



# Being part of all our lives

---

## Being part of all our lives... at home, at work and in the community

We are a leading chemicals Group and a trusted partner for manufacturers around the world. They use our raw materials to produce a wide range of products that are an essential part of everyday life. Drugs, detergents, plastics, adhesives, paper, carpet... our technology contributes to every aspect of modern life.

---

### The successful relationships we have with our customers are based on:

- Our technical excellence we recently won the Queen's Award for Enterprise;
- Our quality recognised and valued by manufacturers;
- Our financial stability we manage our business responsibly; and
- Our environmental record we are fully compliant.

#### **Polymer chemicals**

Polymer Chemicals is a leading supplier of water-based polymers to the surface coatings, paper, adhesives and textile industries.

#### **Pharma chemicals**

Pharma Chemicals manufactures and develops active pharmaceutical ingredients and fine chemical intermediates for the generic 'big pharma' and biotech sectors of the life science market.

#### **Impact chemicals**

Impact Chemicals brings an improved world of colour, taste and smell to consumer products.

## Contents

- 01 Operating highlights
- 02 Chairman's statement
- 04 Consolidated income statement
- 06 Consolidated balance sheet
- 07 Consolidated cash flow
- 09 Reconciliation of net cash flow from operating activities to movement in net borrowing
- 09 Consolidated statement of recognised income and expense
- 10 Notes to the financial statements
- 16 Glossary of terms
- 17 Responsibility statement
- 18 Yule Catto around the world
- 19 Advisors
- 20 Notes

# Operating highlights

- > Underlying total sales\* increased by 15.5% to £312.3m (2007: £270.4m)
- > Underlying profit before taxation\* increased by 14.4% to £18.3m (2007: £16.0m)
- > Earnings per share\* of 8.7p (2007: 7.7p)
- > Interim dividend 4.0p (2007: 3.9p)
- > Net borrowings\* £168.8m, down £2m from 2007 year end
- > Profit attributable to equity holders £23.1m (2007: £7.3m)
- > Polymer Chemicals ahead in difficult environment
- > Continued investment in Pharma Chemicals pipeline
- > Value delivered from Impact Chemicals

\*Before special items, as defined in note 18.

Dividend per share

# 4.0p

Earnings per share\*

# 13.0%

	Underlying performance <sup>(a)</sup>		IFRS	
	2008 Unaudited £'000	2007 Unaudited £'000	2008 Unaudited £'000	2007 Unaudited £'000
Total sales	312,336	270,397	335,425	294,181
EBITDA <sup>(b)</sup>	32,605	29,326	32,605	29,326
Total operating profit	24,518	21,712	30,947	15,952
Profit before taxation	18,324	15,987	29,982	12,464
Net borrowings	(168,816)	(164,283)	(147,340)	(144,460)
Free cash flow <sup>(c)</sup>	(2,940)	2,102	(2,940)	2,102
Earnings per share	8.7p	7.7p	15.9p	5.0p
Dividend per share	4.0p	3.9p	4.0p	3.9p

(a) Underlying performance excludes special items as shown in note 3.

(b) Operating profit before depreciation, amortisation and non-recurring items.

(c) As shown in the consolidated cash flow statement.

**A good set of results in a difficult economic environment. We have benefited from our investments in nitrile latex in Asia, and we have delivered value from the disposal and continuing management of our Impact businesses. Overall, we expect underlying profits for the full year to show a modest improvement on our 2007 results.**

## Overview

The Group has had a successful first half in 2008 with good financial results and substantial progress in the reshaping of the Group.

Underlying sales rose by 15.5% to £312.3 million whilst underlying profit before taxation increased by 14.4% to £18.3 million. Polymers made good progress in a difficult market faced with general contraction in the construction industry, particularly in the UK, and a challenging raw material environment with rising monomer prices and some product supply shortages. Pharma Chemicals performed in line with our expectations whilst continuing to invest in its long-term pipeline.

We are particularly pleased with the strategic progress in the Impact business, with improvements across the board. We have now successfully divested 2 of the original 5 businesses in the Impact portfolio with James Robinson sold in May, and Holliday Pigments sold shortly after the half year, with the proceeds received in August. Gross proceeds from these two divestments will total some £50 million.

The Board believes these results confirm the strengthening position of the Group and consequently has declared an interim dividend of 4.0p per share, being an increase of 3%.

## Polymer Chemicals

Polymer division had a good first half year in difficult market conditions. Turnover grew by 19%, in the main due to the effects of the price increases we have implemented to recover higher input costs and translation. Volumes grew by some 3%. Operating profits increased by 13%.

Within Aqueous Polymers, the demand for nitrile latex continues to grow strongly and despite the very difficult raw materials supply position for this business we have seen strong growth in profitability. Following on from the successful 60% increase in nitrile latex capacity in Malaysia in 2007 we brought on line a further 60% in the second quarter of 2008. Elsewhere, demand for latex generally held up through the first half, but dispersion volumes were down, being particularly affected by contraction in the construction industry, notably in the UK, which has affected demand for adhesives and coatings.

Demand for Auxiliary Polymers products remained solid as it did for our Asian based speciality business.

We entered the year facing escalating monomer prices and the first half has seen substantial increases, particularly in Asian butadiene, the key raw material for our nitrile business. We have generally coped well with these increases and successfully passed on increases in raw material prices onto our customers. The situation looks set to remain challenging throughout the second half.

## Pharma Chemicals

Volumes were generally ahead in Pharma. However, the Omeprazole business, whilst generally seeing good volume growth, saw some further margin erosion, and this combined with weaker product mix and customer order phasing, resulted in a weaker first half.

The transition of product from the Italian facility, the closure of which we announced last year, is progressing. Encouragingly we believe we will be able to maintain a majority of this business through supply from our Spanish and our Mexican plants. We now expect the final closure of this plant to be in the middle of 2009 to allow continued support to our customers, whilst the transferred products are re-qualified for supply from our other sites.

---

Our commitment to develop new products continued through the first half with 3 drug master files (DMF) registrations.

#### Impact Chemicals

The Impact Chemicals division has made good progress following the restructuring programmes initiated in 2007. In the first half of 2008 we initiated a further small restructuring of our William Blythe business, and that business has now returned to profit. Our focus in Impact Chemicals is to manage for value. Consistent with this strategy, in the first half year we sold our James Robinson business for £12.7 million. Shortly after the half year end we announced and completed the sale of our Holliday Pigments business to Rockwood Specialties Inc. for a gross price of £36.5 million.

#### Borrowings

Net borrowings decreased from the year end by £2.0 million to £168.8 million. Our debt benefited from the proceeds of the James Robinson disposal. However, the strengthening of the euro increased our debt by £5.4 million, and our normal seasonal outflow of working capital was £11.1 million, reflecting the significant turnover increase of 15.5%.

#### Dividend

The interim dividend of 4.0 pence per ordinary share (2007: 3.9p) will be paid on 11 November 2008 to members on the register at close of business on 10 October 2008.

#### Board and Management

Colin Williams has resigned from the Board effective 27 August 2008 having served on the Board since December 2005. We thank him for his contribution. Dato' Seri Lee Oi Hain, who has been a director since 1981, has indicated that he will not seek re-election to the Board at the Company's Annual General Meeting in 2009. Alan Maddy, CEO of the Polymer Business, who has been with Yule Catto for 37 years, retires at the end of August and is replaced, effective 2 June, by Derick Whyte, formerly CEO of the Impact Business.

#### Outlook

Clearly the economic environment deteriorated during the first half of 2008, and there is considerable uncertainty about how the global economy will develop over the near term. However, we expect our underlying full year earnings for 2008 to show a modest improvement on our 2007 results. Our Polymer business, whilst exposed to challenging market conditions, should continue to benefit from the high growth in its nitrile business and the Asian region generally. The Pharma business does not have high sensitivity to GDP and we expect customer order phasing to favour the second half. The remaining Impact businesses should continue to perform ahead of last year, reflecting the benefit of our restructuring efforts.



**Anthony Richmond-Watson**

27 August 2008

# Consolidated income statement

for the six months ended 30 June 2008

	Six months ended 30 June 2008 Continuing operations			Six months ended 30 June 2007 Continuing operations		
	Underlying performance Unaudited £'000	Special items Unaudited £'000	IFRS Unaudited £'000	Underlying performance Unaudited £'000	Special items Unaudited £'000	IFRS Unaudited £'000
Group revenue	302,645	23,089	325,734	263,234	23,784	287,018
Share of joint ventures' revenue	9,691	–	9,691	7,163	–	7,163
<b>Total sales</b>	<b>312,336</b>	<b>23,089</b>	<b>335,425</b>	270,397	23,784	294,181
<b>Group revenue</b>	<b>302,645</b>	<b>23,089</b>	<b>325,734</b>	263,234	23,784	287,018
Company and subsidiaries before special items	23,619	2,381	26,000	21,214	1,042	22,256
Operations sold or closed during the year	–	4,048	4,048	–	(6,802)	(6,802)
UK pension fund – past service credit	–	–	–	–	–	–
Company and subsidiaries	23,619	6,429	30,048	21,214	(5,760)	15,454
Share of joint ventures	899	–	899	498	–	498
<b>Operating profit/(loss)</b>	<b>24,518</b>	<b>6,429</b>	<b>30,947</b>	21,712	(5,760)	15,952
Interest payable	(8,853)	–	(8,853)	(7,419)	–	(7,419)
Interest receivable	2,659	–	2,659	1,694	–	1,694
	(6,194)	–	(6,194)	(5,725)	–	(5,725)
Fair value adjustment	–	5,229	5,229	–	2,237	2,237
Finance costs	(6,194)	5,229	(965)	(5,725)	2,237	(3,488)
<b>Profit/(loss) before taxation</b>	<b>18,324</b>	<b>11,658</b>	<b>29,982</b>	15,987	(3,523)	12,464
Taxation	(4,764)	(1,216)	(5,980)	(3,986)	(442)	(4,428)
<b>Profit/(loss) for the year</b>	<b>13,560</b>	<b>10,442</b>	<b>24,002</b>	12,001	(3,965)	8,036
Profit attributable to minority interests	880	–	880	757	–	757
Profit attributable to equity holders of the parent	12,680	10,442	23,122	11,244	(3,965)	7,279
	13,560	10,442	24,002	12,001	(3,965)	8,036
<b>Earnings per share</b>						
Basic	8.7p	7.2p	15.9p	7.7p	(2.7)p	5.0p
Diluted	8.6p	7.2p	15.8p	7.7p	(2.7)p	5.0p

## Special items

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

## Consolidated income statement continued

	Year ended 31 December 2007		
	Continuing operations		
	Underlying performance £'000	Special items £'000	IFRS Audited £'000
Group revenue	521,270	44,325	565,595
Share of joint ventures' revenue	15,046	–	15,046
<b>Total sales</b>	<b>536,316</b>	<b>44,325</b>	<b>580,641</b>
<b>Group revenue</b>	<b>521,270</b>	<b>44,325</b>	<b>565,595</b>
Company and subsidiaries before special items	42,502	2,383	44,885
Operations sold or closed during the year	–	(28,237)	(28,237)
UK pension fund – past service credit	–	10,797	10,797
Company and subsidiaries	42,502	(15,057)	27,445
Share of joint ventures	1,129	–	1,129
<b>Operating profit/(loss)</b>	<b>43,631</b>	<b>(15,057)</b>	<b>28,574</b>
Interest payable	(16,046)	–	(16,046)
Interest receivable	4,549	–	4,549
Fair value adjustment	(11,497)	–	(11,497)
Finance costs	(11,497)	4,447	(7,050)
<b>Profit/(loss) before taxation</b>	<b>32,134</b>	<b>(10,610)</b>	<b>21,524</b>
Taxation	(6,320)	260	(6,060)
<b>Profit/(loss) for the year</b>	<b>25,814</b>	<b>(10,350)</b>	<b>15,464</b>
Profit attributable to minority interests	1,679	–	1,679
Profit attributable to equity holders of the parent	24,135	(10,350)	13,785
	25,814	(10,350)	15,464
<b>Earnings per share</b>			
Basic	16.6p	(7.1)p	9.5p
Diluted	16.5p	(7.1)p	9.4p

### Special items

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

# Consolidated balance sheet

as at 30 June 2008

	30 June 2008 Unaudited £'000	30 June 2007 Unaudited £'000	31 December 2007 Audited £'000
<b>Non-current assets</b>			
Goodwill	169,238	172,443	172,443
Other intangible assets	533	381	591
Property, plant and equipment	104,220	111,297	108,468
Deferred tax assets	762	1,220	762
Investment in joint ventures	3,711	3,673	3,177
	<b>278,464</b>	289,014	285,441
<b>Current assets</b>			
Inventories	59,502	63,582	65,001
Trade and other receivables	125,845	112,966	115,078
Cash and cash equivalents	118,942	84,755	108,352
Derivatives at fair value	388	–	1,813
	<b>304,677</b>	261,303	290,244
Assets held for sale	18,917	–	–
<b>Total assets</b>	<b>602,058</b>	550,317	575,685
<b>Current liabilities</b>			
Borrowings	(141,814)	(74,563)	(133,585)
Trade and other payables	(147,217)	(128,979)	(148,300)
Current tax liability	(48,902)	(53,850)	(48,948)
Dividends	(8,303)	(8,010)	–
Derivatives at fair value	(18,812)	(24,488)	(26,000)
Liabilities directly associated with assets classified as held for sale	(8,506)	–	–
	<b>(373,554)</b>	(289,890)	(356,833)
<b>Non-current liabilities</b>			
Borrowings	(124,468)	(154,652)	(125,108)
Trade and other payables	(269)	(366)	(460)
Deferred tax liability	(5,390)	(6,407)	(6,445)
Post retirement benefit obligations	(63,126)	(33,731)	(41,236)
	<b>(193,253)</b>	(195,156)	(173,249)
<b>Net assets</b>	<b>35,251</b>	65,271	45,603
<b>Equity</b>			
Called up share capital	14,566	14,566	14,566
Share premium	33,034	33,034	33,034
Capital redemption reserve	949	949	949
Hedging and translation reserve	(10,838)	(7,703)	(9,087)
Retained earnings	(9,027)	19,597	416
<b>Equity attributable to equity holders of the parent</b>	<b>28,684</b>	60,443	39,878
Minority interests	6,567	4,828	5,725
<b>Total equity</b>	<b>35,251</b>	65,271	45,603
<b>Analysis of net borrowing</b>			
Cash and cash equivalents	118,942	84,755	108,352
Current borrowings	(141,814)	(74,563)	(133,585)
Non-current borrowings	(124,468)	(154,652)	(125,108)
<b>Net borrowings</b>	<b>(147,340)</b>	(144,460)	(150,341)
Add back: special items	(21,476)	(19,823)	(20,490)
<b>Net borrowings (underlying performance)</b>	<b>(168,816)</b>	(164,283)	(170,831)

The financial statements were approved by the Board of Directors and authorised for issue on 27 August 2008.

# Consolidated cash flow

for the six months ended 30 June 2008

	Six months ended 30 June 2008		Six months ended 30 June 2007		Year ended 31 December 2007	
	Unaudited £'000	Unaudited £'000	Unaudited £'000	Unaudited £'000	Audited £'000	Audited £'000
<b>Operating</b>						
Cash generated from operations		<b>16,304</b>		19,178		49,447
Interest received	<b>2,659</b>		1,694		4,549	
Interest paid	<b>(8,912)</b>		(7,205)		(15,611)	
Net interest paid		<b>(6,253)</b>		(5,511)		(11,062)
UK corporation tax received	<b>128</b>		954			1,179
Overseas corporate tax paid	<b>(6,296)</b>		(3,537)		(11,636)	
Total tax paid		<b>(6,168)</b>		(2,583)		(10,457)
<b>Net cash inflow from operating activities</b>		<b>3,883</b>		11,084		27,928
<b>Investing</b>						
Dividends received from joint ventures		<b>767</b>		78		1,202
Purchase of property, plant and equipment	<b>(9,288)</b>		(9,060)		(16,994)	
Sale of property	<b>1,520</b>		–		1,759	
Sale of plant and equipment	<b>178</b>		–		654	
Net capital expenditure and financial investment		<b>(7,590)</b>		(9,060)		(14,581)
Purchase of businesses	<b>(468)</b>		–			–
Sale of businesses	<b>10,755</b>		–			–
Net cash impact of acquisitions and disposals		<b>10,287</b>		–		–
<b>Net cash inflow/(outflow) from investing activities</b>		<b>3,464</b>		(8,982)		(13,379)
<b>Financing</b>						
Equity dividends paid		–		–		(13,689)
Dividends paid to minority interests		–		–		(537)
Purchase of own shares		–		(25)		(25)
Proceeds of non-current borrowings		–		–		174
<b>Net cash (outflow)/ inflow from financing activities</b>		<b>–</b>		(25)		(14,077)
<b>Increase in cash and bank overdrafts during the year</b>		<b>7,347</b>		2,077		472
Comprised of:						
Cash and cash equivalents		<b>72,703</b>		18,838		51,896
Bank overdrafts		<b>(65,356)</b>		(16,761)		(51,424)
		<b>7,347</b>		2,077		472

# Reconciliation of net cash flow from operating activities to movement in net borrowing

for the six months ended 30 June 2008

	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Net cash inflow from operating activities	3,883	11,084	27,928
Dividends received from joint ventures	767	78	1,202
Net capital expenditure and financial investment	(7,590)	(9,060)	(14,581)
Dividends paid to minority interests	-	-	(537)
Free cash flow	(2,940)	2,102	14,012
Net cash impact of acquisitions and disposals	10,287	-	-
Purchase of own shares	-	(25)	(25)
Equity dividends paid	-	-	(13,689)
Exchange movements	(5,332)	(89)	(4,858)
Movement in net borrowings (underlying performance)	2,015	1,988	(4,560)

# Consolidated statement of recognised income and expense

For the six months ended 30 June 2008

	Year ended 30 June 2008			Year ended 30 June 2007		
	Minority interests Unaudited £'000	Equity holders of the parent Unaudited £'000	Total Unaudited £'000	Minority interests Unaudited £'000	Equity holders of the parent Unaudited £'000	Total Unaudited £'000
Actuarial gains and losses	-	(24,248)	(24,248)	-	41,358	41,358
Tax on items recognised directly in equity	-	-	-	-	-	-
Exchange differences	-	(1,751)	(1,751)	-	(332)	(332)
Profit for the year	880	23,122	24,002	757	7,279	8,036
Total recognised (expenditure) income for the period	880	(2,877)	(1,997)	757	48,305	49,062

	Year ended 31 December 2007		
	Minority interests Audited £'000	Equity holders of the parent Audited £'000	Total Audited £'000
Actuarial gains and losses	-	21,698	21,698
Tax on items recognised directly in equity	-	(519)	(519)
Exchange differences	512	(1,716)	(1,204)
Profit for the year	1,679	13,785	15,464
Total recognised income/(expenditure) for the period	2,191	33,248	35,439

# Notes to the financial statements

30 June 2008

## 1 General information

The information for the year ended 31 December 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

## 2 Accounting policies

The annual financial statements of Yule Catto & co plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in the half-yearly financial report has been prepared in accordance with International Accounting Standards 34 'Interim Financial Reporting', as adopted by the European Union.

## 3 Special items

The special items disclosed are made up as follows:

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
<b>Total sales</b>			
Revenue of businesses sold or closed during the period	<b>23,089</b>	23,784	44,325
<b>Operating profit</b>			
Operating profit of businesses sold or closed during the year	<b>2,381</b>	1,042	2,383
Profit or loss arising from the sale or closure of operations	<b>4,048</b>	(6,802)	(28,237)
	<b>6,429</b>	(5,760)	(25,854)
UK Pension Fund – past service credit	–	–	10,797
	<b>6,429</b>	(5,760)	(15,057)
<b>Finance costs</b>			
Fair value adjustment	<b>5,229</b>	2,237	4,447
<b>Taxation</b>			
Taxation on operating profit/(loss) of operations sold or closed during the year	<b>(1,216)</b>	(442)	260

## Notes to the financial statements continued

### 4 Segmental analysis

	Total sales			Operating profit		
	Underlying performance £'000	Special items £'000	IFRS £'000	Underlying performance £'000	Special items £'000	IFRS £'000
<b>30 June 2008</b>						
<i>Analysis by activity</i>						
Continuing activity						
Polymer Chemicals	<b>241,307</b>	–	<b>241,307</b>	<b>21,569</b>	–	<b>21,569</b>
Share of Polymer joint ventures	<b>9,691</b>	–	<b>9,691</b>	<b>899</b>	–	<b>899</b>
	<b>250,998</b>	–	<b>250,998</b>	<b>22,468</b>	–	<b>22,468</b>
Pharma Chemicals	<b>33,512</b>	<b>865</b>	<b>34,377</b>	<b>3,422</b>	<b>(1,603)</b>	<b>1,819</b>
Impact Chemicals	<b>27,826</b>	<b>22,224</b>	<b>50,050</b>	<b>1,449</b>	<b>6,681</b>	<b>8,130</b>
<b>Total sales</b>	<b>312,336</b>	<b>23,089</b>	<b>335,425</b>			
<b>Divisional Operating profit</b>				<b>27,339</b>	<b>5,078</b>	<b>32,417</b>
Unallocated corporate expenses				<b>(2,821)</b>	<b>1,351</b>	<b>(1,470)</b>
<b>Operating profit</b>				<b>24,518</b>	<b>6,429</b>	<b>30,947</b>

	Total sales			Operating profit		
	Underlying performance £'000	Special items £'000	IFRS £'000	Underlying performance £'000	Special items £'000	IFRS £'000
<b>30 June 2007</b>						
<i>Analysis by activity</i>						
Continuing activity						
Polymer Chemicals	203,576	–	203,576	19,346	–	19,346
Share of Polymer joint ventures	7,163	–	7,163	498	–	498
	210,739	–	210,739	19,844	–	19,844
Pharma Chemicals	35,313	827	36,140	4,380	44	4,424
Impact Chemicals	24,345	22,957	47,302	358	(5,804)	(5,446)
<b>Total sales</b>	<b>270,397</b>	<b>23,784</b>	<b>294,181</b>			
<b>Divisional Operating profit</b>				<b>24,582</b>	<b>(5,760)</b>	<b>18,822</b>
Unallocated corporate expenses				<b>(2,870)</b>	–	<b>(2,870)</b>
<b>Operating profit</b>				<b>21,712</b>	<b>(5,760)</b>	<b>15,952</b>

	Total sales			Operating profit		
	Underlying performance £'000	Special items £'000	IFRS £'000	Underlying performance £'000	Special items £'000	IFRS £'000
<b>31 December 2007</b>						
<i>Analysis by activity</i>						
Continuing activity						
Polymer Chemicals	410,175	–	410,175	40,028	–	40,028
Share of Polymer joint ventures	15,046	–	15,046	1,129	–	1,129
	425,221	–	425,221	41,157	–	41,157
Pharma Chemicals	62,235	1,549	63,784	7,351	(12,369)	(5,018)
Impact Chemicals	48,860	42,776	91,636	714	(13,485)	(12,771)
<b>Total sales</b>	<b>536,316</b>	<b>44,325</b>	<b>580,641</b>			
<b>Divisional Operating profit</b>				<b>49,222</b>	<b>(25,854)</b>	<b>23,368</b>
Unallocated corporate expenses				<b>(5,591)</b>	<b>10,797</b>	<b>5,206</b>
<b>Operating profit</b>				<b>43,631</b>	<b>(15,057)</b>	<b>28,574</b>

## 5 Profit or loss arising from the sale or closure of operations

	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Sale of James Robinson Limited and James Robinson GmbH	5,637	–	–
Sale of James Robinson India Pvt Ltd	(362)	–	–
Restructuring of William Blythe Limited	(650)	–	–
Sale of Hull site	1,351	–	–
Closure of Uquifa's Italian manufacturing site	(1,627)	–	(12,461)
Closure of Holliday Pigments UK manufacturing site	–	(6,802)	(7,616)
Closure of James Robinson's German manufacturing site	(301)	–	(9,919)
Sale of Huddersfield site	–	–	1,759
	<b>4,048</b>	(6,802)	(28,237)

## 6 Reconciliation of profit from operations to cash generated from operations

	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Operating profit	30,947	15,952	28,574
Less: share of profit of joint ventures'	(899)	(498)	(1,129)
	<b>30,048</b>	15,454	27,445
Depreciation and amortisation	8,087	7,614	16,013
Profit or loss arising from the sale or closure of operations	(4,048)	6,802	28,237
UK Pension Fund – Past service credit	–	–	(10,797)
Cash impact of termination of businesses	(4,197)	(1,692)	(8,985)
(Profit)/Loss on sale of fixed assets	(81)	70	(196)
Share based payments	–	25	298
Decrease in inventories	2,143	2,408	3,925
Increase in trade and other receivables	(13,752)	(7,810)	(6,398)
Pension funding in excess of IAS 19 charge	(2,386)	(2,928)	(5,550)
Increase / (decrease) in trade payables and provisions	490	(772)	6,434
Unrealised exchange (gains) / losses	–	7	(979)
Cash generated from operations	<b>16,304</b>	19,178	49,447

## 7 Tax

Tax on the underlying profit before taxation for the six month period is charged at 26% (six months ended 30 June 2007: 25%; year ended 31 December 2007: 20%), representing the best estimate of the average annual effective income tax rate expected for the full year. Inclusion of the best estimate for the tax charge on the special items profit before taxation results in a tax rate of 20% (six months ended 30 June 2007: 36%; year ended 31 December 2007: 28%), on the IFRS profit before taxation.

## Notes to the financial statements continued

### 8 Dividends

	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Ordinary			
– prior year final of 5.7 pence per share (2006: 5.5 pence)	8,303	8,011	8,011
– interim (2007: 3.9 pence)			5,678
			13,689
Proposed interim dividend of 4.0 pence per share (2007: 3.9 pence)	5,826	5,678	
Proposed final dividend (2007: 5.7 pence)			8,303

The proposed interim dividend was approved by the Board on 27 August 2008 and has not been included as a liability as at 30 June 2008.

### 9 Earnings per share

	Six months ended 30 June 2008			Six months ended 30 June 2007		
	Underlying performance £'000	Special items £'000	IFRS £'000	Underlying performance £'000	Special items £'000	IFRS £'000
Earnings (profit attributable to equity holders of the parent)	12,680	10,442	23,122	11,244	(3,965)	7,279
Earnings per share	8.7p	7.2p	15.9p	7.7p	(2.7)p	5.0p
Diluted earnings per share	8.6p	7.2p	15.8p	7.7p	(2.7)p	5.0p
				Year ended 31 December 2007		
				Underlying performance £'000	Special items £'000	IFRS £'000
Earnings (profit attributable to equity holders of the parent)				24,135	(10,350)	13,785
Earnings per share				16.6p	(7.1)p	9.5p
Diluted earnings per share				16.5p	(7.1)p	9.4p

Diluted earnings per share are calculated using the weighted average number of shares in issue in the year as adjusted for dilutive share options of 146,912,000 (six months ended 30 June 2007: 146,500,000, year ended 31 December 2007: 146,355,000).

### 10 Defined benefit schemes

The defined benefit plan assets have been updated to reflect their market value as at the 30 June 2008. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the Statement of Recognised Income and Expense in accordance with the Group's accounting policy.

## 11 Disposal of subsidiary

The Group disposed of the following interests in Group companies during the six months ended 30 June 2008:

Company name	Date of sale	Purchaser	Division	Sale type
James Robinson Limited and James Robinson GmbH	30 May 2008	Third party trade	Impact Chemicals	Shares/assets
James Robinson India Pvt Ltd	27 June 2008	Third party trade	Impact Chemicals	Shares

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

	Total £'000	James Robinson Limited and James Robinson GmbH £'000	James Robinson India Pvt Ltd £'000
Property, plant and equipment	1,926	467	1,459
Inventories	1,805	878	927
Trade receivables	2,462	2,128	334
Net borrowing	(4,553)	(4,081)	(472)
Deferred tax liability	(74)	–	(74)
Current tax liability	(41)	(30)	(11)
Trade payables	(2,036)	(1,383)	(653)
Attributable goodwill	3,617	3,382	235
Minority interest	(513)	–	(513)
Exchange movement	(46)	–	(46)
	2,547	1,361	1,186
Profit on disposal	5,275	5,637	(362)
Total consideration	7,822	6,998	824
Satisfied by:			
Cash (net of disposal costs)	6,202	5,378	824
Deferred consideration	1,620	1,620	–
	7,822	6,998	824
Net cash inflow arising on disposal:			
Cash consideration	6,567	5,701	866
Net borrowing disposed of	4,553	4,081	472
	11,120	9,782	1,338
Less costs of disposal	(365)	(323)	(42)
	10,755	9,459	1,296

The impact of these disposals on the Group's results in the current period and prior periods is disclosed in note 3.

### 12 Acquisition of subsidiary

On 16 January 2008, the Group acquired 60 per cent of the issued share capital of Synthomer Vietnam Co. Ltd (formerly Chemtech Industry Co. Ltd).

The net assets of the company at the date of acquisition were as follows:

	Synthomer Vietnam Co. Ltd £'000
Property, plant and equipment	207
Inventories	530
Trade receivables	750
Net borrowing	303
Trade payables	(893)
Minority interest	(359)
Exchange movement	(29)
	509
Goodwill	412
Total consideration	921
Satisfied by:	
Cash	771
Deferred consideration	150
	921
Net cash outflow arising on acquisition:	
Cash consideration	771
Net borrowing acquired	(303)
	468

### 13 Changes in equity (unaudited)

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares £'000	Hedging and translation reserve £'000	Minority interest £'000	Retained earning £'000	Total £'000
At 1 January 2008	14,566	33,034	949	–	(9,087)	5,725	416	45,603
Profit for the year	–	–	–	–	–	880	23,122	24,002
Actuarial gains and losses	–	–	–	–	–	–	(24,248)	(24,248)
Exchange differences on translations of overseas operations	–	–	–	–	5,207	(38)	(14)	5,155
Net investment hedging	–	–	–	–	(6,958)	–	–	(6,958)
Total recognised (expenditure)/ income for the period	–	–	–	–	(1,751)	842	(1,140)	(2,049)
Dividends paid	–	–	–	–	–	–	(8,303)	(8,303)
<b>At 30 June 2008</b>	<b>14,566</b>	<b>33,034</b>	<b>949</b>	<b>–</b>	<b>(10,838)</b>	<b>6,567</b>	<b>(9,027)</b>	<b>35,251</b>

### 14 Related party transactions

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

### 15 Post balance sheet event

On 11 August 2008, the Company completed the sale of the entire issued share capital of Holliday Pigments SA, Holliday Pigments International SA, Holliday France SA and Holliday Chemical Espana SA for a consideration of €46 million.

### 16 Risks and uncertainties

The Group's principle risks are unchanged from those disclosed in its year end accounts.

The risks include those arising from reduced demand for the Group's products, market competition, legal, export, environmental or other regulatory matters, plant failure, contracts, retirement benefit plan funding and supply chain management together with credit risk, interest rate and exchange rate risk.

### 17 Further information

The financial information for the year ended 31 December 2007 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.

The financial statements were approved by the Board of Directors on 27 August 2008.

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

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 to 30 June 2008 of **145.7 million** (2007: 145.7 million).

---

# Glossary of terms

---

Total sales	Total sales represent the total of revenue from Yule Catto and Co plc, its subsidiaries, 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: <ul style="list-style-type: none"><li>• Profit or loss impact arising from the sale or closure of an operation;</li><li>• Impairment of non-current assets; and</li><li>• Other non-operating or one-off items.</li></ul>
Special items	The following are disclosed separately as special items in order to provide a clearer indication of the Group's underlying performance: <ul style="list-style-type: none"><li>• Non-recurring items;</li><li>• 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;</li><li>• Revaluation of US Dollar loan notes from the rate of the related cross currency swaps to the period end rate; and</li><li>• 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.</li></ul>
Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding special items.
Free cash flow	Free cash flow represents cash flow before cash impact of acquisitions and disposals, purchase and issue 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.

---

# Responsibility statement

---

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.85R (disclosure of related parties' transactions and changes therein).

By order of the Board

**A M Whitfield**

Chief Executive  
27 August 2008

**D C Blackwood**

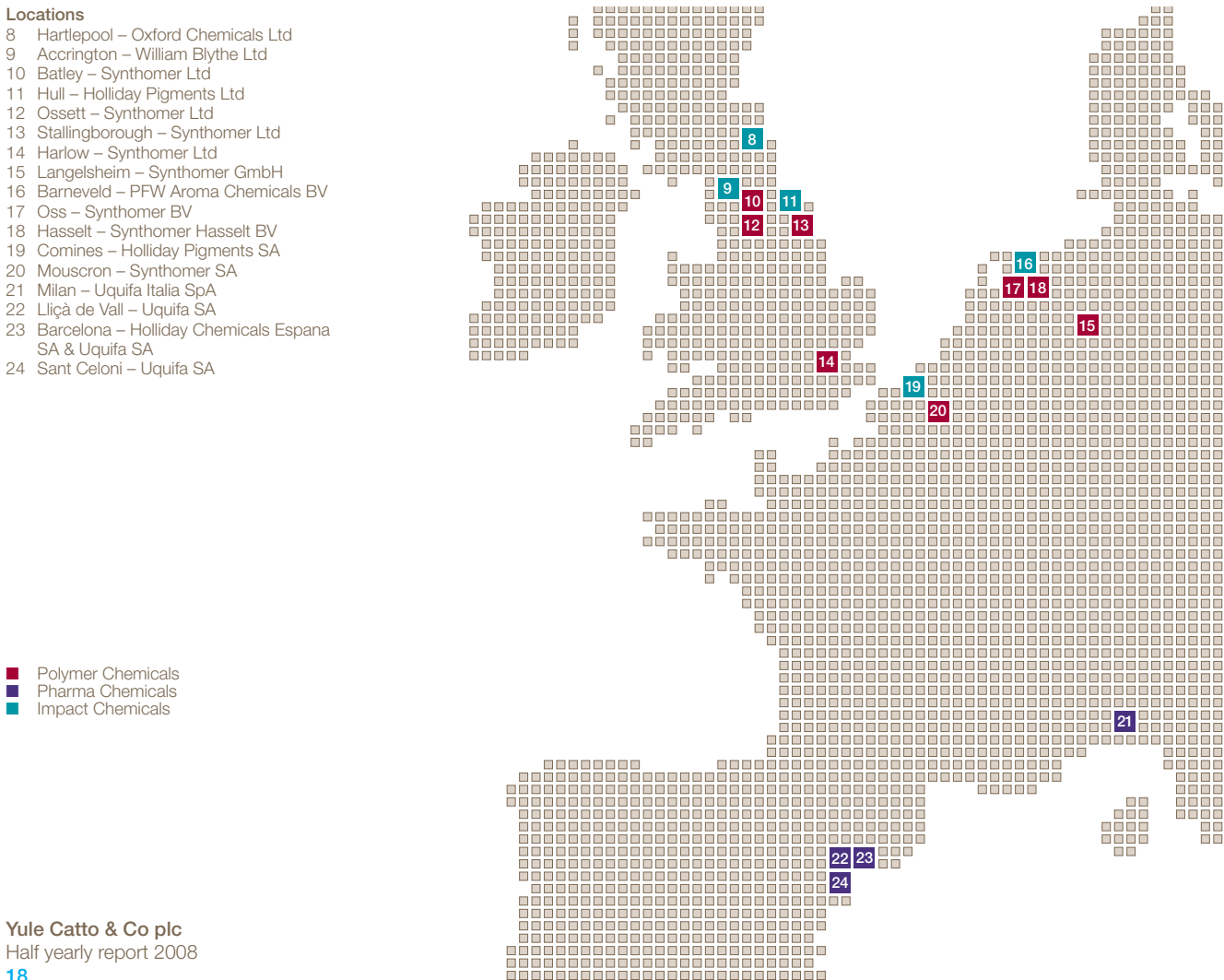
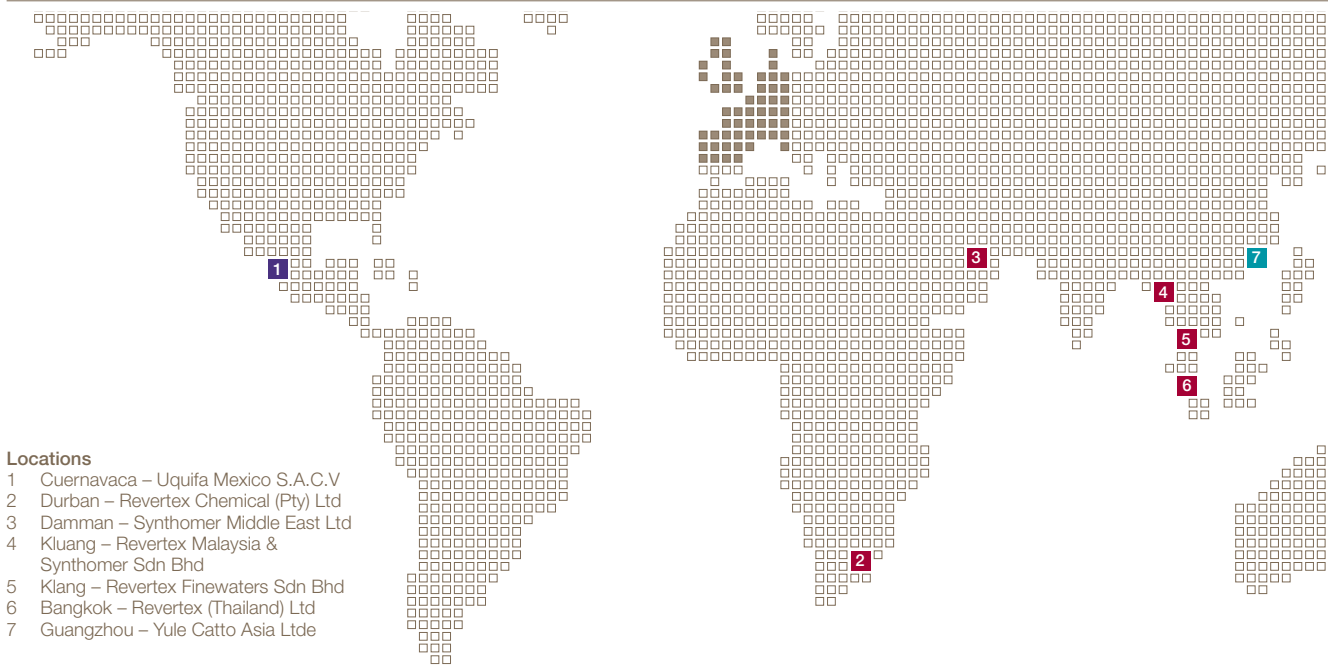
Group Finance Director

## Cautionary statement

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

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

# Yule Catto around the world



---

# Advisors

---

## Registered office

Yule Catto & Co plc  
Temple Fields  
Harlow  
Essex  
CM20 2BH  
Registered No. 98381

## Secretary

Richard Atkinson

## Bankers

ABN Amro Bank NV  
Banca Nazionale del Lavoro SpA  
Banca Popolare Italiana  
Banco de Sabadell SA  
Barclays Bank PLC  
Crédit Industriel et Commercial  
Fortis Bank (Nederland) NV  
HSBC Bank plc  
The Royal Bank of Scotland plc

## Merchant bankers

Merrill Lynch International

## Stockbrokers

Merrill Lynch International

## Registrars

Computershare Investor Services PLC  
Lochside House  
7 Lochside Avenue  
Edinburgh Park  
Edinburgh  
EH12 9DJ

## Auditors

Deloitte & Touche LLP

## Solicitors

Linklaters LLP  
Hammonds  
Pinsent Masons LLP

---

# Notes

---



Yule Catto & Co plc  
Temple Fields  
Harlow  
Essex CM20 2BH  
t +44 (0)1279 442 791  
F +44 (0)1279 641 360  
[www.yulecatto.com](http://www.yulecatto.com)