



YULE  
CATTO

Interim Report  
for the six months  
ended  
**30 June 2000**



## Financial Highlights

### Continuing operations

Six months to 30 June	Notes	2000 £000	1999 £000
Total turnover	1	259,407	226,103
Ebitda	1, 2	40,281	38,543
Total operating profit	1, 3	30,733	30,843
Profit before taxation	3	23,343	24,913
Net borrowings		152,376	164,358
Free cash flow before dividends		4,704	167
Adjusted earnings per share	4	10.8p	11.4p
Earnings per share – FRS3		6.5p	7.9p
Dividends per share		4.7p	4.5p

### Notes:

- 1 Including attributable share of joint ventures.
- 2 Earnings before interest, tax, depreciation and amortisation.
- 3 Before amortisation of goodwill.
- 4 Adjusted earnings per share excludes the amortisation of goodwill.

## Chairman's Statement

### Overview

Good progress has been achieved in restructuring the group, reducing debt, increasing dividends paid to shareholders and investing in future growth initiatives. Exchange rate movements continue to have an adverse translation effect on the consolidation of overseas results. A favourable product mix, improvements in productivity and the benefits of new products have generally offset the impact of a very difficult raw material environment resulting in a constant currency profit within 2% of last year at £23.3 million. The increase of 4.4% in the interim dividend reflects your Board's confidence in the future prospects for our group.

### Review of Operations

#### *Polymer chemicals*

The rising cost of major raw materials experienced towards the end of 1999 persisted relentlessly throughout the first half of 2000. We have enjoyed strong volume growth but despite achieving improvements in selling prices, unit margins have inevitably come under pressure.

Emulsion resins saw volumes advance in all territories with the continuing growth in the Far East particularly pleasing. Auxiliary polymers benefited from a buoyant PVC market and the increased market penetration of newer products.

We continue to expand into more technically demanding applications for synthetic latex and we are pleased to confirm that the Malaysian government has granted an advantageous taxation status to the recently announced expansion at our facility in Kluang. The investment will provide exciting growth opportunities to an already flourishing business. In the meantime, the coming months will continue to be challenging for the division as a whole, with third quarter input prices high and the timing of the inevitable fall providing the greatest uncertainty.

#### *Pharma & fine chemicals*

With margins in line with expectations, sales of generic actives continue to produce excellent profits for the group but volume was held back by customer destocking. We have invested in additional marketing and technical expertise, which will be supported by a new pilot plant facility. This will increase the pace of development of our diversified pipeline of generic and ethical drug intermediates and provide a strong platform for future growth. The benefits of this investment are already emerging with sales of ethical products substantially increased in the period.

New contracts with major flavour and fragrance houses have ensured a high level of utilisation of our new facility dedicated to odour critical products. The progress of our Dutch company stalled in the second quarter as an explosion at a supplier resulted in a critical raw material being temporarily unavailable. Consequently production has been limited to half of its normal capacity, with recommencement of raw material supply anticipated during the third quarter.

#### *Performance chemicals*

New pyrazole product introductions directed at hair dye applications have enjoyed a rapid take-up with further launches expected later in the year. Sales to the timber treatment industry were at a high level as were sales of other speciality inorganic products. Volume growth in pigments has been particularly strong following further recovery in the Asian market enhanced by a successful penetration into China. Investment in kiln rebuilds has improved efficiency, capacity and product quality. The higher profit also reflects the benefit of restructuring undertaken during last year.

#### *Building products*

After a slow start to the year, the division has seen an improving order intake which, coupled with a restructuring within the office partitions sector will recover profitability in the second half.

## Chairman's Statement continued

### Discontinued operations

During the last six months we have made significant progress on the realignment of the group's activities to provide more focus on Speciality Chemicals. We successfully sold our business involvement in rooflights and plastic sheet distribution in May for £53.1 million, producing an exceptional profit on disposal of £20.5 million. In early July we announced the sale of our flat roof waterproofing operation and further changes to the group's portfolio are expected in the second half of the year.

### Cash Flow

Cash management remains a key priority for the group and it is pleasing to report that net debt has fallen to £152.4 million, primarily driven by our disposal exercise but further assisted by a free cash flow from operations of £4.7 million.

The significant rise in raw material cost and the resultant selling price increases have placed pressure on working capital. However, sound management action has largely counteracted the impact. Additional capacity and process improvements have been the focus of a greater level of expenditure on fixed assets, which will progressively increase as we commence construction of our synthetic latex facility in Malaysia.

We have purchased 5,035,773 shares in the open market for cancellation at a cost of £10 million. Further to the approval granted at the Annual General Meeting on 23 May 2000 it is the intention of your Directors to continue to purchase shares for cancellation whilst market sentiment causes the shares to trade significantly below their long term value.

### Dividend

The interim dividend of 4.7 pence per ordinary share will be paid on 22 November 2000 to members on the register at the close of business on 6 October 2000. The dividend reinvestment plan introduced last year will be offered until further notice.

### e-Commerce

Following a successful implementation of integrated IT systems throughout the group, we are concentrating on maximising the benefits of internet technology. The group's strategy is being developed by a dedicated team focused upon delivering the best solutions for the various markets in which we operate.

### Changes to the Board of Directors

Following an unforeseeable increase in commitment required to satisfy other business interests, John Napier has regrettably resigned from the Board with immediate effect.

### Outlook

Near term trading conditions are overshadowed by high raw material prices and while there are signs that the pressures may ease they will be a feature of much of the remainder of this year. We shall continue to restructure the group, invest in technology, processes and new products to come through the current industry cycle confident that shareholders will benefit. Looking further ahead, the work undertaken to reposition the group will produce positive results and deliver exciting growth prospects.



A E Richmond-Watson

31 August 2000

## Consolidated Profit and Loss Account

for the six months ended 30 June 2000

	6 months ended 30 June 2000			6 months ended 30 June 1999			12 months ended
	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000	31 December 1999 Total Audited £000
Turnover of company and subsidiaries	236,589	22,008	258,597	178,955	31,889	210,844	442,433
Share of turnover of joint ventures	22,818	1,510	24,328	47,148	2,360	49,508	89,758
<b>Total turnover</b>	<b>259,407</b>	<b>23,518</b>	<b>282,925</b>	<b>226,103</b>	<b>34,249</b>	<b>260,352</b>	<b>532,191</b>
<b>Operating profit</b>							
Existing operations	27,218	1,514	28,732	20,947	2,202	23,149	48,319
Amortisation of goodwill	(6,490)	–	(6,490)	(5,294)	–	(5,294)	(10,796)
<b>Operating profit of company and subsidiaries</b>	<b>20,728</b>	<b>1,514</b>	<b>22,242</b>	<b>15,653</b>	<b>2,202</b>	<b>17,855</b>	<b>37,523</b>
Share of operating profit of joint ventures	3,515	150	3,665	9,896	294	10,190	17,738
<b>Total operating profit</b>	<b>24,243</b>	<b>1,664</b>	<b>25,907</b>	<b>25,549</b>	<b>2,496</b>	<b>28,045</b>	<b>55,261</b>
Sale and termination of businesses	–	30,332	30,332	–	–	–	–
Interest payable (net)	(7,390)	–	(7,390)	(5,930)	–	(5,930)	(11,847)
<b>Profit on ordinary activities before taxation</b>	<b>16,853</b>	<b>31,996</b>	<b>48,849</b>	<b>19,619</b>	<b>2,496</b>	<b>22,115</b>	<b>43,414</b>
Taxation on profit on ordinary activities	(6,419)	(10,379)	(16,798)	(6,852)	(686)	(7,538)	(14,908)
<b>Profit on ordinary activities after taxation</b>	<b>10,434</b>	<b>21,617</b>	<b>32,051</b>	<b>12,767</b>	<b>1,810</b>	<b>14,577</b>	<b>28,506</b>
Minority interests	(665)	–	(665)	(482)	–	(482)	(1,571)
<b>Profit attributable to shareholders</b>	<b>9,769</b>	<b>21,617</b>	<b>31,386</b>	<b>12,285</b>	<b>1,810</b>	<b>14,095</b>	<b>26,935</b>
Ordinary dividends	(6,879)	–	(6,879)	(6,941)	–	(6,941)	(17,246)
<b>Retained profit for the financial year</b>	<b>2,890</b>	<b>21,617</b>	<b>24,507</b>	<b>5,344</b>	<b>1,810</b>	<b>7,154</b>	<b>9,689</b>
<b>Operating profit before amortisation</b>	<b>30,733</b>	<b>1,664</b>	<b>32,397</b>	<b>30,843</b>	<b>2,496</b>	<b>33,339</b>	<b>66,057</b>
<b>Profit before taxation (excluding amortisation and sale and termination of businesses)</b>	<b>23,343</b>	<b>1,664</b>	<b>25,007</b>	<b>24,913</b>	<b>2,496</b>	<b>27,409</b>	<b>54,210</b>
Earnings per share – Adjusted	10.8p	0.5p	11.3p	11.4p	1.2p	12.6p	24.5p
– FRS3	6.5p	14.3p	20.8p	7.9p	1.2p	9.1p	17.5p
<b>Dividends per ordinary share</b>	<b>4.7p</b>	<b>–</b>	<b>4.7p</b>	<b>4.5p</b>	<b>–</b>	<b>4.5p</b>	<b>11.2p</b>

## Consolidated Balance Sheet

as at 30 June 2000

	30 June 2000 Unaudited £000	30 June 1999 Unaudited £000	31 December 1999 Audited £000
<b>Fixed assets</b>			
Goodwill	231,891	191,985	240,020
Tangible fixed assets	156,640	143,730	160,942
Investment in joint ventures	12,538	25,114	14,053
Investments	64	44	48
	<hr/>	<hr/>	<hr/>
	401,133	360,873	415,063
<b>Current assets</b>			
Stocks	55,610	58,373	58,237
Debtors	111,493	108,495	115,099
Bank and cash balances	6,446	6,960	9,521
	<hr/>	<hr/>	<hr/>
	173,549	173,828	182,857
<b>Creditors – due within one year</b>			
Borrowings	(37,662)	(40,816)	(34,382)
Dividends	(17,212)	(17,110)	(10,336)
Other creditors	(128,943)	(105,969)	(125,136)
	<hr/>	<hr/>	<hr/>
<b>Net current (liabilities)/assets</b>	(10,268)	9,933	13,003
<b>Total assets less current liabilities</b>	<hr/>	<hr/>	<hr/>
	390,865	370,806	428,066
<b>Creditors – due after one year</b>			
Borrowings	(121,160)	(130,502)	(177,513)
Other creditors	(576)	(1,571)	(1,912)
<b>Provisions for liabilities and charges</b>	<hr/>	<hr/>	<hr/>
	(8,711)	(5,521)	(9,884)
<b>Net assets</b>	<hr/>	<hr/>	<hr/>
	260,418	233,212	238,757
<b>Capital and reserves</b>			
Called up share capital	14,930	15,424	15,427
Reserves	240,405	213,256	218,341
	<hr/>	<hr/>	<hr/>
<b>Shareholders' funds</b>	255,335	228,680	233,768
Minority interests	5,083	4,532	4,989
	<hr/>	<hr/>	<hr/>
<b>Capital employed</b>	260,418	233,212	238,757

## Consolidated Cash Flow Statement

for the six months ended 30 June 2000

	6 Months ended 30 June 2000 Unaudited £000	6 Months ended 30 June 1999 Unaudited £000	12 Months ended 31 December 1999 Audited £000
Net cash inflow from operating activities	28,184	20,378	69,818
Dividends received from joint ventures	1,251	1,327	6,963
Returns on investments and servicing of finance			
Net interest paid	(8,753)	(7,967)	(12,940)
Dividends paid to minority interests	(824)	(886)	(1,393)
Net cash outflow from returns on investments and servicing of finance	(9,577)	(8,853)	(14,333)
Taxation	(4,894)	(4,683)	(9,079)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(10,439)	(8,079)	(17,723)
Sale of tangible fixed assets	199	95	741
Investments net of disposals	(20)	(18)	(2)
	(10,260)	(8,002)	(16,984)
Free cash flow before dividends	4,704	167	36,385
Acquisitions and disposals			
Sale and purchase of businesses	53,133	–	(56,684)
Equity dividends paid	–	–	(17,079)
Cash inflow/(outflow) before management of liquid resources and financing	57,837	167	(37,378)
Financing			
Issue of ordinary share capital	32	323	381
Purchase of own shares	(9,979)	–	–
Exchange movements	2,108	1,681	1,152
Movement in net borrowings	49,998	2,171	(35,845)

## Notes to the Financial Statements

30 June 2000

### 1 Analysis of total turnover

	6 months ended 30 June 2000			6 months ended 30 June 1999		
	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000
<i>Analysis by activity</i>						
Polymer Chemicals	113,121	–	113,121	85,989	–	85,989
Pharma & Fine Chemicals	49,362	–	49,362	53,688	–	53,688
Performance Chemicals	82,698	–	82,698	73,143	–	73,143
Building Products	14,226	23,518	37,744	13,283	34,249	47,532
	<b>259,407</b>	<b>23,518</b>	<b>282,925</b>	<b>226,103</b>	<b>34,249</b>	<b>260,352</b>

### 2 Analysis of profit

	6 months ended 30 June 2000			6 months ended 30 June 1999		
	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000
<i>Analysis by activity</i>						
Polymer Chemicals	13,887	–	13,887	13,853	–	13,853
Pharma & Fine Chemicals	8,668	–	8,668	10,876	–	10,876
Performance Chemicals	10,572	–	10,572	8,816	–	8,816
Building Products	(135)	1,664	1,529	(16)	2,496	2,480
Holding companies	(2,149)	–	(2,149)	(2,475)	–	(2,475)
Interest payable by joint ventures	(110)	–	(110)	(211)	–	(211)
	<b>30,733</b>	<b>1,664</b>	<b>32,397</b>	<b>30,843</b>	<b>2,496</b>	<b>33,339</b>

3 These accounts have been prepared on the basis of the accounting policies set out in the group's audited accounts for the year ended 31 December 1999.

## Notes to the Financial Statements

continued

- 4 The financial information for the year ended 31 December 1999 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237 of the Companies Act 1985.
- 5 This statement will be sent to all shareholders by 1 September and can be obtained by the public from the company's registered office at Temple Fields, Harlow, Essex CM20 2BH.
- 6 An interim dividend of 4.7p (4.5p) per share, totalling £7.0 million (£6.9 million) has been declared by the directors.
- 7 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 – 150.9 million (154.2 million).
- 8 Adjusted earnings per share excludes the sale and termination of businesses and the amortisation of goodwill.





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