)
UK corporation tax paid		(39)		(139)	
Overseas corporate tax paid		(8,693)		(6,673)	
Total tax paid			(8,732)		(6,812)
Net cash inflow from operating activities			24,292		47,167
Investing					
Dividends received from joint ventures			2,667		1,899
Purchase of property, plant and equipment		(10,592)		(8,687)	
Sale of property, plant and equipment		43		2,253	
Net capital expenditure and financial investment			(10,549)		(6,434)
Purchase of businesses		(371)		-	
Sale of businesses		16,075		8,760	
Net cash impact of acquisitions and disposals			15,704		8,760
Net cash inflow from investing activities			7,822		4,225
Financing					
Equity dividends paid			(2,913)		-
Dividends paid to minority interests			(6,585)		(3,631)
Investment by minority shareholder			130		-
Purchase of own shares			-		(47)
Repayment of borrowings			(35,978)		(33,472)
Proceeds of non-current borrowings			-		19,740
Net cash outflow from financing activities			(45,346)		(17,410)
(Decrease)/Increase in cash and bank overdrafts during the year			(13,232)		33,982
Comprised of:					
Cash and cash equivalents			(10,657)		20,157
Bank overdrafts			(2,575)		13,825
			(13,232)		33,982

Reconciliation of net cash flow from operating activities to movement in net borrowings

	2010	2009
Net cash inflow from operating activities	24,292	47,167
Add back: dividends received from joint ventures	2,667	1,899
Less: net capital expenditure and financial investment	(10,549)	(6,434)
Less: dividends paid to minority interests	(6,585)	(3,631)
Free cash flow before dividends	9,825	39,001
Net cash impact of acquisitions and disposals	15,704	8,760
Investment by minority shareholder	130	-
Purchase of own shares	-	(47)
Equity dividends paid	(2,913)	-
Exchange movements	1,922	(270)
Movement in net borrowings (underlying performance)	24,668	47,444

1 Special items

The special items disclosed are made up as follows:

	Note	2010 Special items £'000 audited	2009 Special items £'000 audited
Continuing operations			
Total sales			
Revenue of operations sold or closed during the year		5,689	11,236
Operating profit / (loss)			
Operating profit of operations sold or closed during the year		890	1,990
Impairment of goodwill		-	(30,000)
Acquisition costs		(4,182)	-
Profit arising from the sale or closure of operations	3	11,413	-
		8,121	(28,010)
Finance costs			
Fair value adjustment	4	2,645	(4,401)
Profit/(loss) before taxation from continuing operations		10,766	(32,411)
Taxation (settlement of historical issues)		6,558	9,065
Profit/(loss) for the year from continuing operations		17,324	(23,346)
Discontinued operations			
Total sales			
Revenue of operations sold or closed during the year		-	772
Operating profit of discontinued operations			
Operating profit of operations sold or closed during the year		-	22
Profit arising from the sale or closure of operations		-	3,652
		-	3,674
Taxation			
Taxation on operating profit of operations sold or closed during the year		-	(6)
Taxation on profit arising from the sale or closure of operations		-	-
Profit for the year from discontinued operations		-	3,668

2 Segmental analysis

	2010			2009		
	Underlying performance £'000 audited	**Special items** £'000 audited	**IFRS** £'000 audited	**Underlying performance** £'000 audited	**Special items** £'000 audited	**IFRS** £'000 audited
Total sales by activity						
Polymer Chemicals	532,955	5,689	538,644	427,862	11,236	439,098
Share of Polymer Joint ventures	19,026	-	19,026	15,450	-	15,450
	551,981	5,689	557,670	443,312	11,236	454,548
Pharma Chemicals	62,933	-	62,933	65,296	-	65,296
Impact Chemicals	30,877	-	30,877	23,554	-	23,554
	645,791	5,689	651,480	532,162	11,236	543,398
Operating profit by activity						
Polymer Chemicals	53,810	13,161	66,971	50,520	1,990	52,510
Share of Polymer Joint ventures	2,934	-	2,934	1,242	-	1,242
	56,744	13,161	69,905	51,762	1,990	53,752
Pharma Chemicals	4,450	(858)	3,592	5,571	(30,000)	(24,429)
Impact Chemicals	3,539	-	3,539	1,967	-	1,967
Unallocated corporate expenses	(9,848)	(4,182)	(14,030)	(9,884)	-	(9,884)
	54,885	8,121	63,006	49,416	(28,010)	21,406

	2010 £'000 audited	**2009** £'000 audited
Total sales by destination		
United Kingdom	76,663	71,753
Other Europe	221,869	198,053
Asia	220,269	160,123
Africa and Middle East	69,845	63,654
Rest of World	62,834	49,815
	651,480	543,398

3 Profit/(loss) arising from the sale or closure of an operation

	2010 £'000 audited	**2009** £'000 audited
Continuing operations		
Closure of Uquifa's Italian manufacturing site	(858)	-
Sale of Revertex Finewaters Sdn Bhd	12,271	-
	11,413	-
Discontinued operations		
Sale of Oxford Chemicals Limited	-	3,944
Write back of excess provision of Holliday Encres SA	-	371
Costs associated with prior year disposals	-	(663)
	-	3,652
	11,413	3,652

4 Finance costs

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.

	2010	2009
	£'000 audited	£'000 audited
Interest payable on bank loans and overdrafts	5,251	6,789
Interest payable on other loans	3,015	3,519
	8,266	10,308
Less: interest receivable	(426)	(439)
Net interest payable	7,840	9,869
Fair value adjustment	(2,645)	4,401
Total finance costs	5,195	14,270

5 Reconciliation of operating profit to cash generated from operations

	2010	2009
	£'000 audited	£'000 audited
Operating profit – continuing operations	63,006	21,406
Operating profit for the year from discontinued operations	-	3,674
Less: share of profits of joint ventures	(2,934)	(1,242)
	60,072	23,838
Depreciation and amortisation	14,616	14,771
Impairment of goodwill	-	30,000
Profit arising from the sale or closure of operations	(11,413)	(3,652)
Acquisition costs	4,182	-
(Profit)/loss on sale of fixed assets	(36)	(76)
Share based payments	333	(1,306)
Cash impact of termination of businesses	(1,445)	(3,591)
Pension funding in excess of IAS 19 charge	(12,191)	(10,678)
(Increase)/decrease in inventories	(8,362)	4,690
(Increase)/decrease in trade and other receivables	(14,210)	20,779
Increase/(decrease) in trade and other payables	10,682	(10,276)
Cash generated from operations	42,228	64,499

6 Reconciliation of EBITDA

	2010		2009	
	Underlying £'000 audited	**IFRS** £'000 audited	**Underlying** £'000 audited	**IFRS** £'000 audited
Operating profit	54,885	63,006	49,416	21,406
Less: Profit arising from the sale or closure of operations	-	(11,413)	-	-
Less: Operating profit of businesses sold or closed during the year	-	(890)	-	(1,990)
Add: Acquisition costs	-	4,182	-	-
Add: Impairment of goodwill	-	-	-	30,000
Add back: amortisation	303	303	331	331
Add back: depreciation	14,315	14,315	14,345	14,345
EBITDA	69,503	69,503	64,092	64,092

7 Dividends

	2010		2009	
	Pence per share audited	£'000	Pence per share audited	£'000
Interim dividend as originally disclosed	2.0	2,913	-	-
Restatement (see note 9)	(0.7)		-	
Restated interim dividend	1.3		-	
Proposed final dividend	1.3	4,370	-	

8 Acquisition of subsidiary

On 13 December 2010, Yule Catto & Co plc entered into an agreement to acquire the entire issued capital of PolymerLatex Deutschland Beteiligungsgesellschaft mbH for a total transaction value of €443 million (£376 million). This acquisition is to be funded partly by a 4 for 3 right issue to raise £225 million and partly by increased bank borrowings. Completion of the acquisition is conditional on the receipt of competition clearance from the relevant authorities. Further details can be found in the Prospectus dated 13 December 2010.

Cost associated with this transaction of £4,182k are included in special items (see note 1). £371k of these costs were settled in 2010.

9 Impact of rights issue

The company announced a 4 for 3 rights issue on 13 December 2010. The new shares were provisionally allotted nil paid on 31 December 2010.

To the extent that these new shares contained a bonus element, the following have been restated in accordance with accepted practice up to and including 30 December 2010:

Earnings per share	reduced by a factor of 64.39%
Dividends per share	reduced by a factor of 64.39%
Share option	increased be a factor of 155.3%
Share price	reduced by a factor of 64.39%

10 Further information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the company's annual general meeting. The auditors have reported on those accounts: their reports were 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 7 April 2011.

The financial statements were approved by the Board of Directors on 9 March 2011.

The accounting policies used to prepare these accounts are the same as those used in the preparation of the Group's audited accounts for the year ended 31 December 2009, 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 2p per share was paid on 11 November 2010. The directors recommend a final dividend of 1.3p per share payable on 8 July 2011 to those shareholders registered at the close of business on 10 June 2011.

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 – 226.3 million (2009 226.3 million), as restated for the rights issue.

Going concern

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

- The expiry of the £30 million multicurrency revolving credit facility on 24 December 2011 and its cancellation after the year end; and
- The obligations associated with the pending acquisition of PolymerLatex and the associated rights issue and debt funding arrangements as detailed in the prospectus dated 13 December 2010.

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 accounts.

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 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;* • *Other non-recurring and non-operating items; and* • *Tax impact of above items.* 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.