Yule Catto & Co plc

Preliminary Results for the year ended 31 December 2005

Good progress has been made in the long-term development of the Group

HIGHLIGHTS

- Group revenue £556.1m (2004: £536.6m)
- Underlying group sales* increased by 6% to £532.1m, (2004: £503.1m)
- Profit before taxation* £34.5m, (2004: £32.2m)
- Profit attributable to equity shareholders £21.9m (2004: £19.1m)
- Earnings per share* of 16.7p, (2004: 13.9p)
- Dividend 9.0p per share (2004: 13.4p)
- Strong volume growth in polymers
- Successful implementation of restructuring programme, delivering £22m gross proceeds to date
- Borrowings* reduced to £165.6m (2004: £187.6m)
- Net assets £55.5m (2004: £45.9m)

* Before special items, as defined in notes 1 and 9

Anthony Richmond-Watson, Chairman, comments:

"In Polymers, the start of the year has seen strong sales volume and we are cautiously optimistic that as the year develops, performance will maintain its forward progression. The long-term generic and ethical development programme for the active pharmaceutical ingredient business continues to expand and the necessary infrastructure is in place. We look forward to the growth created by our investment and restructuring initiatives, being aided by more helpful market conditions."

16 March 2006

ENQUIRIES:

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RESULTS SUMMARY

	Underlying performance[a]		IFRS	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
	audited	audited	audited	audited
Year to 31 December				
Group sales	532,146	503,121	568,707	549,444
EBITDA (b)	65,504	65,614	65,504	65,614
Operating profit	46,213	45,088	46,193	44,947
Profit before taxation	34,472	32,158	32,031	31,757
Earnings per share	16.7p	13.9p	15.1p	13.2p
Dividend per share (c)	9.0p	13.4p	9.0p	13.4p
Net borrowings (d)	(165,591)	(187,641)	(171,266)	(178,537)
Free cash flow before dividends (e)	19,786	13,344	19,786	13,344

Notes:
The above table represents the results of Yule Catto and Co plc, its subsidiaries and its share of joint ventures.
(a) Underlying performance is before special items. (See notes 1 and 9)
(b) Earnings before interest, tax, non-recurring items, depreciation and amortisation (See note 6)
(c) Final dividend for 2005 of 5.3p per share will be paid on 4 July 2006 to members on the register at close of business on 2 June 2006. Under IFRS this is not accrued in the financial statements.
(d) As reconciled at the bottom of the balance sheet.
(e) As shown within the cash flow statement.

CHAIRMAN'S STATEMENT

Good progress has been made in the long-term development of the Group. Forward momentum in our water-based Polymer activities was sustained in the second six months despite there being no respite from rising costs of petrochemical based raw materials. Strong volume growth, better product mix and increased selling prices all contributed to an improvement in unit margins, which more than offset the rise in input costs. The future of our Pharmaceutical activities is in large part linked to widening the portfolio of the generic products that we manufacture. Enhanced levels of drug master file registration in the USA and Europe were maintained and the infrastructure to support the approval programme was strengthened. Profit in Performance chemicals moved forward by 8% as we benefit from the reshaping of the division into a more focussed business.

Underlying profit before taxation for the group advanced by 7% to £34.5 million. With a lower tax rate prevailing in the period and a reduced level of profit attributable to minority interests, the associated earnings per share rose 20% to 16.7 pence.

Movements in exchange rates have been a negative feature in recent years: the weakening US Dollar has been detrimental to the value of transactions, whilst our high Euro exposure has affected the translation of overseas results. The quantum of the exchange rate risk remains the same, but with relative stability in the two major currencies the impact in the year was broadly neutral.

The funding position of pensions continues to attract much publicity. The Yule Catto UK scheme has a high proportion of its assets allocated to equities and hence with world stock markets performing well, asset value has enjoyed a double-digit growth for the third consecutive year. Conversely, a sharp reduction in bond yields towards the year end resulted in the calculation of liabilities, as measured by IAS19, eroding much of the benefit, but overall the deficit has reduced by £7.7 million. A full triennial valuation will be conducted in 2006 and a new schedule of contributions to address any shortfall will be developed in conjunction with the scheme Trustees and accommodating the requirements of the Pensions Regulator.

The large and developing market in China offers many exciting business opportunities, both as a new outlet for our products and as a source of low cost raw materials for use in our manufacturing processes. In pursuit of this, we have recently established a representative office in Guangzhou.

A review of underperforming and non-core activities resulted in the sale or withdrawal from a number of businesses during the year. This process has delivered gross proceeds of £22 million to date and additional income will be generated following the sale of land associated with two discontinued operations in the UK.

Primarily driven by the disposal exercise, net underlying borrowings reduced by £22.0 million to £165.6 million at the year end. As expected, additions to fixed assets were at a lower level as we continue to benefit from a period of reduced capital requirement. The Board has approved the expansion of the nitrile latex facility in Malaysia and entry into a new market for cytotoxic pharmaceutical products; and therefore a modest increase in expenditure is likely in the current year. As a result of higher volume and the rising costs of raw materials, we have again seen an absorption of cash into working capital, although not at the rate of the previous year.

In line with the guidance provided in the interim statement, the Directors are recommending a final dividend of 5.3 pence per share which would take the full year payment to 9.0 pence, being a reduction of 33 per cent on last year. Subject to shareholder approval, the dividend will be paid on 4 July to members on the register at close of business on 2 June. In the absence of unforeseen circumstances, it is the Board's intention that, from this rebased level, the group will resume a progressive dividend policy.

Alex Walker, our Chief Executive since 1986, will retire in August 2006 after 34 years with the Group. Alex has been instrumental in transforming Yule Catto into the speciality chemical company it is today, delivering significant shareholder value along the way. Following a rigorous search process, Adrian Whitfield joined the Group on 1st March 2006 as a Director and Chief Executive Designate. Adrian has extensive international industrial management experience. I am sure he will make an invaluable contribution in the next stage of the development of the Group. In addition, following the resignation of Gianni Montezemolo, we welcomed Colin Williams to the Board as an independent non-executive director on 6 December 2005.

In an increasingly competitive environment, the success of the group can only be realised through the hard work and commitment of all our employees. On behalf of the Directors and Shareholders, I would again like to thank everyone for their contribution to the results achieved this year.

Safety, health and environment (SHE) are of the utmost importance and it is pleasing to report, for the sixth consecutive year, an overall improvement in SHE performance, with a 30% reduction in the lost time accident frequency rate and a lower total number of reportable safety and environmental incidents. We are fully committed to the principles of sustainable development and have adopted guidelines issued by the UK Chemical Industry Association. In support of this, financial incentives for senior managers have been modified to broaden the categories targeted for improvement to include energy and waste. Finally, a detailed analysis has been conducted to assess the economic implications of the European Union REACH legislation. On the basis of current knowledge of the regulatory framework, it appears that any financial exposure should be contained within the existing cost structure.

Outlook

The price of crude oil remains high and there are no signs of raw material costs subsiding. That said, the polymer business delivered good results last year as the level of volatility reduced. The start of the year has seen strong sales volume and we are cautiously optimistic that as the year develops, performance will maintain its forward progression.

The long-term generic and ethical development programme for the active pharmaceutical ingredient business continues to expand and the necessary infrastructure is in place. We expect to see the benefit of new products during the year which should provide some mitigation against the normal generic pricing curve of the more mature products in our portfolio.

In difficult circumstances we delivered a solid performance in 2005 and look forward to the growth created by our investment and restructuring initiatives, being aided by more helpful market conditions.

REVIEW OF OPERATIONS

POLYMER CHEMICALS

In almost every respect, our Polymer Chemicals businesses delivered a healthy performance in 2005 and demonstrated good progress along our chosen growth path. Raw material availability and cost were again a feature, with the aftermath of the hurricanes in the USA adding to the pressures caused by the persistence of the high price of crude oil. Despite these challenges, record sales volumes saw turnover rise 15.4% and that, coupled with higher capacity utilisation and improving sales prices, provided a 23.5% increase in operating profit.

The width of our product portfolio and the flexibility to adapt products for customers to give improved commercial and technical advantage remains a key strength. In addition, new products have been successfully launched to address changing market conditions. This has assisted in the development of business in Europe and Asia in support of the manufacturing investments of recent years. Plans are in hand to increase capacity further for selected markets and regions.

The world economy is adjusting to the higher costs of oil-based products. This is true of our customer base where a greater acceptance of higher selling prices, plus the impact of changes in product mix, saw margins return to double-digit as the year progressed.

In the latter months of 2005 the volatility in raw material costs, while still present, had reduced and the availability of monomers improved. Such an environment provides the conditions to increase the number of growth opportunities and maintain the momentum towards our long-term strategic goals of expanding into new markets and capturing target accounts.

Synthetic Latex

Global volumes of synthetic latex grew by close to 10% in the year. The merits of a production facility in Malaysia close to our customers for nitrile glove dipping latex was a significant contributory factor. The rising shipping costs of our competitors based in Europe and the USA have been avoided and with a number of new developments coming on stream the customer base has increased. Sales volumes of nitrile latex grew by a substantial 25% supported by process development initiatives which released 20% additional capacity at the Kluang facility. With growth in this market set to continue, investment in additional reactor capacity will commence in the second quarter of 2006.

In Europe initiatives to widen activities in the speciality construction, textile and paper sectors achieved good progress with volumes up close to 10%. The results of efforts to develop sales to Eastern Europe are also starting to emerge. Difficult market conditions were again experienced in the carpet sector with, in particular, the UK industry seeing further contraction. In response to this, compound manufacturing facilities in Holland have been rationalised with the closure of the Ridderkerk site. This has resulted in a significant improvement in productivity and enhances our status as the leading carpet compound supplier to the European market.

Emulsions

The emulsion business in 2005 was subject to regional variations, but overall record tonnages were achieved.

The 8% volume growth achieved in Europe was against the trend of published statistics which showed a year-on-year decline in customer demand. The major part of this success came from higher sales to continental European customers supplied from our Belgian facility. Our technology, which is well established in the UK, provides the platform to supply customers across a wide number of application areas. With the freer supply of raw materials, the opportunity for greater sales to these markets is being pursued.

In South East Asia and the Middle East sales declined slightly, in line with general market conditions. However, the fall was less than might have occurred since customers in some sectors, such as construction in Malaysia and paint in Saudi Arabia, have reported substantial falls in demand.

Emulsion sales in South Africa moved forward as general economic activity remained robust. The benefit of recent investments in reactor capacity emerged in both cost effectiveness and the ability to support increased customer demand. A new range of emulsion adhesives was also launched directed at broadening our activities in the packaging and wood industries.

Polyvinyl Alcohol/Acetate

Efforts initiated to develop sales in Asia have proved successful and provided compensation for weaker polyvinyl alcohol demand in other parts of the world as a consequence of a slow-down in the PVC industry.

Margins came under pressure due to the rising cost of Vinyl Acetate Monomer and, with customers having alternative technology options, reflecting these higher prices in the market has proved a difficult challenge. The unique properties of our Alcotex range of stabilisers has, however, permitted the maintenance of market share. As the PVC industry develops in Asia we remain well placed for future growth.

Polyvinyl Acetate sales overall are running at the level of recent years. New product developments for adhesive and additive applications are offsetting weaker sales to the automotive industry.

Other Speciality Products

After a slight dip in speciality natural rubber latex sales in 2004, volumes pleasingly recovered in a year when underlying natural rubber prices rose. Our Malaysian operation is the leading supplier to the world condom manufacturing industry. It is, therefore, not surprising that the first customer approvals and sales for our recently established joint venture in India are at condom manufacturers in that country.

Revertex Finewaters, our adhesives manufacturing company in Malaysia, successfully deployed new marketing tactics and products to re-establish their highly successful track record. Export sales throughout the region continue to grow.

Sales of alkyd resins in Asia fell back slightly, but polyester sales grew as good contract business in Malaysia/Singapore was secured. A shift towards more specialised applications has also assisted in improving margins.

Lithene polybutadiene sales continued at a solid level, but a shift in product mix has seen good margin development. A debottlenecking investment was completed in mid-2005 in order to facilitate new product introductions.

PHARMA AND FINE CHEMICALS

The value of sales for our Pharma & Fine Chemicals businesses again experienced the impact of the normal pattern of price erosion for our major generic products as the market matures post patent expiry. Volume growth was achieved, but despite good process development reducing product costs, unit margins contracted.

Sales in the last quarter of the year were particularly slower than expected as customers and regulatory approvals delayed the benefits of new initiatives in the contract manufacturing business.

Our strategy remains to strengthen and deepen the range of generic products with an eye to the medium and long term as patents expire. In addition, we continue to offer cost effective manufacturing and development services to the wider pharmaceutical industry. During 2005 there was a full programme of development and nine drug master files were registered in the USA and Europe. A number of important customers have used these files to support the development of their future product launches.

The year saw the completion of two major investments in a new research centre in Spain and a cGMP pilot plant at our facility in Italy. These, along with strengthened development teams, were applied to product development enabling the filing of process patents covering a number of new products.

Results from our Flavour & Fragrance businesses were held back by generally weaker market conditions and pressure from customers seeking manufacturers in low cost countries was also experienced.

Pharma

The Uquifa business in Spain experienced a good year from a volume standpoint, particularly in the field of generics. Sales volumes of omeprazole active again rose by 20% with demand growing in the important US market and good sales of product in pelletised form. New equipment to bring in-house the manufacture of pellets was commissioned in the year, but delays in the regulatory process meant Spanish Ministry of Health approval for our process only came at the very end of the year. Benefits from this investment will not only support omeprazole margins, but permit the development of other active pharmaceutical ingredients which are supplied in pellet form.

Ranitidine sales were strong in the USA and Europe with largely stable margins. Progress was also achieved in scaling up new processes for other proton pump inhibitors. Antibacterial and antidepressant volumes grew, but here the rise in solvent prices constrained margin development.

Progress was sustained in developing relationships with large Pharma companies with the transfer of a number of long-established products to our plant from multinational locations. The pilot plant featured strongly, being highly utilised throughout the year. A good part of this was in the manufacture of smaller scale products for customer development programmes within the ethical market.

For our Italian operation, 2005 was a challenging year. Further delays within a customer's approval process for a substantial contract were experienced and sizeable take up of generic products remains some way off. Additionally, a product in phase II/III of drug development, which used the particular manufacturing capabilities of our Agrate plant, was withdrawn.

On a brighter note, an important contract was agreed for the supply of a cytotoxic product. The necessary investment to modify part of our new pilot plant is currently in progress and will be commissioned in the second half of 2006. This creates an important new opportunity to develop business in a rapidly growing market area.

While sales levels from our Mexican company were largely similar to the previous year, the mix has altered with the generic products growing at a time of slower offtake by ethical customers. Ciprofloxacine was particularly strong and sales of the antipsychotic Zolpidem to Europe increased. This latter product will come off patent in the USA in the second half of 2006 and that, coupled with good ethical demand, is anticipated to aid performance in the months ahead. Terbinafine, an antifungal, saw sales rise rapidly to become the leading product made by Uquifa in Mexico. This opportunity was supported by our pharmaceutical dossier registration programme in Europe.

The search for cost competitive intermediates to utilise as precursors to our registered products and processes is a key feature of the pharmaceutical market. The opening of our group representative office in China will assist in accessing this ever more important supplier base for such starting materials.

Flavour & Fragrances

The flavour and fragrance market saw another year of weaker demand and the search for reduced input costs encouraged customers to seek product from low cost countries, particularly in Asia.

Oxford Chemicals' quality standards and niche product offerings were used to great effect to combat this threat, but margin was somewhat impacted. Raw materials on which to base a range of natural products have now been secured and these are in the process of being introduced to the market.

The fragrance business of PFW has suffered through a sharp rise in its main petrochemical based raw material at a time when new competition has entered their market. Important certification approval targets were reached for sales throughout the European Union which will assist in sustaining sales volumes.

PERFORMANCE CHEMICALS

2005 was an active year of restructuring and reshaping for our Performance Chemicals businesses. Underlying sales achieved from ongoing activities fell by 5.5%, but the associated operating profits moved forward by 7.7%.

There were some significant achievements in the disposal of operations with Autoclenz listed on AIM in December with a total value of £18m. Earlier in the year the disposal of Brencliffe and the Holliday Dispersions operations for a combined value of £3.9m were successfully concluded. Restructuring within the remaining businesses continued with the announcement of the closure of the James Robinson manufacturing site in Huddersfield and the decision to exit the sulphur dioxide derivatives business of William Blythe.

All of the above is a direct response to changes in our customer base and positions our operations to deliver more effectively our speciality products which are technically demanding in both specification and manufacture.

The continuing activities are beginning to see the benefits of this process, aided by new product initiatives. In particular, the speciality inorganic operations have achieved some important advances and the high margin photochromic products are demonstrating a sharp increase in sales. To set against this, the weakness of the US Dollar to Sterling and the Euro remains a concern; and the rapid rise in the price of gas will impact the costs of the ultramarine pigment manufacturing process.

China is a major market for our performance chemical companies. They have been the first to take advantage of our new representative office by stationing technical sales representatives in Guangzhou to support customer contacts.

Inorganic Chemicals

Stability has now been achieved in the timber treatment business with the opportunity for growth as other UK manufacturers withdraw from the market. Major progress can be reported in the development of high purity copper chromate for catalyst manufacture. Significant breakthroughs in new business in this area were achieved in the latter months of the year.

Tin products, used in non-toxic flame retardants, progressed well in overseas markets as did sales of products directed at the pharmaceutical and glass manufacturing industries. New applications in brake pads and flame retardant paints hold promise for the future. Iodine based products saw sales of speciality products to the electronic and printing sectors, most notably high purity periodic acid.

The continuation of the difficult trading conditions in the SO_2 market has resulted in our decision to vacate the manufacturing site at Hapton. The transfer of other profitable processes to the main William Blythe site at Church will commence in the near future. This should lead to a more efficient single site operation focussed on products with a growing future.

Organic Chemicals and Pigments

James Robinson has for some time been going through a period of change to rationalise its facilities. After the final closure of manufacturing in the UK due in mid-2006, customers will be served from the high technical capabilities of our German facility and, for large volume products, the low operating cost base of our Indian joint venture.

Exciting opportunities lie within the photochromic market where the technical excellence and range of our products enabled sales to double in 2005. New opportunities outside the important ophthalmic sector in the areas such as security marking are being pursued. Hair dye sales were sustained, but margins of the larger volume products came under pressure from Asian manufacturers. Colour developer sales fell back as the move to digital photography gathered pace, but an agreement to make a range of fuel markers will substantially expand our Indian operations.

The ultramarine business had a challenging year with a downturn in sales as distributors reduced stocking levels. In France the operations performed well delivering a good all round performance. On the other hand, the UK operation was plagued by production issues that restricted output. Actions to alter this position are in hand with good progress being achieved towards key performance targets. Our products remain the standard by which the ultramarine market judges quality and there remain numerous applications to grow volumes, particularly in the increasingly important China market. The acceptance process for new products in automotive, construction and ink continues but customer testing regimes, by definition, remain a lengthy process.

Other Activities

Our Consumer Chemicals products faced mixed market conditions throughout the year, exacerbated by rising raw material costs. Little growth was seen in the markets we serve and further reshaping of the cost base was initiated.

A marked increase in customer confidence was seen in the last quarter of 2005 resulting in a strong order book for the early part of 2006.

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2005

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005		2004	
		£'000 audited	£'000 audited	£'000 audited	£'000 audited
Group revenue			556,051		536,567
Share of joint ventures revenue			12,656		12,877
Group sales	1,2		568,707		549,444
Group revenue			556,051		536,567
Company and subsidiaries			45,334		43,139
Joint ventures			859		1,808
Operating profit	1,2		46,193		44,947
Interest payable		(15,424)		(13,229)	
Interest receivable		3,683		299	
		(11,741)		(12,930)	
Fair value adjustment	4	(2,421)		(260)	
Finance costs			(14,162)		(13,190)
Profit before taxation			32,031		31,757
Taxation			(8,998)		(11,317)
Profit for the year			23,033		20,440
Profit attributable to minority interests			1,180		1,303
Profit attributable to equity shareholders			21,853		19,137
			23,033		20,440
Earnings per share					
Basic			15.1p		13.2p
Diluted			14.9p		13.1p

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

	2005	2004
	£'000	£'000
	audited	audited
Non-current assets		
Goodwill	172,443	172,443
Other intangible assets	815	773
Property, plant and equipment	140,064	148,729
Deferred tax assets	2,531	1,860
Investment in joint ventures	4,064	3,053
	319,917	326,858
Current assets		
Inventories	66,495	70,907
Trade and other receivables	103,244	109,517
Cash and cash equivalents	46,027	93,868
	215,766	274,292
Current liabilities		
Borrowings	(37,385)	(102,244)
Trade and other payables	(129,523)	(122,645)
Current tax liability	(53,050)	(52,512)
Derivatives at fair value	(4,312)	(17,152)
Net current liabilities	(8,504)	(20,261)
Non-current liabilities		
Borrowings	(179,908)	(170,161)
Trade and other payables	(306)	(436)
Deferred tax	(6,056)	(14,279)
Post retirement benefit obligations	(69,637)	(75,802)
	(255,907)	(260,678)
Net assets	55,506	45,919
Share capital	14,480	14,480
Share premium	31,829	31,829
Capital redemption reserve	949	949
Hedging and translation reserve	(481)	(947)
Retained earnings	4,009	(4,798)
Equity attributable to equity holders of the parent	50,786	41,513
Minority interests	4,720	4,406
Total equity	55,506	45,919
Analysis of net borrowing		
Cash and cash equivalents	46,027	93,868
Current borrowings	(37,385)	(102,244)
Non-current borrowings	(179,908)	(170,161)
Net borrowings	(171,266)	(178,537)
Add back: special items	5,675	(9,104)
Net borrowings (underlying performance)	(165,591)	(187,641)

The financial statements were approved by the Board of Directors and authorised for issue on 16 March 2006.

CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2005

Year to 31 December	Notes	**2005** £'000 audited	**2005** £'000 audited	**2004** £'000 audited	**2004** £'000 audited
Operating					
Cash generated from operations	5		57,791		49,181
Interest received		3,683		299	
Interest paid		(15,095)		(12,680)	
Net interest paid			(11,412)		(12,381)
UK corporation tax (paid)/received		(74)		316	
Overseas corporate tax paid		(10,964)		(8,820)	
Total tax paid			(11,038)		(8,504)
Net cash inflow from operating activities			35,341		28,296
Investing					
Dividends received from joint ventures			130		1,854
Purchase of property, plant and equipment		(14,331)		(16,920)	
Sale of property, plant and equipment		45		186	
Net capital expenditure and financial investment			(14,286)		(16,734)
Purchase of businesses		-		(1,358)	
Sale of businesses		18,858		-	
Net cash impact of acquisitions and disposals			18,858		(1,358)
Net cash inflow/(outflow) from investing activities			4,702		(16,238)
Financing					
Equity dividends paid			(16,796)		(19,086)
Dividends paid to minority interests			(1,399)		(72)
Purchase of own shares			(369)		(185)
Repayment of current borrowings excluding bank overdrafts			-		(12,000)
(Repayment)/proceeds of long term borrowings			(5,033)		26,486
Net cash outflow from financing activities			(23,597)		(4,857)
Increase in cash and bank overdrafts during the year			16,446		7,201
Comprised of:					
Cash and cash equivalents			(46,623)		1,515
Bank overdrafts			63,069		5,686
			16,446		7,201

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

	2005	2004
	£'000	£'000
	audited	audited
Net cash inflow from operating activities	35,341	28,296
Add back: dividends received from joint ventures	130	1,854
Less: net capital expenditure and financial investment	(14,286)	(16,734)
Less: dividends paid to minority interests	(1,399)	(72)
Free cash flow before dividends	19,786	13,344
Net cash impact of acquisitions and disposals	18,858	(1,358)
Purchase of own shares	(369)	(185)
Equity dividends paid	(16,796)	(19,086)
Exchange movements	571	(3,080)
Movement in net borrowings (underlying performance)	22,050	(10,365)

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2005

	2005			2004		
	Minority interests	**Equity holders of the parent**	**Total**	**Minority interests**	**Equity holders of the parent**	**Total**
Year to 31 December	£'000	£'000	£'000	£'000	£'000	£'000
	audited	audited	audited	audited	audited	audited
Actuarial gains and losses	-	3,442	3,442	-	2,540	2,540
Tax on items recognised directly in equity	-	(34)	(34)	-	(1,798)	(1,798)
Exchange differences	533	466	999	(269)	(945)	(1,214)
Profit for the year	1,180	21,853	23,033	1,303	19,137	20,440
Total recognised income for the period	1,713	25,727	27,440	1,034	18,934	19,968

1 Consolidated income statement analysis

	Note	2005 Continuing operations			2004 Continuing operations		
		Underlying performance	**Special items**	**IFRS**	**Underlying performance**	**Special items**	**IFRS**
		£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited
Group revenue		519,490	36,561	556,051	490,244	46,323	536,567
Share of joint ventures revenue		12,656	-	12,656	12,877	-	12,877
Group sales	2	532,146	36,561	568,707	503,121	46,323	549,444
Group revenue		519,490	36,561	556,051	490,244	46,323	536,567
Company and subsidiaries		45,354	(20)	45,334	43,280	(141)	43,139
Joint ventures		859	-	859	1,808	-	1,808
Operating profit/(loss)	2	46,213	(20)	46,193	45,088	(141)	44,947
Finance costs	4	(11,741)	(2,421)	(14,162)	(12,930)	(260)	(13,190)
Profit/(loss) before taxation		34,472	(2,441)	32,031	32,158	(401)	31,757
Taxation		(9,148)	150	(8,998)	(10,824)	(493)	(11,317)
Profit/(loss) for the year		25,324	(2,291)	23,033	21,334	(894)	20,440
Profit attributable to minority interests		1,180	-	1,180	1,303	-	1,303
Profit attributable to equity holders of the parent		24,144	(2,291)	21,853	20,031	(894)	19,137
		25,324	(2,291)	23,033	21,334	(894)	20,440
Earnings per share							
Basic		16.68p	(1.58)p	15.10p	13.86p	(0.62)p	13.24p
Diluted		16.49p	(1.56)p	14.93p	13.70p	(0.61)p	13.09p

Discontinued operations

There are no discontinued operations. As detailed in note 3, a number of businesses were sold or closed during the year, however these do not satisfy the criteria of IFRS 5 to be treated as discontinued operations.

Special items

The special items disclosed are made up as follows:

	Note	2005 Special items £'000 audited	2004 Special items £'000 audited
Group sales			
Revenue of operations sold or closed during the year		36,561	46,323
Operating profit/(loss)			
Operating (loss)/profit of operations sold or closed during the year		(156)	1,643
Profit or loss arising from the sale or closure of operations	3	136	-
Impairment of non-current assets		-	(1,784)
		(20)	(141)
Finance costs			
Fair value adjustment	4	(2,421)	(260)
Taxation			
Taxation on operating (loss)/profit of businesses sold or closed during the year		-	(493)
Taxation on profit or loss arising from the sale or closure of operations		150	-
		150	(493)

2 Segmental analysis

	2005			2004		
Year to 31 December	**Underlying performance** £'000 audited	**Special items** £'000 audited	**IFRS** £'000 audited	**Underlying performance** £'000 audited	**Special items** £'000 audited	**IFRS** £'000 audited
Group sales by activity						
Polymer Chemicals	364,770	-	364,770	316,108	-	316,108
Pharma & Fine Chemicals	82,170	-	82,170	96,868	-	96,868
Performance Chemicals	85,206	36,561	121,767	90,145	46,323	136,468
	532,146	36,561	568,707	503,121	46,323	549,444
Operating profit by activity						
Polymer Chemicals	34,159	(1,276)	32,883	27,663	(540)	27,123
Pharma & Fine Chemicals	10,903	-	10,903	16,355	-	16,355
Performance Chemicals	5,833	1,256	7,089	5,414	399	5,813
Unallocated corporate expenses	(4,682)	-	(4,682)	(4,344)	-	(4,344)
	46,213	(20)	46,193	45,088	(141)	44,947

	2005	2004
	£'000	£'000
	audited	audited
Group sales by destination		
United Kingdom	123,767	128,634
Other Europe	228,641	218,470
Asia	115,204	98,870
Africa and Middle East	49,120	45,863
Rest of World	51,975	57,607
	568,707	549,444

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

	2005	2004
Year to 31 December	£'000	£'000
	audited	audited
Sale of Brencliffe Limited	347	-
Sale of Holliday Dispersions Ltd and SA	(1,974)	
Sale of Autoclenz Limited	13,614	-
Restructure of James Robinson Limited	(4,813)	-
Restructure of William Blythe Limited	(5,762)	-
Restructure of Ditar Ridderkerk BV	(1,276)	-
	136	-

The shares of Brencliffe Limited were sold on 31 March 2005.

The business and assets of Holliday Dispersions Limited were sold on 11 August 2005, followed by the sale of the shares of Holliday Dispersions SA on 14 October 2005.

The shares in Autoclenz Limited were sold on 7 December 2005.

In January 2005 an announcement was made announcing the closure of Ditar Ridderkerk BV.

In July 2005, the closure of James Robinson's manufacturing facilities at Huddersfield was announced.

In December 2005, an announcement was made detailing the withdrawal of William Blythe Limited from the sulphur dioxide business, which will result in the closure of the Hapton site.

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.

5 Reconciliation of operating profit to cash generated from operations

Year to 31 December	2005 £'000 audited	2004 £'000 audited
Reconciliation of operating profit to cash generated from operations		
Operating profit	46,193	44,947
Less: share of profits of joint ventures	(859)	(1,808)
	45,334	43,139
Impairment of non-current assets	-	1,784
Depreciation and amortisation	19,291	20,526
Profit or loss arising from the sale or closure of operations	(136)	-
Cash impact of termination of businesses	(761)	(280)
Loss on sale of fixed assets	(73)	-
Share based payments	711	1,212
Decrease / (increase) in inventories	1,550	(4,645)
Increase in trade and other receivables	(1,380)	(10,083)
Decrease in trade and other payables	(4,042)	(4,357)
Unrealised exchange (gains) / losses	(2,703)	1,885
Cash generated from operations	57,791	49,181

6 Reconciliation of EBITDA

	2005		2004	
	Underlying	**IFRS**	**Underlying**	**IFRS**
	£'000	£'000	£'000	£'000
Year to 31 December	audited	audited	audited	audited
Operating profit	46,213	46,193	45,088	44,947
Less: profit arising from the sale or closure of operations	-	(136)	-	-
Less: operating profit or loss of businesses sold or closed during the year	-	156	-	(1,643)
Add back: impairment of non-current assets	-	-	-	1,784
Add back: amortisation	307	307	439	439
Add back: depreciation	18,984	18,984	20,087	20,087
EBITDA	65,504	65,504	65,614	65,614

7 Dividends

	2005 Pence per share audited	2004 Pence per share audited
Interim	3.7	5.5
Final	5.3	7.9
Total	9.0	13.4

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

8 Further information

The financial information set out above does not comprise the company's statutory accounts. It has been derived from the Group's audited accounts for the year ended 31 December 2005, which will be delivered to the Registrar of Companies following the Annual General Meeting. The auditors' report was unqualified and did not contain any statement under section 237 (2) or (3) of the Companies Act 1985. While the financial information included in this preliminary announcement has been computed in accordance with International Financial Accounting 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 19 April 2006.

The financial statements were approved by the Board of Directors on 16 March 2006.

The accounting policies used to prepare these accounts are the same as those used in the preparation of the Group's restated IFRS audited accounts for the year ended 31 December 2004, which were published in a transition document dated 8 September 2005. This statement presents and explains the adjustments to 31 December 2004 in detail, and 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.

A final dividend of 5.3p (2004: 7.9p) per share, totalling £7.7m, (2004: £11.4m) has been declared by the directors.

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 – 144.7m (2004: 144.6m).

9 Glossary of terms

Group sales — Group sales represent the total of revenue from Yule Catto and Co plc, its subsidiaires, and its share of the revenue of joint ventures.

EBITDA — EBITDA is calculated as operating profit before depreciation, amortisation and non-recurring items.

Operating profit — Operating profit represents profit before finance costs and taxation.

Non-recurring items — Non-recurring items are defined as:

- *Profit or loss impact arising from the sale or closure of an operation;*
- *Impairment of non-current assets; and*
- *Other non-operating or one-off items.*

Special items — The following are disclosed separately as special items in order to provide a clearer indication of the Group's underlying performance:

- *Non-recurring items;*
- *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;*
- *Revaluation of USD loan notes from the rate of the related cross currency swaps to the year end rate; and*
- *The transitional adjustment required to reflect movements in fair value caused by variations in interest rates, and subsequent amortisation thereof, to the extent that these constituted*

effective hedges under UK GAAP.

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 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.