

Annual Report 2012







www.synthomer.com

Synthomer is a specialty chemical company and one of the world's leading producers of aqueous polymers.

Using our innovative technology, we produce sophisticated formulations for thousands of customers in a diversity of industries, from coatings and construction to healthcare and automotive.

We help our customers to create market-leading products, ranging from adhesives and sealants to medical gloves, carpets and paints, which are used every day all around the globe.

We have built a strong platform for growth through our leading market positions in Europe and expansion into emerging markets which is underpinned by our exposure to global mega-trends including an increasing demand for environmentally friendly technology.

Contents

Overviev

- 01 Financial and commercial highlights
- 02 Our products
- 03 Our markets
- 04 Creating value our strengths
- 05 Creating value our strategy
- 06 Where we are
- 07 Chairman's statement

Business review

- 09 Chief Executive Officer's report
- 13 Financial review
- 15 Corporate social responsibility report

Governance

- 26 Directors and advisers
- 27 Report of the directors
- 30 Corporate governance
- 35 Directors' remuneration report
- 40 Statement of directors' responsibilities

Group financial statements

- 41 Independent auditor's report
- 42 Consolidated income statement
- 43 Consolidated statement of comprehensive income
- 43 Consolidated statement of changes in equity
- 44 Consolidated balance sheet
- 45 Consolidated cash flow statement
- 46 Notes to the consolidated financial statements

Company financial statements

- 79 Independent auditor's report
- 80 Company balance sheet
- 81 Notes to the Company financial statements

Other information

- 89 Principal subsidiaries and joint ventures
- 90 Five-year financial summary

Financial and commercial highlights

Total sales **£1,111.8m**

Earnings per share **22.0p**

Dividend per share **5.5p**

Profit before taxation **£98.1m**

Increase in profit before taxation +16%

Change in dividend per share +57%

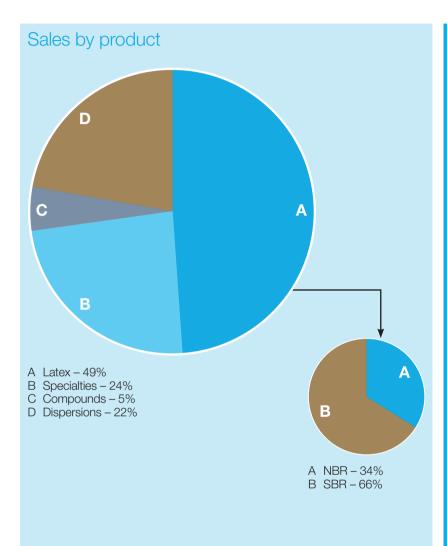
- £98.1 million PBT another year of record profitability
- Integration of PolymerLatex essentially complete; £25 million synergy level to be delivered in 2013
- New 70,000 tonne nitrile latex capacity expansion completed in Pasir Gudang, Malaysia
- A number of successful product launches achieved during the year, including pressure sensitive and textile print adhesives, Lithene[®]ultra and nitrile latex grades

	Underlying performance (a)		Pro-forma (a)		IFRS	
As reported	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Continuing operations						
Total sales	1,111.8	1,116.8	1,111.8	1,268.8	1,111.8	1,116.8
EBITDA (note 33)	127.4	115.2	127.4	132.2	127.4	115.2
Operating profit	109.0	96.4	109.0	109.7	74.9	54.4
Profit before taxation	98.1	84.8	98.1	96.0	62.3	39.5
Earnings per share	22.0p	18.8p			16.7p	9.8p
Dividends per share (note 10)	5.5p	3.5p			5.5p	3.5p
Net borrowings (b)	155.8	164.3			141.5	156.1

⁽a) Underlying performance excludes special items as shown on the consolidated income statement. 2011 pro-forma includes the underlying performance of PolymerLatex for Q1 2011 with an estimated interest costs of £2.1 million.

⁽b) See page 44.

Our products



Synthetic latex

Consists of three principal product families; Styrene Butadiene Rubber (SBR) manufactured in Germany and Italy, Nitrile Butadiene Rubber (NBR) manufactured in Italy and Malaysia and High Solids Styrene Butadiene Rubber (HSSBR) produced in Germany (HSSBR is shown in Specialties in the chart).

Dispersions

Consists of primarily Vinyl and Acrylic based emulsion polymers used in a wide range of applications including in the coating, construction, adhesives and textile industries. These products are manufactured at our facilities in Germany, Italy, UK, South Africa, Middle East, Malaysia and Vietnam.

Compounds

These products are specially formulated at our plants in the UK, Netherlands and Egypt using SBR latex, HSSBR latex, Natural Rubber latex and a wide range of other functional materials.

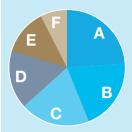
Specialties

Comprise a number of specialty polymers, mainly non aqueous including, Polyvinyl Alcohol, Liquid Polybutadiene, High Solid SBR Latex and Chloroprene. Specialties also includes inorganic products based on Copper, Tin and Iodine from the Group's one remaining non-Polymer business.



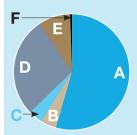
Our markets

Sales by market



- A Construction & Coatings 24%
- B Health & Protection 20%
- C Carpet, Compounds & Foam 19%
- D Paper 17%
- E Functional Polymers 13%
- F Performance Polymers 7%

Sales by destination



- A Western Europe 55%
- B Eastern Europe 4%
- C North America 4%
- D Asia 28%
- E Africa & Middle East 8%
- F Rest of World 1%

Health & Protection

Medical, clean room and industrial gloves, medical devices (e.g. catheters), condoms and other dipped latex goods.

Paper

Coated paper and paperboard, fine-coated paper, lightweight coated paper, food packaging and other specialty paper grades.

Construction & Coatings

Construction

Cement and mortar modification, bitumen modification, concrete repair systems and plasticisers, bonding aids, primers, flooring and construction adhesives, liquid applied membranes, flexible roof coatings, sealants and primers.

Coatings

Acrylic and Vinyl Acetate copolymers for walls (interior & exterior), gloss/ semi-gloss emulsion paints, plasters/ textured finishes, flexible wall coatings, wood paints and stains, anti-corrosion paints, industrial coatings and water-based fillers.

Carpet, Compounds & Foam

Binding and backing of tufted and other carpets, foam backed carpets, automotive and artificial grass. Foams for mattresses, pillows and shoes.

Functional Polymers

Non-woven fabrics, insulation, textile coatings, printing, gaskets, masking tapes, specialty non-graphic papers, abrasives, tyre cord, pressure sensitive adhesives, packaging and wood adhesives.

Performance Polymers

Lithene® – for various automotive applications in electrical insulation and sound damping. Alcotex – Polyvinyl alcohol used as a stabilising material in the PVC polymerisation process. Polyvinyl Acetate – for solvent adhesives, Polyester resins and composites. Inorganic (non-Polymer) Specialties – for catalysts, flame retardants and other niche applications

No.3
Acrylic dispersion producer in Europe

No.1

Acrylic and vinylic dispersion producer in the Middle East

37% of total sales to emerging markets

Creating value – our strengths



Innovative technology

- Sell a unique formulation, not a chemical
- Strong focus on aqueous polymers
- Customer collaboration and alignment driving innovation



Application diversity

- High exposure to global mega-trends
- Formulations in applications all around us
- Over 4,000 customers across the world



Manufacturing excellence

- Highly cost effective production capabilities
- Fast and commercially focused R&D
- World class people
- Flexible supply chain



Global footprint

- European engine room enabling investment in Asia
- Emerging market exposure (37% of 2012 sales)
- Local production sites: high water content of aqueous polymers excludes 'out of region competitors

Creating value – our strategy

Strong market positions

 No.1 or 2 position in our chosen markets

Actions in 2012

- Advanced to No.2 in European paper latex
- Launch of Lithene®ultra will drive market share

Drive emerging market growth

- Build on our product technology and state-of-the-art know-how
- Extend emerging market footprint and capacity
- Utilise our existing management strengths in Asia and MEA

Actions in 2012

- Two new nitrile latex lines completed in 2012
- Multiple dispersion product launches across emerging markets
- Launch of SBR manufacturing in Asia during 2013

Investing in knowledge and innovation

- Expanding product development pipeline
- Intimate customer knowledge
- R&D and technical service to drive growth and margins
- Our products are naturally 'green'

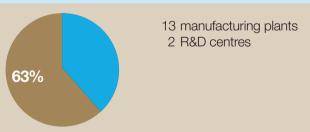
Actions in 2012

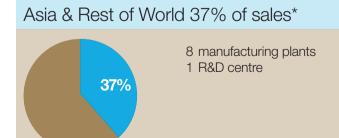
- Recovery of unreacted monomers in Kluang
- Environmentally friendly paper latex grade
- Two new nitrile latex grades developed
- Product launches in emerging markets supported by 'green' credentials

Where we are

Our manufacturing plants in Europe are well located to supply our customers, with a strong presence in Germany, the industrial heartland of Europe. In Asia we have manufacturing in Malaysia and Vietnam, and a growing selling and distribution activity in China, and we also have long established positions in the Middle East and South Africa.

Europe & North America 63% of sales*





^{*} Sales by destination.





Locations

China	01	Shanghai Synthomer Chemical Co Ltd, Guangzhou & Shanghai	
Egypt	02	Synthomer SAE, 10th of Ramadan City	
England	03 04 04 05 06 07	Synthomer (UK) Ltd, Batley Synthomer (UK) Ltd, Harlow Synthomer plc, Harlow Synthomer (UK) Ltd, Ossett Synthomer (UK) Ltd, Stallingborough William Blythe Ltd, Accrington	
Finland	08	Eka Synthomer Oy, Oulu	
Germany	09 10 11	Synthomer GmbH, Langelsheim Synthomer Deutschland GmbH, Marl Synthomer Deutschland GmbH, Worms	
Italy	12	Synthomer Srl, Filago	
Malaysia	13 14	Revertex (Malaysia) Sdn Bhd & Synthomer Sdn Bhd, Kluang & Kuala Lumpur Synthomer Sdn Bhd & Quality Polymer Sdn Bhd, Pasir Gudang	
Netherlands	15 16	Synthomer BV, Hasselt Synthomer BV, Oss	
Saudi Arabia	17	Synthomer Middle East Company, Dammam	
South Africa	18	Synthomer (Pty) Ltd, Durban	
UAE	19	Synthomer Sales GmbH, Dubai	
USA	20	Synthomer LLC, Atlanta	
Vietnam	21	Synthomer Vietnam Co Ltd, Ho Chi Minh City	

Key ■ Plant location ■ Sales office ■ R&D centre ■ Head office

Chairman's statement

Overview

In a challenging environment, Synthomer delivered a resilient set of results in 2012, achieving a second successive year of record profit before tax. This was achieved despite poor economic conditions in Europe, weakening of the euro against sterling and challenging trading conditions for our Asian nitrile latex business, where additional capacity and competitive behaviour impacted our performance.

2012 was the first full year of trading since the transformational acquisition of PolymerLatex in March 2011 and the completion of our divestiture programme. The Group benefited from increased scale, an enhanced product portfolio, stronger market positions and greater efficiencies delivered from the PolymerLatex integration. To reflect the Group's subsequent transformation into a focused specialty chemical company, we changed the Group's name to Synthomer plc towards the end of the year. We trade under the Synthomer brand around the world and the name is widely recognised and respected by our customers.

Full year performance

During the year, Group sales declined by 12% to Σ 1,111.8 million (2011 pro-forma Σ 1,268.8 million). Volumes were 5% lower than the previous year, as a result of weaker European demand.

Operating profits were broadly flat at $\mathfrak{L}109.0$ million (2011 pro-forma $\mathfrak{L}109.7$ million). The benefit of synergies and margin management offset the adverse impact of the poor economic conditions in Europe, the weakness in the euro and the challenging trading conditions in our nitrile latex business.

Group profit before tax was £98.1 million (2011 pro-forma £96.0 million). Despite the economic difficulties of recent years, this is the 6th consecutive year that we have increased underlying Group profit before tax.

Earnings per share were 22.0p (2011 underlying 18.8p), an increase of 17%, with the benefit of the first whole year's trading since the PolymerLatex acquisition in March 2011.

Strategy

We continue to focus on being a leading producer of aqueous polymers. Our strategy is to deliver growth through geographic expansion in emerging markets, where mega-trends including population growth, urbanisation and increasing wealth are driving demand for our products across the region. In these high-growth regions, we are able to benefit from the leading technologies, R&D and manufacturing capabilities which we have developed in European markets to give us a strong competitive advantage in new geographies.

Our European business remains highly cash generative, allowing us to invest in emerging market opportunities. Our new 70,000 tonne nitrile latex capacity expansion in Pasir Gudang, Malaysia, which was completed at the end of the year and was commissioned during January 2013 represents one such opportunity. We anticipate having SBR latex manufacturing capability in Malaysia from the middle of this year, something we have been targeting for several years. We continue to look for further investment opportunities to expand our footprint in Asia.

Integration process and synergies

The integration of PolymerLatex is now essentially complete. Synergies delivered in the year were $\mathfrak{L}19$ million, a year-on-year improvement of $\mathfrak{L}16$ million over the $\mathfrak{L}3$ million delivered in 2011. At the beginning of 2012 we committed to a higher synergy target of $\mathfrak{L}25$ million, and we remain confident of delivering the balance of the synergies in 2013.

Balance sheet

Net debt was slightly lower than the start of the year at Ω 156 million. This represents a net borrowing to EBITDA ratio of 1.2, which the Board considers to be a prudent leverage position.

Dividend

The Board has recommended a final dividend of 3.3p per share, making a total dividend for the year of 5.5p. The Board committed to this level of dividend in our interim results announcement on 28 August 2012, together with an undertaking to move the dividend cover to three times by 2015. The full year dividend of 5.5p represents an increase of 57% over the previous year.

Safety, health and environment

The Group is absolutely committed to the continuous improvement of its performance in respect of safety, health and the environment. I am pleased that almost all of the metrics that we measure in this area showed good improvement over the prior year.

People

The Group has achieved a great deal in recent years with its transformation to a focused specialty polymers business. None of this could have been achieved without the hard work and dedication of the Group's employees and I thank all of them for their support and hard work during this period.

Board composition

We have strengthened the Board this year with a number of appointments. Just Jansz and Jinya Chen respectively bring extensive knowledge of the Chemical Sector and Asian markets and operations. Ishbel Macpherson who joined the Board in May 2012 has indicated that, in order to focus in other areas, she does not intend to stand for re-election and I should like to thank Ishbel for her contribution during her time with us.

Current trading and outlook

We have made a solid start to the year. Nevertheless, we expect the macro-economic environment in Europe to continue to result in challenging trading conditions through 2013. Our expectations for the Asian nitrile market remain unchanged, with improvements expected from the end of this year. With our non-nitrile capacity in Asia fully utilised, we will continue to invest in capacity in emerging markets to build our platform for future growth beyond 2013. We expect demand growth in our emerging markets to remain strong and overall the Board remains confident in the Group's long-term prospects and strategy.

Neil Johnson

Chairman

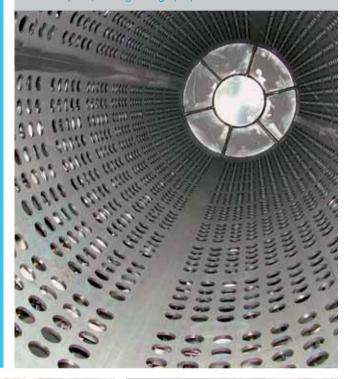
14 March 2013

Innovation - Lithene®ultra

During the year, the Group made a substantial investment to improve the performance of its Lithene® products for our customers. Lithene® liquid polybutadienes are produced at Synthomer's Stallingborough, UK plant. Lithenes are sold globally for use in a diverse range of applications. including automotive sealants, mould release products, coating additives, rubber modifiers, electrical encapsulants and fragrance gels.

Lithene® products are part of the Group's Performance Polymers business segment. The new improved products are being sold under the Lithene®ultra brand. Product characteristics of the new range of products include low VOC content, low odour and in certain application areas the new range can deliver performance improvements such as improved curing and higher strength.

Lithene® plant, Stallingborough (UK)









Automotive sealants

Automotive sealants

Economy, safety and refinement are key

are tive design. Lithene®ultra drivers in automotive design. Lithene®ultr products provide an unseen contribution high performance sound deadening and structural sealants. Their unique polymer structures form the basis of custom formulations able to exceed demanding global automotive standards, while reducing vehicle weight and lowering cabin air emissions.

Rubber modification

Synthetic rubbers are an important component in many cables for demanding applications such as power transmission and oil well control systems. Lithene®ultra polybutadienes are designed to work in these specialised rubbers to enhance physical properties, ensuring performance and durability in increasingly harsh operating environments.

Printing plates

Lithene® products are a major component in many Flexographic printing plates contributing to print quality and plate durability. With the constant growth in Flexographic printing applications from labels to high quality flexible packaging across all ink technologies, the wide range of Lithene®ultra products provides global printing plate manufacturers the flexibility

Chief Executive Officer's report

Overview

2012 was the first full year of trading since the PolymerLatex acquisition in 2011. The Group is now a larger, more focused specialty chemical company, with the scale and capability to grow in chosen markets. We are now focused on being one of the world's leading aqueous polymer producers, with our market leading positions in Europe and expanding business in Asia enabling us to add value to our customers and generate returns for our stakeholders.

During the year we largely completed the integration work associated with the acquisition of PolymerLatex. Synergies from that integration reached approximately £19 million in the year, a £16 million year-on-year increase. A further £6 million of annualised synergies are anticipated in 2013 to reach a total of £25 million.

Two years into the integration, the broader business benefits are very clear. We now have a stronger management team and enhanced capability in the areas of product development and process know-how, combined with a more modern and cost effective asset base and state-of-the-art R&D facilities.

Business performance

2012 was a very challenging year from a trading perspective. Demand in Europe was weak on the back of the eurozone crisis, and we saw volume reductions of 8% in our Europe & North America (ENA) segment. However, we compensated for the volume declines through higher unit margins, which we continue to manage actively to optimise profitability. The weaker euro also affected the translation of European results into sterling with an adverse effect of $\mathfrak{L}5.5$ million on operating profit. Synergy delivery was predominantly in Europe, and overall therefore, operating profit in our ENA segment was strongly ahead of 2011.

In Asia and Rest of World (ARW), our non-nitrile businesses delivered very good growth with EBIT up 20%. In nitrile, excess capacity and consequent aggressive pricing behaviour by regional competitors served to substantially lower results. In our interim results we stated our expectations that we do not expect any substantive improvement in these conditions for 12-18 months. Since then the market has stabilised, and is performing broadly in line with our expectations at the interim results, and we continue to expect improvements towards the end of 2013.

Looking further ahead, we, and our customers, continue to expect to see demand growth of 10-15% over the coming years for nitrile latex. With our leading share of approximately one third of the market, and our position as the only current local supplier, we continue to anticipate substantial future profits from this business as the environment improves.

We continued to invest in our business during the year, with net capital expenditure in the year of Ω 38.1 million, up from Ω 21.9 million in 2011. Alongside the capital invested to facilitate site closures as part of the synergy delivery, we have been investing heavily to support the future organic growth of the business. We completed a substantial expansion of our nitrile facility in Pasir Gudang, Malaysia and ongoing investment in the same facility will enable us to produce SBR to sell into the region – an objective we have been pursuing for several years and which will provide us with enhanced operational flexibility. In Europe we have invested in our Lithene® business to improve our product offering and to launch our new Lithene® ultra range of products. We also recently commenced an investment to support growth in our specialty Alcotex business – a business where we are global No. 1, and product manufactured in the UK is shipped to PVC manufacturers around the world.

We have had a number of successful product launches during the year, and we remain very focused on tailoring and deploying our existing western technology to support growth in emerging markets – particularly in the areas of Construction & Coatings and Functional Polymers.

Raw materials, as in recent years, remained volatile. Prices strengthened through the first few months of the year, before easing back and were relatively stable over the last quarter. This pattern was similar to what we saw in 2011. We continue to manage these price movements effectively through our general approach to margin management.

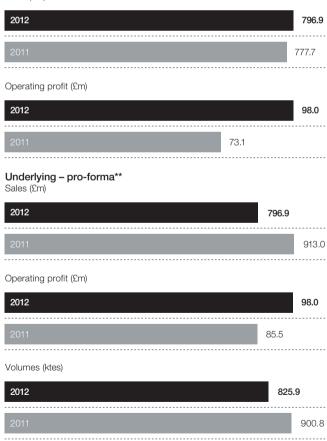
Divisional performance

We manage the business in two segments. 'Europe & North America' (ENA) and 'Asia & Rest of World' (ARW). The reported results are on an 'origination basis', meaning the segmental sales and operating profits are reported based on where the product is manufactured. We export many specialty products from Europe to Asia. Looking at sales on a destination basis, Europe & North America comprises 63% of Group turnover with Asia & Rest of World accounting for 37%.

Europe & North America (ENA)

Underlying - as reported*

Sales (£m)



- Underlying performance excludes special items as shown on the consolidated income statement.
- ** Reconciliation of underlying performance to pro-forma results is provided in the financial review.

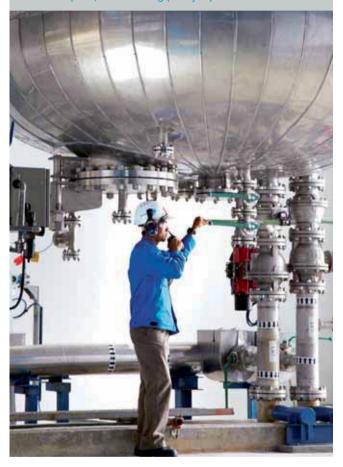
Investing in high growth markets

We continue to invest in the aqueous nitrile latex market, where Synthomer is the leading supplier of the product. Sales are predominantly to the high growth thin walled examination gloves market. Over recent years, the market has grown at some 9% per annum across gloves made from natural rubber latex and nitrile latex, and this growth is expected to continue, however, the long-term substitution of natural rubber by nitrile latex means growth in nitrile latex is well above this 9% rate.

Over 80% of these gloves are made in the Thai Malay peninsula where Synthomer is the only current local producer, with manufacturing assets at our Kluang and Pasir Gudang facilities in Malaysia. During the year we invested in two new nitrile latex lines in our Pasir Gudang facility which came on stream at the end of 2012.

We have two new major product launches in 2013, and we will be further investing to modify one of our existing production lines to allow the production of SBR (Styrene Butadiene Rubber) latex in the region – the first time we will be able to manufacture and supply this key product locally.

NBR latex plant, Pasir Gudang (Malaysia)









We have a state-of-the-art R&D facility in Kluang, Malaysia, where we have made extensive investment to create the same capabilities we have in our two European R&D facilities. These facilities allow us to effectively develop new products for the high growth nitrile latex market, and rapidly move from laboratory development to full scale manufacture. We also use these facilities to recreate the conditions in our customers manufacturing plants to support them in the development of their products, and optimising their processes using our materials.

Chief Executive Officer's report

continued

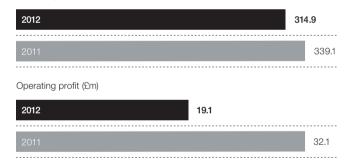
Operating profit in our ENA business was ahead by 15%, despite volumes for the year being down 8%. Demand generally softened in the second half of the year, as the eurozone crisis continued to affect the region. Demand was weakest for sales into the construction market. This particularly impacted our Construction & Coatings and Functional Polymers business units.

ENA benefited from synergies, with the £16 million year-on-year improvement attributable principally to Europe, but this was somewhat offset by the translation effect of the weaker euro against sterling which adversely impacted operating profit in ENA by £5.5 million. As part of the synergy delivery we announced the closure of three plants in ENA. Two were closed during the course of 2011. The third plant, in Batley, UK, is expected to close in the second quarter of 2013, when capital investment to facilitate this is concluded at our Stallingborough dispersions facility. This will bring to a close the rationalisation of the European manufacturing network.

There were multiple product launches in ENA during the year. These included several new pressure sensitive adhesive grades, new grades for textile print adhesives and a new thermo-mouldable carpet latex product. We also developed a new range of Lithene® products, marketed under the brand of Lithene®ultra, which we expect to see good growth from during 2013.

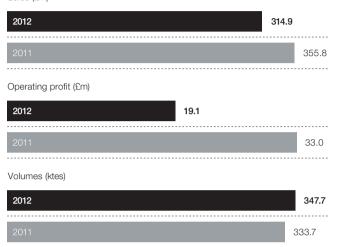
Asia & Rest of World (ARW)

Underlying – as reported*
Sales (£m)



Underlying pro-forma**

Sales (£m)



- * Underlying performance excludes special items as shown on the consolidated income statement.
- ** Reconciliation of underlying performance to pro-forma results is provided in the financial review.

Operating profit in our ARW segment was lower by 42%. Non-nitrile businesses in ARW, which are predominantly in our Construction & Coatings business unit, were strongly ahead in 2012, with operating profit up by 20%. As previously highlighted, our nitrile business was affected by aggressive pricing in the market, driven largely by excess manufacturing capacity. Overall volumes in ARW were ahead by 4%.

Since we reported on the turbulence in the nitrile market at the half year, the business has generally stabilised and developed as we expected, although we are not anticipating any substantive improvement until towards the end of 2013. We continue to invest in this high growth sector, and at the end of 2012 we completed our 70,000 tonne expansion of our nitrile facility in Pasir Gudang. We also commenced work on converting one of our NBR lines to facilitate SBR production, which we will use to supply up to 70,000 tonnes of SBR into Asia.

A key part of the Group's strategy is to add value through our technology and know-how by deploying it into Asia and other emerging markets. We had several new product launches in the region in 2013. These included additives for polyester resin moulding, a high water resistant wood adhesive product and an improved self crosslinking nitrile latex grade. We also have two major product launches in the nitrile latex sector scheduled for 2013.

Adrian Whitfield
Chief Executive Officer
14 March 2013

Leveraging technology in emerging markets

A key part of the Group's strategy is to exploit its technology into applications in emerging markets, in line with mega-trends affecting these economies. Alongside superior performance and quality, this includes the trend to "green" products, with the elimination of APEO and formaldehyde from products in these regions. These include products sold under our Plextol, Revacryl and Emultex trade names and a range of customer specific grades. In South East Asia, Synthomer now offers products that can be formulated to meet the most demanding regional environmental standards, such as the Malaysian Eco-label and the Singapore Green Label, in all interior and exterior coating applications. New offerings that use Synthomer core technology are continually in development, with products such as the recently launched Revacryl 4370 for premium interior paints.

Markets in South Africa are also moving to more environmentally friendly coating systems. A growing application is the use of gypsum-based plasters that are applied over conventional plasters to achieve an ultra-smooth finish. This requires that a pigmented plaster primer be applied over it to ensure adhesion of subsequent water-based topcoats. Traditionally these primers have been based on solvent-based products, as conventional water-based primers cannot meet the performance requirements. Synthomer has developed Revacryl 8000, an emulsified system that can be formulated into water-based coatings using conventional thickeners and can eliminate the use of white spirits. This innovative solution has allowed access to this growing market sector with a product that both matches the performance of solvent systems whilst delivering a significantly reduced environmental burden.

NBR latex plant, Pasir Gudang (Malaysia)



Dispersions plant, Dammam (Saudi Arabia)





(6)



Revacryl 8000 replaces solvent-based systems in plaster primers.

Revacryl 4370 is an APEO free styrene acrylic polymer dispersion with a wide range of paint applications.

Plextol 4151 is a fine particle sized APEO free acrylic polymer dispersion, for premium high durability exterior paints.

Financial review

Income statement

The acquisition of PolymerLatex in March 2011 substantially changed the size of the Group. To allow a meaningful comparison of the results for 2012 with 2011, the table below shows pro-forma results by adjusting the underlying performance of the Group in 2011 to include results of PolymerLatex for Q1 2011, and to allow for an estimated interest cost of £2.1 million for that quarter. The underlying pro-forma results provided the most meaningful comparison of year-on-year performance.

Pro-forma results	2012	2011			
	Underlying	Underlying	Jnderlying PolymerLatex		
	C	Con	Q1 2011	0.00	
	£m	£m	£m	£m	
Group					
Sales	1,111.8	1,116.8	152.0	1,268.8	
Operating profit	109.0	96.4	13.3	109.7	
Profit before tax	98.1	84.8	11.2	96.0	
Europe &					
North America					
Sales	796.9	777.7	135.3	913.0	
Operating profit	98.0	73.1	12.4	85.5	
Asia & ROW					
Sales	314.9	339.1	16.7	355.8	
Operating profit	19.1	32.1	0.9	33.0	
Unallocated					
Operating profit	(8.1)	(8.8)	_	(8.8)	

Sales, operating profit and profit before tax – underlying non pro-forma

Total sales decreased by 0.4% to £1,111.8 million, with underlying volume declines and currency translation effects, broadly offset by the benefit of one extra full quarter of turnover from the PolymerLatex acquisition in the year. Group operating profit increased by 13%, mainly due to the extra quarters profit from the PolymerLatex acquisition, whilst profit before tax increased by 16% to £98.1 million on an underlying (non pro-forma) basis.

Tax and EPS - underlying non pro-forma

The Group's underlying tax rate of 22% (2011 23%), remains low, reflecting the benefits of pioneer status (extended tax holiday) on our nitrile business in Malaysia, and a zero rate in the UK. The Group does not expect to pay tax in the UK for the foreseeable future due to brought forward losses and deficit contributions to the UK pension scheme, which are tax deductible.

Profit attributable to minority interests was £1.8 million (2011 £1.6 million).

As a result, overall, the underlying earnings per share for 2012 was 22.0p, compared to 18.8p per share for 2011. This is an increase in underlying earnings per share of 17%.

Dividend

The Group committed to a full year dividend of 5.5p for 2012, at the time of the interim announcement with an interim dividend of 2.2p. A final dividend of 3.3p per share is therefore recommended, payable on 5 July 2013 to shareholders on the register on 7 June 2013. The total dividend of 5.5p represents an increase of 57% over 2011.

Special items and IFRS

The Group reports its financial results according to International Financial Reporting Standards (IFRS). However, to provide a clearer indication of the Group's underlying performance, a number of special items are split out and shown in a separate column of the consolidated income statement due to their one-off or non-economic nature, and are excluded from the comments on underlying performance above and throughout the Chief Executive's review of business performance. Special items comprise:

- Restructuring costs associated with delivering the synergy targets for the PolymerLatex acquisition of £6.7 million (£6.0 million cash costs and £0.7 million non-cash costs). At the time of the acquisition the Group announced an estimated total cash expenditure of approximately £20 million to deliver these synergies. Cash costs of £15.8 million were expensed in 2011 together with £4.4 million of non-cash costs.
- Various cross-currency and interest rate swaps for hedging purposes, which involve maturities of up to five years. IFRS requires that where the strict requirements of IAS39 are not met, changes in the market value should be recognised annually in the income statement. However, such financial instruments are maintained by the Group for the length of the contract and over their lifetime have a fair value of nil. Hence the notional annual adjustment, a loss of £1.7 million (2011 loss £3.3 million) is segregated from the underlying performance.
- Amortisation of intangibles of £27.4 million (comprising £25.8 million in the Company and subsidiaries and £1.6 million in share of joint ventures). IFRS acquisition accounting requires an explicit number to be placed on certain intangibles and amortised through the consolidated income statement, with the balance of the excess of the purchase price over the physical assets being carried as goodwill, which is subject to annual impairment testing. The amortisation expense arising from this has been treated as a special item and will continue to be so as the associated intangible assets are fully amortised.
- Tax credits of £17.3 million, of which £8.6 million was in respect of the
 release of notional deferred tax associated with the amortisation of
 acquired intangibles and £1.6 million represented the tax relief from
 restructuring and site closure costs. Additionally, a deferred tax asset
 of £7.1 million was recognised for the UK and has been included in
 special items.

Balance sheet

Goodwill decreased to £240.9 million at the end of 2012 from £244.7 million at the end of 2011 due to translation.

Acquired intangible assets which arose as a result of the PolymerLatex acquisition decreased to Ω 135.6 million at 31 December 2012 from Ω 165.4 million in the prior year. This movement reflects regular annual amortisation of Ω 25.8 million reported in special items, and currency translation.

Property, plant and equipment increased to £199.6 million at 31 December 2012 compared to £183.6 million at 31 December 2011. Additions during the year comprised £40.3 million of capital expenditure (net £38.1 million).

The net deferred tax liability has decreased to $\pounds40.7$ million from $\pounds61.4$ million during the year. The decrease is primarily due to the recognition of a deferred tax asset of $\pounds7.1$ million in the UK, the benefit of which was reported in special items, and $\pounds8.6$ million of notional deferred tax associated with acquired intangibles, reported in special items.

Financial review

continued

Pensions

In the main UK defined benefit pension scheme the majority of investments are in equities. All asset classes performed well over the course of 2012, with a total return on assets (excluding cash) of 14.1%. The yield on high-quality corporate bonds decreased slightly during the year, which increased liabilities. The Company made cash contributions to the fund in the year of $\mathfrak{L}18.8$ million, of which $\mathfrak{L}10$ million is a prepayment of 2013 contributions. The overall effect of these changes was that there was a small decrease in the deficit of the scheme, which stood at $\mathfrak{L}69.5$ million at the end of 2012 (2011 $\mathfrak{L}73.9$ million).

An actuarial valuation for 2012 will be finalised by mid 2013. Due to the prepayment, cash contributions in 2013 are expected to be of the order of &5 million.

The UK scheme was closed to future accrual during 2009 and there are no active members in the scheme.

Overseas net pension liabilities increased to £50.2 million (2011 £44.0 million) reflecting a lower discount rate in Germany. The non-UK schemes are primarily traditional German unfunded 'on balance sheet' arrangements.

Borrowings, cash flow and liquidity

The following cash flow is in the format used by management and it provides a clearer presentation of the movements in underlying net borrowings than the IFRS statement:

	2012 audited £m	2011 audited £m
Underlying operating profit		
(before joint ventures)	104.1	91.6
Movement in working capital*	(1.3)	(5.0)
Depreciation and amortisation		
(underlying)	18.4	18.8
Capital expenditure (net)	(38.1)	(21.9)
Interest paid (net)	(11.3)	(15.2)
Tax paid	(18.8)	(19.9)
Pension funding in excess of		
IAS19 charge	(17.3)	(11.0)
Minority interest and joint venture		
cash flows	3.2	6.3
Operating cash flow	38.9	43.7
Cash impact of restructuring	(11.4)	(6.2)
Acquisitions and disposals (net)**	_	(353.8)
Acquisition costs	(0.4)	(4.4)
Dividends paid	(15.3)	(8.4)
Net proceeds on issue of shares	_	216.9
Exchange/other	(3.3)	11.3
Movement in underlying borrowings	8.5	(100.9)
Closing underlying net borrowings	155.8	164.3
EBITDA – management:		
Operating profit (inc joint ventures)	109.0	96.4
Depreciation – continuing	18.4	18.8
Total management EBITDA	127.4	115.2

^{*} Includes the release of collateral held against a guarantee that was treated as a working capital outflow in 2011.

Underlying net borrowings reduced during the year to £155.8 million.

Group management EBITDA increased to £127.4 million reflecting the effect of a full year ownership of PolymerLatex (2011 nine months from 1 April).

Net capital expenditure increased substantially in 2012 to $\pounds 38.1$ million net ($\pounds 40.3$ million gross), due to organic expansion in Malaysia and spend to facilitate the delivery of the acquisition synergies.

Pension funding in excess of IAS19 charge of $\mathfrak{L}17.3$ million includes a $\mathfrak{L}10$ million prepayment to the UK pension fund. This will result in lower cash contributions in 2013.

Underlying working capital outflow for the year was £1.3 million.

Financing and liquidity

As at the end of 2012, the Group had the following drawn term (over one year to maturity) funding in place:

	£m
Euro denominated bank loan maturing March 2015	145.4
US private placements	56.9
Less: Associated currency hedges and costs	(8.0)
Total	194.3

This compares to a net borrowing position of £155.8 million. The Group had an undrawn £60 million revolving loan facility maturing March 2015, and a net cash position (cash and cash equivalents less short term overdrafts and factoring debt) of £32.9 million.

In arriving at the Group's net borrowings, £20.4 million of non-recourse off balance sheet factoring has been added back as a special item. Excluding this adjustment net borrowings would have been £135.4 million. This factoring facility expired at the end of December 2012 and settled over January and February 2013 – though, as this is adjusted back into net borrowings, its termination has no impact on the Group's stated net borrowings.

Underlying net borrowings to EBITDA, the Group's key leverage metric, was 1.2 at the end of 2012 (2011 1.2).

David Blackwood Chief Financial Officer

14 March 2013

^{** 2011} includes £8.1 million EBITDA from the disposed Pharma business.

Corporate social responsibility report

Introduction – SHE performance and achievements during 2012

2012 was another year of significant progress for Synthomer plc in environmental and safety performance. On nearly all of our environmental metrics the Group improved again and continues to comfortably beat the targets we set for ourselves in 2005 for our environmental performance. The consolidation of Group operations, following the acquisition of PolymerLatex in 2011, has given significant environmental gains. This is most notable in the Group's emissions of Volatile Organic Compounds (VOCs) which fell sharply, by over 26%, on a per tonne of production basis, during the year.

The Group is also very pleased to be able to report that the 'over 3-day' accident rate approximately halved in 2012 to give the Group its best ever performance for personal safety. The fall in the accident rate meant that our employees had a chance of being injured at work of less than one quarter of the rate in 2000. Two sites had notable achievements: Oulu in Finland achieved 4,000 days (11 years) without a single day lost due to an accident; and the NBR Pasir Gudang site in Malaysia achieved 1,000 days, especially remarkable given the number of contractors on site for the major expansion projects. The improvement in the accident rate was achieved by a major programme of employee engagement during the year culminating in a Group-wide Safety Week in October. This programme was strongly supported, and indeed led, by Worker's Councils and Site Safety Committees throughout the company, with regional meetings for safety representatives to share experiences and help drive improvement on all our sites.

Only one key measure did not improve in 2012: water use per tonne of production, which had fallen by 26.5% in 2011, rose by 2.7% in 2012. Despite the increase, usage per tonne is easily the second best result for Synthomer and is still nearly 25% below the 2010 figure. Energy use in the year fell again by 3.5% compared to 2011 and this was accompanied by a fall in carbon dioxide emissions of 4.6% per tonne of production. As noted above, the improvement in energy performance was accompanied by a sharp reduction in the releases of VOCs which fell by 21% in absolute terms during the year. Together the improvements in energy consumption and VOC release meant that the Group reduced its releases of greenhouse gases by 8% in 2012.

The improved energy performance was partly achieved by a sharp reduction in the use of oil as a fuel and this in turn led to a further reduction of 25% in the Group's sulphur dioxide emissions on a per tonne basis. This fall followed a reduction of 77% in 2011 and means that the Group has now achieved a 99.9% reduction in sulphur dioxide emissions since 2000. Although production at William Blythe increased, our discharges of heavy metals per tonne of production reduced for the fourth year in a row giving the best ever performance of only 0.096 gms per tonne of production.

Despite one off waste arising associated with plant closure, Synthomer's production of waste fell significantly during the year. The fall in hazardous waste was particularly marked: falling from 21,646 tonnes in 2011 to 8,461 tonnes in 2012, though this was assisted by the sale of the pharmaceutical division. Overall waste per tonne of production fell by over 51%, from 28kg in 2011 to 14kg per tonne in 2012.

Under the auspices of the European Chemical Industries Council (Cefic), Synthomer has been involved in a 3 year comparative study of the carbon footprint of polymer products. The study, discussed further below, has shown that Synthomer and the European polymer industry as a whole have improved their energy efficiency since the last study was done in 1999. Whilst the results depend on the product mix of each individual company, we are pleased to report that Synthomer performs well compared to the rest of the industry.

During the year the Company maintained its strong focus on process safety. A further 50 members of staff went through the IChemE's week-long, assessed training course on the subject and a programme of improved metrics is being introduced to give the Board and Executive Committee better insight into the Company's performance. Whilst it is pleasing to be able to report that there was only one serious process safety incident in 2012 (which was handled without safety or environmental consequences) the Company is mindful of the need for continuing – and indeed ever improving – vigilance in this area.

Our policy commitments

Following discussions at all levels in the company, Synthomer's Safety, Health and Environment (SHE) policy was revised during 2012. The revisions are aimed at ensuring our fundamental commitment to good SHE performance is well understood across the Company's operations in all regions. Our three long-term goals are:

- to minimise any environmental burden created by our activities;
- to have no accidents or incidents; and
- to have no adverse impact on the health of those who work in, or live near, our operations, nor on the health of those who use our products.

These goals are embedded in the Company's SHE management system and in the annual SHE improvement plans which each site prepares each year.

The Group remains committed to both the global chemical industries' Responsible Care® initiative and to the principles of Sustainable Development (SD) as set out in the UK Chemical Industries Association (CIA) SD guiding principles. Responsible Care® aims to improve and enhance the chemical industry's SHE performance, year on year. Synthomer has been a signatory to Responsible Care® since the 1990s and we remain committed to both the principles and the practice of Responsible Care®. All Synthomer sites are required to adhere to these principles and actively support the Group's efforts to achieve continuous improvement in our SHE performance.

The Synthomer Group has been committed to the CIA's SD guiding principles since they were published in 2005 and we use these principles in guiding the contents of our annual report. When the principles were set out, improvement targets were set for the UK chemical industry and we have continued to use those targets to judge our performance improvements, year on year. Our continuing involvement in both Responsible Care® and Sustainable Development was confirmed in 2012 when the Chief Executive and the Chairman of the Synthomer Board re-signed the two sets of principles. The principles include a strong commitment to open reporting of environmental performance and this is reflected in this Annual Report. The SD principles, including full respect for the people and communities amongst whom we work, are followed by the Group's sites around the world.

Corporate social responsibility report

continued

The two sets of principles are used together to form the core of Synthomer plc's adherence to global corporate social responsibility. The policies that we have in this area are being extended throughout our supply chain to ensure all our partners understand our rejection of practices such as the employment of child labour or unfair discrimination, and our acceptance of rights such as that to join any lawful worker's association or trades union.

Synthomer plc set itself the target of achieving accreditation of the whole Company to the environmental management standard ISO 14001 by the end of 2014. The first steps towards this were achieved in 2012 by the successful accreditation of both our central environmental management system and a number of individual sites to a new matrix model. The accreditation will be extended to further sites during 2013 and is on schedule to be completed by the end of 2014.

As noted in the discussion of our energy performance, the chemical industry is energy intensive and is therefore heavily affected by the need to reduce the release of Greenhouse Gases (GHGs). In Europe the drive for reduction is principally set out in the European Union's Carbon Reduction Commitment (CRC). This commitment requires a very significant absolute reduction in carbon dioxide release over the period to 2020 and then a minimum of an 80% reduction by 2050. The control of other GHGs is also essential and for Synthomer these are almost entirely the VOCs used in our processes. We have for some time reported our overall GHG releases in our annual report and we expect to have no significant problems in complying with the UK Government's requirement for all publicly quoted companies to report their GHG releases from next year. Synthomer plc is committed to the control of all GHG releases. We continue to take low carbon energy (electricity) from the Stallingborough waste incinerator and remain committed to seeking to decarbonise our energy supply by using low carbon or carbon-neutral energy supply options where feasible.

Synthomer plc has been a member of FTSE4Good for a number of years and is committed to maintaining membership of that index.

Managing safety and environmental performance

The management of SHE performance in Synthomer has continued to evolve, through modification, extension and improvement of the existing company systems. The focus during 2012 has been on involvement of staff at all levels and changes are being made in response to suggestion for improvements or sometimes concerns, which have come from Synthomer staff. However, it remains one of our principles that safety and environmental performance is the responsibility of all Synthomer staff and that all staff are expected to be responsible for their own safety and to take care of those around them. Likewise all staff have a role to play in the environmental performance of our sites, whether it is in recycling, energy conservation or managing their site's environmental discharges. The management of safety and environmental performance is fully integrated into Synthomer's management structure with all staff having responsibility for those who report to them.

Synthomer has two principal systems to assist in the management of SHE. All accidents (events which cause personal injury) and incidents (events which cause property damage, environmental release, cause complaints or result in other harm) are recorded in the Group's AIMS (Accident and Incident Management System) database. AIMS has been in place for over 10 years and the system is used to record and categorise, and then to manage the investigation of all accidents and incidents. The system is also used to record and manage "near misses": events or hazardous situations which under other circumstances could have caused an accident or incident. The system provides a way of tracking events and examining what is happening on our sites for trends or common failings.

The second system is a set of management policies, standards and procedures which make up the Synthomer SHE Management System (SHEMS). SHEMS continues to be extended to cover new areas and is currently being shifted to the company-wide document controller system, which will make it more widely available and help manage documents to ensure they are kept up to date. The elements of SHEMS set the standards sites are expected to achieve and provide guidance on how they should achieve those standards. SHEMS covers most areas of SHE performance with comprehensive coverage of the procedures Synthomer expects all sites to have in place. The system is now supported by guide packs: documents which set out the principal steps sites have to take to comply with SHEMS elements. Sites are expected to operate to SHEMS standards and procedures, or to demonstrate that they have their own equivalent standards and procedures already in place.

SHE performance is always the primary duty for management at all levels in the Group. The practices adopted in previous years remain a cornerstone of our efforts towards continuous improvement in SHE performance. The practices include:

- SHE performance is discussed in all management meetings, as the first agenda item;
- Synthomer conduct regular, in-depth SHE audits of all sites to assess
 performance and identify opportunities for improvement. The results
 of the audits are discussed both with the site involved and with wider
 management, for example at the Group Executive committee.
 An overview of the results of the audit process is reported to the
 Board at least half yearly;
- The Group AIMS system is used to collect and analyse data on all accidents, incidents and "near misses" on our sites. The system ensures that all of these are appropriately investigated, with the most serious or potentially serious incidents being fully investigated to root causes. The system is then used to ensure that the identified actions to prevent recurrence are put in place using an action management tracking system. "Lessons learned" are produced from the investigation reports and circulated to all sites, with a positive feedback system to ensure the lessons have been considered and implemented;
- Sites are expected to implement policies, procedures and practices
 in line with the Group's SHEMS, and to provide training for all their staff
 to ensure that these are used by staff at all times. Working towards
 this Group requirement, William Blythe have introduced a competence
 management system in line with UK guidance and successfully passed
 a part 'A' competence check inspection by the UK regulator (HSE).
 The lessons from this will be incorporated into SHEMS during 2013;
- Key measures (leading and lagging indicators) of SHE performance are collected monthly or quarterly as appropriate and reported to the Group Executive and to the Board. This process is mirrored at company and site level to give management and staff a clear picture of current performance;

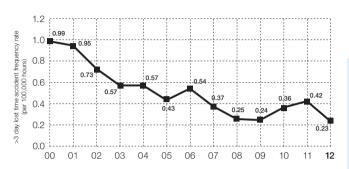
- Key leading performance indicators, covering items such as inspections and engineering performance metrics, are collected and reported to senior management to assess both equipment and management performance. Synthomer's internal inspections and audits are designed to identify bad news and ensure it gets to the top management allowing time to address matters before a potential incident occurs. In line with this key element, Stallingborough site is introducing an Asset Integrity Management System designed to focus attention on critical plant and ensure protective devices are reliably maintained. Once complete this system will be rolled out to all sites in the Group;
- Senior managers have SHE targets as part of their annual objectives.
 These SHE targets are cascaded to give all employees supporting objectives, either on an individual or a site basis; and
- Central SHE staff regularly visit sites to carry out training and development of key staff, to ensure all sites are aware of their legal obligations and current good practice, and to monitor and guide current SHE performance.

Health, safety and accident performance

Despite all the difficulties with accurate reporting and the fact that it is a lagging indicator, 'over 3-day' - or 'Reportable' - Lost Time Accident (RLTAs) rates remain a widely used comparative measure of occupational safety across a range of industries. Synthomer has for many years used RLTAs as a key measurement so it is pleasing to report a significant improvement in the Group's performance on RLTAs, with the best ever annual figure being achieved; beating the previous record low in 2009. There were 12 RLTAs in the year and the Group's RLTA frequency rate dropped to below 0.23 per 100,000 hours worked for 2012 (100,000 hours is, very broadly, a working lifetime). A Synthomer employee was less than one guarter as likely to have an 'over 3-day' accident in 2012, than they were in 2000. The number of accidents resulting in less than 3 days lost time (LTAs) dropped from 13 in 2011 to 8 incidents in 2012 and the all lost time accident rate fell to 0.37. This compares to the most recently reported frequency rate for all lost time accidents quoted by the European Chemical Industry Confederation (Cefic) in their Responsible Care report which is 0.66.

The UK chemical industry remains amongst the safest manufacturing industries in the world and Synthomer's objective is to achieve UK standard performance in all our operations around the world. Our target for RLTAs is to achieve a performance which is better than the average for CIA member companies. However our performance goals go beyond these more serious accidents and from 2013 we will be widening the range of injuries we report on annually to include all injuries requiring more than first aid treatment.

Reportable lost time accident frequency rates



Process safety and reportable safety incidents

The topic of process safety has continued to grow in importance for the chemical industry, exemplified by the well attended conference between the European and American chemical industry associations in 2012, discussing common reporting standards for process safety incidents; and by the OECD publication "Corporate Governance for Process Safety" produced with American, European and SE Asian participation. We participated in the conference to ensure our understanding of the emerging metrics, and the OECD report was discussed at both Executive and Board level, culminating in a special Board session on the subject. Process safety failures, whilst rare given the scale of the process industries, can have devastating consequences, as was seen in a number of serious events around the world in 2012. We recognise that we have to manage the operation of our plants to ensure that our process safety – the set of procedures and practices which ensure that our processes are safe to operate – matches the hazards of what we do.

Because process incidents have the potential to be very damaging to people, plant and the environment our aim is always to have defences in depth to prevent serious incidents. We use our AIMS system to record and monitor even minor process incidents and upsets as we recognise they could lead to significant incidents under different circumstances. These records are analysed and the lessons shared, internally and externally.

There were two reportable chemical process safety incidents in 2012 – a release of methylethylketone in the Durban plant and a small fire in the drains of the Kluang Dispersions plant. Neither caused any injury or any lasting environmental damage. The two other incidents noted in the graph were both related to mechanical equipment failures, again neither of these led to injury or environmental damage.

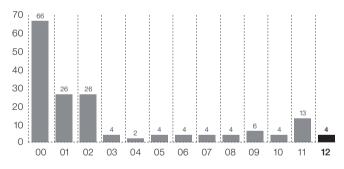
Corporate social responsibility report

continued

Process safety is a key section of SHEMS, indeed the first section after our policies have been set out. The procedures in SHEMS have been written learning from the work done by regulators such as HSE & TÜV, international standards, and competent organisations such as SAFed and EEMUA. It has also been made a focus in the Group SHE audit, with sites now receiving explicit feedback on their performance in this area. We are developing and improving our process safety performance indicators, to ensure they are well understood and that they provide appropriate information to senior management on the workings of the process safety system.

We continue to work to improve the understanding of process safety at all levels of the Company using the Institution of Chemical Engineers (IChemE) Process Safety Course. The full 5-day course is used with operations and engineering staff, with a 2-day course for senior managers used with the most senior managers in Synthomer. Two process safety training courses were run in-house in 2012, one in the UK and one in Germany, attended by staff with 9 different native languages from Europe, Africa and Asia. Staff in Malaysia and South Africa also attended the IChemE public courses in those countries. Hazard & Operability study (Hazop) training courses were held in Europe and Malaysia in 2012 extending process safety awareness through the operational teams. Process safety and Hazop training is part of our development programme and Synthomer intends to roll out such training to all relevant personnel in the organisation: two process safety courses and one Hazop course are currently programmed for 2013.

Reportable safety incidents



Occupational health & hygiene

Synthomer has a challenging goal in occupational health; to have no adverse impact on the health of those who work in, or live near, our operations, nor to those who use our products. In 2012 there was just one case of occupational disease reported by our sites. This was a case of dermatitis to a worker in the Kluang natural rubber plant. The individual fully recovered following relocation to alternative work within the site.

During the year we started to bring together the best of occupational health practice from around the Group, using learning from our Group SHE audits. As an example, the biological monitoring programme at our Filago site prompted a full medical review of this type of monitoring for all our sites, especially those where we have bulk storage of raw materials with high health hazards. All sites are expected to have systems in place to limit the exposure of staff to hazardous materials and these expectations are detailed in our occupational health standard written in conjunction with our medical experts. Given the nature of our chemistry, it will never be possible to remove all hazardous chemicals from our sites. We therefore need secure risk assessments to demonstrate that we are properly controlling potential exposure, wherever possible by engineering means, though always backed up by the use of appropriate Personal Protective Equipment (PPE). To assist sites in the thorough assessment of the risk from exposure to chemicals hazardous to health, the Group has continued to extend the coverage (geographical and by substance) of our electronic assessment programme, which is based on the principles of the UK Control of Substances Hazardous to Health regulations. This system is currently being extended to make it available to staff in the languages used on their own site.

During health and safety week, all sites joined in a wide range of health promotion initiatives, nearly all from employee ideas. These included: a pedometer walking challenge at the Harlow site, concept housekeeping at Oss, managing stress workshops at the Durban site, and a visit to the German Occupational Safety Exhibition in Dortmund by Marl employees.

We were delighted to be invited to attend the launch of the CIA Sustainable Health Metrics Tool in April 2012. This tool has provided us with a credible process to assess and benchmark how well health programmes at site level are meeting corporate requirements. Beview of the 14 key health performance elements will enable us to raise standards by identifying priorities and tracking improvements. Our aim is to explore how our sites manage their occupational health programmes using sustainable health leading indicators, and check on the health performance of our organisation using performance lagging indicators. We have continued to enhance our comprehensive range of medical arrangements for each site: staff who work with breathing apparatus in the UK now undergo additional medical surveillance to assess their fitness to wear such equipment and this will be rolled out Group-wide. We encourage all staff to report health concerns which could have been caused by a work activity, and occupational health professionals monitor the overall health of our staff, drawing any potential problems to our attention whilst always respecting medical confidentiality. With this in mind, we are committed to supporting confidential health and well-being employee assistance programmes around the Group.

Audit programme

Synthomer has an internal audit regime which is designed to provide management at all levels with an insight into the SHE and process safety performance of our sites. The audits use an internal team of experienced chemists and engineers to visit all our operating sites on a 3-year cycle. The audits, which incorporate a scoring system developed from the principles of the CIA's Responsible Care® management system, are demanding, with 3 or 4 auditors visiting the sites for a week long audit. In order to share learning, spread best practice and enhance performance, site managers, SHE managers and site engineers from other sites join the audit team to add cross-site auditing experience to the work of the central team. The audits include a detailed questionnaire with several hundred questions, covering areas from SHE policy to environmental performance, and from healthcare to engineering standards. The guestionnaires are reviewed annually and modified where necessary to ensure they remain effective for use on all the sites in the Group, especially as operational practices and equipment evolve.

After the audit, the audit team produces a comprehensive report which includes not only their assessment of the site's current performance but also a set of detailed recommendations setting out the actions which need to be taken by the site over the period before the next audit. These reports are discussed by management both to give a consistent view of the SHE performance of Group operations and to guide improvement plans to ensure improving performance across the Group. The results of the audits are monitored closely by the Group Executive Committee who are committed to achieving high standards of SHE performance on all Synthomer sites. An overview of the outcome of the audits is also discussed by the Synthomer Board.

In 2012 the audit process concentrated on the sites which had joined the Group over the preceding two years and by the year end all sites except one had been audited. In 2013 the audits will cover sites which have been part of the Group for a number of years.

Asset protection and insurance inspections

The Company had no major insured losses in 2012 and this good record has enabled us to continue to control the costs of our insurance. This cost control has been aided by our property insurers having an improved estimation of the risk control measures which the Company has in place. These measures are surveyed by our property insurers in biennial insurance surveys carried out by their surveyors working with Synthomer's internal SHE teams. They are also reviewed on a Company-wide basis in the twice yearly meetings held with the insurer's risk management team to review the Group's risk profile and to discuss progress in dealing with any issues identified during the insurance surveys. The surveys and meetings are also useful opportunities for Synthomer to discuss current standards and thinking with an external team.

Regulatory affairs: REACH and GHS

Although there were no major deadlines to meet in 2012, activity to deal with both REACH (the EU's Registration, Evaluation, Authorisation and restriction of Chemicals regulations) and GHS (the UN's Globally Harmonised System for chemical classification and labelling) continued at a high rate throughout the year. Preparatory work continued for the next round of REACH registrations in 2013, though it now seems that the costs are likely to be lower than previously projected with only two materials needing to registered by our polymer companies. Work has also continued on integration of all the regulatory affairs work for our polymer business in one expert group, to ensure that consistent, accurate information is always available to all our customers. To facilitate this work, our global SAP system is being made available in a consistent form to all of our locations, the first site to benefit from this was Filago in Italy which went live towards the end of 2012. This has entailed work on ensuring the accuracy of Safety Data Sheets (SDS) and ensuring they align with the data on the SDS of raw material suppliers, across all our suppliers and across all countries. The benefits of the work done so far will be seen as the system is rolled out across all sites over the next few years.

The initial implementation of GHS only applied to single chemicals, with mixtures not due to change until 2015 in the EU. However some countries outside the EU have gone for a faster introduction and materials sold in China, Japan and Korea, for example, will need to be labelled to GHS standards in 2013/14. Preparatory work for the implementation of GHS to mixtures – which are the majority of our polymer products – started in 2012 and will be a major focus for Regulatory Affairs throughout 2013, continuing up to the 2015 deadline.

The work of the Regulatory Affairs has impacts both inside and outside the company with the provision of accurate information, including SDS, to our customers being an essential part of our business offering. Feedback from customers on the information provided continues to be very good. The safety information stored in the systems used by our central team is also used to give up-to-date safety information to our operational employees, enabling them to ensure that proper handling systems are in place to handle the materials used to manufacture our products. These systems are currently going through an upgrade to make information available in multiple languages, ensuring that chemical hazard information is easily available in the local language of the great majority of our operational staff worldwide.

Corporate social responsibility report

continued

Sustainable Development Performance report Managing our environmental responsibilities

The Synthomer Group treats its responsibility to protect the environment as one of our core values. Where possible we will exceed our statutory obligations and our revised SHE policy includes a commitment to "Work effectively with local regulators to ensure legal compliance and where technically and economically practicable exceed requirements". We are also committed, as signatories to the Sustainable Development (SD) goals put forward by the UK Chemical Industry Association (CIA) in 2005, to improving our environmental performance year on year. Synthomer plc (as Yule Catto) has, over the past 10 years, monitored the environmental performance of all the Company's site activities, and has generated a record of significant improvement. In all the areas we monitor, we are comfortably exceeding the targets set as part of our SD commitment. This has been achieved by significant investment in both process improvement - avoiding the production or release of environmental pollutants - and in abatement equipment where some releases are inevitable. Significant investments required for environmental reasons in 2012 have included a €12 million monomer recovery plant in Kluang, initially reducing and then essentially eliminating the Group's biggest VOC release, and investment in new or substantially improved effluent treatment plant in Vietnam. Malaysia and the UK.

Synthomer were one of the first signatory companies to the CIA's Sustainable Development principles in 2005. Signing up to the principles was accompanied by the setting of demanding improvement targets for the Group's environmental performance over the first decade of the 21st century. We have carried those targets on into a second decade as a benchmark against which we can measure our improvement. Achievement against the targets is monitored by the Synthomer Board on a quarterly basis and more frequently by operational management up to Group Executive level. Environmental management is integrated into the Company's SHE Management System (SHEMS) but the commitment to environmental excellence is underlined by the intention to have all the sites at present in the Group, accredited to ISO 14001 by the end of 2014.

Whilst the releases which are most likely to have an impact on the environment are recorded in the graphs presented in this report, we monitor a number of other measures internally. All of these other measures also show very significant improvement over the last 10 years and most are continuing to improve year on year. As examples: our releases of nitrogen oxides to air have fallen by more than 70% per production tonne since 2000; our releases of phosphorous to water have fallen by over 90% since 2000; and our releases of heavy metals are down from 4.5 gm/tonne to 0.096 gm/tonne, a better than 97% reduction. These have been achieved by investment in better systems for environmental control; the development of better processes; better process control focusing on avoiding releases and other losses; and incremental improvement in the operational systems on our sites. All of this is underpinned by the performance of our site staff, who have driven improvement and whose aims are to produce better quality product, using more carefully husbanded resources, whilst producing less waste.

This record of success is reflected in the formally reported SD measures, all but two of which improved in 2012 and all of which have improved very considerably since 2000. All of the SD targets set for the Group have been comfortably bettered. The two cases where the Group performed less well in 2012 compared with 2011 were water usage and the production of nitrous oxides (NOx) which increased for the second year in a row. In 2012 the Group improved its energy performance and regained its long-term trend. For our continuing operations waste production per tonne of product was down as quality and 'right first time' production improved. On VOCs there was a significant decrease (21%) in the absolute quantity released despite an 8% increase in production tonnage compared to 2011.

EPDLA LCI project

The European Polymer Dispersion and Latex Association (EPDLA) is a focused interest group which operates under the auspices of Cefic, the confederation of the European chemical industry. EPDLA undertook an intensive study in 1999 to calculate the carbon footprint of the polymers being produced by the group's members. The study has been repeated as a full Life Cycle Inventory (LCI) study over the last couple of years and Synthomer has contributed to the new study, as constituent companies of Synthomer did to the original study. The methodology of the LCI study was set by PwC, who also provided external validation. This was a detailed study and required a very high quantity and quality of data with all the major producers in Europe contributing to the project. Coverage was between 55% and 70% of the European tonnage produced, varying slightly by product family.

The study found that the main contributors to the environmental impact of the polymers being produced are the monomers used in their manufacture. Monomers account for 80-90% of the total impact for both global warming potential and total primary energy content of the polymers produced. This was true for all the polymer groups studied, whether based on styrene, butadiene, acrylics or vinyl acetate; environmentally the impact of the different polymer groups was not distinguishable. However, the environmental impact of the polymers studied had reduced significantly since the first study: a 5% reduction in overall global warming potential since 1999; and even higher reductions in the total primary energy used, ranging from a 15% reduction for SBR polymers to 20% for pure acrylic or vinyl acetate polymers. For Synthomer in particular, the LCI study showed that our products gave results which are either better than or at the same level as the industrial average. This positive result for Synthomer is no reason for complacency and we continue to work on reducing our future environmental impact both as an end in itself and to keep up with improvements in our industry in general.

Energy

By its nature the chemical industry is a heavy energy user, though as the Cefic sponsored study discussed above has shown, the carbon footprint of our products is dominated by the energy embedded in the monomers we use. Not withstanding this, energy use by the Group remains a key performance indicator and we continue to target a 4% improvement in specific energy consumption year on year. Specific energy consumption in 2012 was helped by the different technologies brought into the Group following the acquisition of PolymerLatex in 2011, though this was partly offset by lower production volumes on some sites. Overall, specific energy consumption across the Synthomer Group fell by 3.5% compared with 2011, and was 13.7% lower than in 2010. The long-term trend shows the Group used less than half the energy per tonne that was used in 2001. Consumption in 2012 was 38% better than the extrapolated 2012 target. It should be noted that the Group's energy consumption quoted here includes allowances for energy embedded in site services such as compressed air or cooling water when these are bought in rather than generated by our own plant.

Despite the improvements achieved, the cost of energy remains a significant challenge to Synthomer. Synthomer achieved an 11% reduction in the cost of energy per tonne of production compared to 2011. The most significant energy cost is electricity which accounts for 43% of the Group's total energy bill.

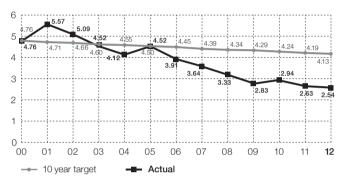
The reduction in specific energy use has improved the Group's carbon dioxide (CO_2) emissions per tonne and this is reflected in the global warming burden discussed below. The CO_2 release figure quoted in the environmental KPI section includes both direct release from carbon fuels burned on site and the calculated release from electricity consumed (including that embedded in site services).

In line with DEFRA advice and as in previous years, releases of CO₂ from electricity generation have assumed generation efficiency and CO₂ releases rates in line with the average for the UK national grid. However, in line with our goal of decarbonising the Group's energy use, we are exploring different energy supplies with the aim of reducing CO₂ releases faster than improvements in our energy consumption. To this end we have signed a long-term contract to buy electricity from Drax power station in the UK which already uses over a million tonnes of biomass as fuel, reducing its net CO₂ production by nearly 2 million tonnes in 2011. Drax will fully convert one of its six combustion units to biomass in 2013, reducing their net releases. We also recognise that the electricity supplies we use in different countries have different thermal efficiencies and rates of CO₂ production. In line with the UK Government's requirement for full reporting of Greenhouse Gas (GHG) Emissions from next year, we are exploring more accurate ways of calculating our GHG emissions, given the wide range of countries in which we operate.

In December 2012, Langelsheim (Germany) successfully gained certification for their energy management system through the DIN EN 50001 Energy Management Standard. The goals of the standard are to increase overall energy efficiency using a systematic approach to energy management across the site. Langelsheim is the first of a number of sites seeking this accreditation.

Energy consumption

(GigaJoules used per production tonne)



Global warming

There are two significant releases from Synthomer companies which contribute to global warming: $\rm CO_2$ released during energy generation; and the release of VOCs. The improvement in energy consumption has been discussed above and this led to a 4.6% improvement in $\rm CO_2$ releases per tonne of product. Total VOC releases reduced by 21% for 2012 compared with 2011, partly due to the closure of the Stallingborough Latex plant which was the second largest emitter of VOC in the Group, and partly due to reductions in the releases from the Latex plant in Kluang. The combination of these two improvements meant that the global warming burden of the Group's activities improved in 2012 by some 8%, giving the Group its best ever performance for the second year running. Overall performance was 65% better than in 2001 and the Group was 28% below the extrapolated target for 2012.

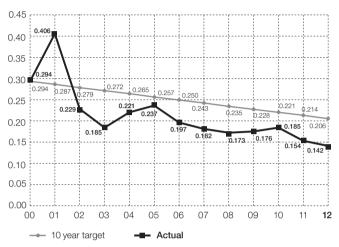
After examining different options, a scheme to recover a large proportion of the VOCs released from the NBR plant at Kluang was developed in 2010/11 and the equipment was installed in 2012. This equipment, costing some €12 million, is now being commissioned and is designed to recover over 65% of the VOCs being released by the Kluang NBR plant. This will lead to very significant further reductions in VOC release during 2013, once the recovery plant is running. This scheme will be followed, hopefully also during 2013, by a further scheme which will burn the residual VOCs with full energy recovery, to give a plant with low overall VOC releases.

Corporate social responsibility report

continued

Global warming burden

(Tonnes CO₂ equivalent release per production tonne)



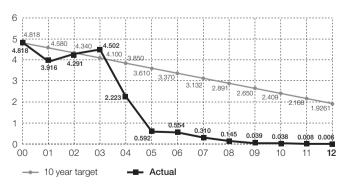
NB – The releases of VOCs from the Kluang NBR plant were incorrectly calculated and significantly overstated in 2011. The figures have been recalculated and are now given on a consistent basis, both in the data table at the end of this section and in the graph above.

Atmospheric acidification

Having already achieved such large reductions in atmospheric emission of acid gases, further reductions are becoming harder to achieve. Our direct emissions are now almost entirely sulphur oxides either from burning oil for steam raising, or from using diesel fuel to generate electricity in areas where the grid supply is not reliable. This means that our performance is significantly dependent on matters beyond our control. However, by using low sulphur fuels and because electrical supplies were more reliable in 2012 emissions were again reduced. The amount of sulphur dioxide (SO₂) fell by over 25% compared to 2011 to a little over 8 tonnes in total for the year. This is less than one third of the figure for 2010 and the Group's emissions of SO₂ per tonne of production are now 0.13% of what they were in 2000 and 0.3% of the extrapolated 2012 target.

Atmospheric acidification burden

(Kgs SO₂ equivalent released per production tonne)



Water use

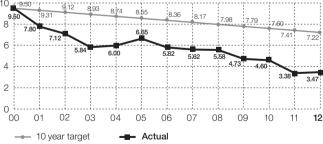
Water consumption across the Synthomer Group saw a slight increase from 2011, increasing by 2.6% compared to the year before on a per tonne of product basis. However this slight rise still gave the second best performance ever, nearly 25% better than 2010 which was then the Group's best. The increase reflects the change in product mix during 2012, with the closures of Mouscron and of Latex production in Stallingborough, and the start of transfer of production from the Batley site. On the other hand, many of the Company's sites continued to reduce their annual consumption during 2012. Water use per tonne of production has reduced by nearly two thirds since 2000 (63% reduction) and is less than 50% of the extrapolated target for 2012. Despite the slight increase in usage, the cost of water fell by 2% overall.

Water remains a vital resource for society as a whole and for industrial development. For our operations water is vital to our production processes, both to provide safety in reactor operation and as an essential part of our polymer dispersion products. We are fortunate that most of our plants operate in areas where water supply is not currently significantly constrained, and where rainfall is relatively abundant. On our Kluang, Malaysia site we have an on-site water collection system which provides the great majority of our water. Given the increasing production on this site and previously unexpected dry periods, the on-site supply has been strengthened by the provision of boreholes and a piped supply from off-site sources.

Two sites in particular operate in areas with constrained water supply, Dammam (Saudi Arabia) and Durban (South Africa). Dammam now relies on external piped water, which occasionally has to be supplemented by water in tankers, and in Durban increasing population and rising living standards are putting pressures on the available supply. We also recognise that existing supplies on other sites may become constrained if weather patterns change with global warming. The Group continues to target a 4% reduction in water use per tonne each year and further initiatives to reduce water usage are underway, with trials to, for example, reduce water use in reactor washing, and to reuse more water on-site for cleaning or other purposes.

Water consumption

(m³ per production tonne)

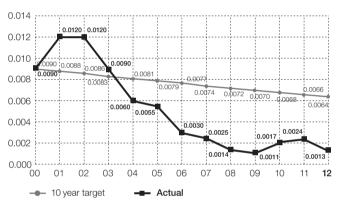


Waste disposal

The total amount of hazardous waste produced in 2012 was markedly less than in 2011, reducing by over 46% despite production increasing by 8%. Of this hazardous waste, 57% was able to be recycled, recovered, or burnt as a fuel – in a cement kiln for example. The most difficult of the remaining hazardous wastes have to be incinerated, which is energy consuming and can be environmentally unpopular. In 2012, the amount needing incineration was reduced by 3,387 tonnes (66%) despite the increased production compared with 2011. The absolute quantity of hazardous waste sent to landfill was only ~20% of the 2002 amount, despite production having more than doubled.

Hazardous waste disposed to land

(Tonnes waste per production tonne)



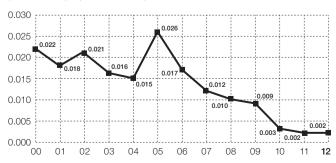
The absolute quantity of non-hazardous waste produced fell by 20% in 2012 and the specific quantity is now less than 10% of the quantity disposed of to landfill in 2000. This has been achieved through recycling, recovery and reuse of waste materials.

The use of imaginative, environmentally friendly disposal routes has been so successful that for a number of Synthomer's sites the net production of waste is now zero – all their waste is recovered, recycled or reused. The lessons learned by these sites are being shared with other sites in the Synthomer Group, to reduce the quantity of waste requiring final disposal still further.

Unfortunately, in the UK, the previously composted polymer waste from the Stallingborough site is now going for municipal treatment following the UK Environment Agency's decision to remove the permit to recycle this material. This decision is being actively discussed with the authorities and it is hoped that recycling will be resumed during 2013.

Non-hazardous waste disposed to land

(Tonnes waste per production tonne)



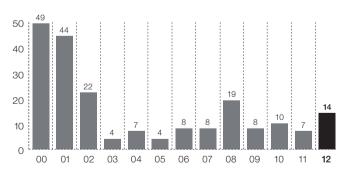
Environmental incidents

The number of environmental incidents which were reportable to the authorities and led to a release of material to the environment was 14 in 2012, an increase on previous years. All of the incidents were associated with the operation of the two Effluent Treatment Plants (ETPs), which service the Company's site in Kluang, Malaysia. None of the incidents were found to have caused more than transitory environmental harm. These two plants have been under-performing for some time and they have each been the subject of a significant upgrade during the year. On the site's NBR plant, the investment has focused on the monomer recovery plant (discussed earlier under VOC releases) which will significantly reduce the pressure on the ETP, especially by removing acrylonitrile residues from the water to be treated. The second ETP, which serves the rest of the site, has had to deal with a very diverse inflow and investment has focused on better pre-treatment at individual plant level. Both of these investments were completed in late 2012 and will be commissioned in early 2013: improvements should be seen over the next year.

Other environmental projects in 2012 included the completion of a new combined chemical and biological ETP at Synthomer's Vietnam plant, to meet tightened release limits to the local environment. This plant is currently being fully commissioned. Additional solid separation was also commissioned in Stallingborough to reduce COD loading on that site's ETP. The new ETP planned for the Company's Durban site was again delayed, but the site operated within its consent limits throughout the year. A new ETP for the Dammam site in Saudi Arabia is currently being constructed and will come into operation in the first half of 2013.

There were a number of smaller, non-reportable environmental incidents during the year, which caused no environmental damage but which were reported internally and investigated to determine their cause. In each case appropriate preventive or mitigation measures were put in place to prevent any future environmental harm.

Reportable environmental incidents



Corporate social responsibility report

continued

Environmental KPIs

The UK Department for Environment, Food and Rural Affairs (DEFRA) published guidelines for reporting environmental key performance indicators in 2006. The key measures suggested were energy use, emissions to air, waste disposal and water consumption, on an absolute and a per tonne basis. Synthomer has reported on these indicators for a number of years, and to aid transparency in environmental reporting we adopted DEFRA's preferred format in 2008 for the report on our 2007 performance. This format is used in the table below which gives the data for the period 2010-2012.

	2012	2011	2010	% change 2010-2012	% change 2011-2012
Energy consumption ¹					
GJ	3,284,233	3,144,349	2,092,339	56.96%	4.45%
Gas	681,636	793,671	698,891		
Light oil	28,568	25,884	28,178		
Heavy oil	2,964	57,166	64,326		
Steam	770,207	657,120	161,617		
Electricity (primary basis)	1,796,093	1,604,767	1,138,600		
GJ/tonne production	2.544	2.633	2.942	-13.54%	-3.39%
Emissions to air ²					
Carbon Dioxide (CO ₂)					
Tonnes	161,981	156,900	104,572	54.90%	3.24%
Tonnes CO ₂ /tonne production	0.125	0.131	0.147	-14.68%	-4.51%
Sulphur Dioxide (SO,)					
Tonnes	8.2	9.8	27.2	-69.78%	-15.90%
Kilos SO ₂ /tonne production	0.0064	0.0082	0.0382	-83.35%	-22.21%
Nitrous Oxides (NOx)					
Tonnes	51.78	42.30	19.45	166.19%	22.42%
Kilos NOx/tonne production	0.0401	0.0354	0.0274	46.61%	13.24%
Volatile Organic Compounds (VOC) ³					
Tonnes	1,800	2,278	2,407	-25.21%	-20.96%
Kilos VOC/tonne production	1.394	1.907	3.385	-58.81%	-26.89%
Water usage					
Cubic metres (m³)	4,474,648	4,036,053	3,271,018	36.80%	10.87%
Public potable supply	938,673	1,003,420	879,006	00.0070	10.01 70
Raw water from river	1,895,727	1,277,868	1,514,427		
Raw water from borehole	224,696	524,965	337,058		
Raw water from canal	0	0	0		
Raw water from other	1,415,552	1,229,800	540,527		
m³/tonne production	3.466	3.380	4.600	-24.65%	2.55%

Data relates to site usage of all fuels, excluding transport.

Emissions to air have been calculated from the usage of all fuels, excluding transport fuel. They therefore include both direct emissions and indirect emissions related to bought-in electricity, steam, compressed air, cooling water etc.

3. Re-examination of the Company's VOC emissions has shown that the figure was significantly overstated in 2011. The 2011 figure has been re-calculated

and all figures are now on a consistent basis.

	2012	2011	2010	% change	% change
Waste management	2012	2011	2010	2010-2012	2011-2012
Hazardous waste					
Tonnes	8,461	21,646	21,946	-61.45%	-60.90%
Hazardous waste sent off-site	0,401	21,040	21,040	01.4070	00.0070
Recycled – energy recovery	1,441	6,944	5,243		
Recycled – separated, reprocessed	3,257	6,723	9,010		
Incinerated – no energy recovery	1,728	5,116	6,332		
Disposed by landfill	1,698	2,837	1,126		
Other	192	24.34	6.67		
Hazardous waste disposed on-site					
Incinerated on-site with energy recovery	145	0	0		
Incinerated on-site with no energy recovery	0	0	129		
Disposed to on-site landfill	0	2	100.39		
Hazardous waste tonnes/tonne production	0.0066	0.0181	0.0309	-78.76%	-63.84%
Non-hazardous waste					
Tonnes	9,407	11,891	9,002	4.50%	-19.71%
Non-hazardous waste sent off-site					
Recycled – energy recovery	1,635	3,060	1,940		
Recycled – separated, reprocessed	2,452	4,641	3,311		
Incinerated – no energy recovery	1	22	0		
Disposed by landfill	2,348	2,407	2,084		
Other – municipality	2,972	1,711	1,606		
Non-hazardous waste disposed of on-site					
Recycled – energy recovery	0	0	0		
Incinerated – no energy recovery	0	0	0		
Disposed by landfill	0	50	60		
Non-hazardous waste					
Tonnes/tonne production	0.0073	0.0100	0.0127	-42.44%	-26.83%
Total waste					
Tonnes/tonne production	0.0139	0.0281	0.0435	-68.20%	-50.72%
Production					
Tonnes	1,291,112	1,194,232	711,138	81.56%	8.11%

^{4.} Percentage changes are calculated from the base data and may differ slightly from changes calculated from the data in the table because of rounding.

Directors and advisers

Executive directors

A M Whitfield ² – Chief Executive Officer

Joined the Group and was appointed to the Board in March 2006. He assumed the role of Chief Executive in August 2006. Prior to appointment he was Chief Executive of the plastics division of D S Smith Plc. Age 51.

D C Blackwood - Chief Financial Officer

Joined the Group and was appointed to the Board in October 2007. Prior to appointment he was Group Treasurer of Imperial Chemical Industries PLC. Age 53.

Non-executive directors

N A Johnson 2,3 - Chairman

Joined the Board in September 2011 and was appointed Chairman in May 2012. He is Chairman of Motability Operations Group plc and an independent non-executive director of the Business Growth Fund. Age 63.

The Hon. A G Catto 1

Joined the Board in 1981. He is Managing Director of CairnSea Investments Limited, a private investment company, and a non-executive director of several early stage companies that have been backed by CairnSea. Age 60.

J Chen

Joined the Board in October 2012. He is a corporate Vice President of Alcoa Inc and a board member of China Zhong Nan University. Age 60.

Dr J J C Jansz 1,3

Joined the Board in April 2012. Until July 2010 he was Head, Technology Business, and a member of the management team of LyondellBasell. He is founder and managing director of Expertise Beyond Borders BV, an independent technology management consultancy. Age 56.

Dato' Lee Hau Hian

Joined the Board in 1993 and stood down in 2000 to become an Alternate Director. He rejoined the Board in 2002. He is a Director of Kuala Lumpur Kepong Bhd and Batu Kawan Bhd. Age 59.

I J S Macpherson

Joined the Board in May 2012. She is chairman of Speedy Hire Plc and holds non-executive directorships at May Gurney Integrated Services Plc, Dignity Plc and Dechra Pharmaceuticals Plc. Age 52.

J K Maiden 1, 2, 3 – Senior Independent Director

Joined the Board in August 2007. He is Group Finance Director of National Express Group PLC and a Fellow of the Chartered Institute of Management Accountants. Age 51.

- 1. Member of Audit Committee.
- 2. Member of Nomination Committee.
- Member of Remuneration Committee.

Registered office

Synthomer plc Temple Fields Harlow Essex CM20 2BH Registered number. 98381

Company secretary

Richard Atkinson

Bankers

Barclays Bank PLC Commerzbank AG HSBC Bank plc

Joint stockbrokers

Barclays Capital and Canaccord Genuity Limited

Registrars

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

Independent auditors

PricewaterhouseCoopers LLP Chartered accountants and statutory auditor St Albans, UK

Solicitors

Herbert Smith Freehills LLP Pinsent Masons LLP Squire Sanders (UK) LLP

Report of the directors

for the year ended 31 December 2012

The directors submit their annual report (including a business review) and the audited consolidated financial statements for the year ended 31 December 2012.

Results and dividends

The profit attributable to shareholders for the year was £56.6 million. The interim dividend of 2.2 pence per share was paid on 8 November 2012. The directors recommend a final dividend of 3.3 pence per share payable on 5 July 2013 to those shareholders registered at the close of business on 7 June 2013. A dividend reinvestment plan is available to shareholders and this alternative will continue to be offered until further notice.

Principal activities and business review

The principal activities of the Company and its subsidiaries and a business review are set out on pages 7 to 25 and form part of the report of the directors.

Financial instruments

Details of the Group's use of financial instruments and its financial risk management objectives and policies, and of its exposure to price, credit, liquidity and cash flow risk in relation to such instruments, are contained in note 22 to the financial statements.

Directors

The present membership of the Board is shown on page 26 all of whom served throughout the year except for Dr Jansz, Ms Macpherson and Mr Chen who joined the Board on 2 April 2012, 17 May 2012 and 5 October 2012 respectively. All the directors will retire and will be seeking election or re-election as appropriate at the forthcoming Annual General Meeting except for Ms Macpherson who is leaving the Board.

None of the directors seeking election or re-election has a service contract other than Mr Whitfield and Mr Blackwood who each have a service contract which contains a twelve month notice period. Details of directors' emoluments and the interests of each director in the share capital of the Company are shown in the Directors' remuneration report on pages 35 to 39.

Director indemnity provisions

Under the Company's Articles of Association, the directors of the Company have the benefit of a qualifying third-party indemnity provision which provides that they shall be indemnified by the Company against certain liabilities as permitted by Sections 232 and 234 of the Companies Act 2006 and against costs incurred by them in relation to any liability for which they are indemnified. The Company has purchased and maintains insurance against directors' and officers' liabilities in relation to the Company.

Share capital and control

Details of the Company's share capital are contained in note 25 to the financial statements. During 2012 no shares were issued or repurchased. A total of 226,528 shares were purchased on the open market on behalf of the shareholders who elected to participate in the dividend reinvestment plan.

The rights and obligations attaching to the Company's ordinary shares, being the only class of issued share capital, as well as the powers of the Company's directors, are set out in the Company's Articles of Association, copies of which can be obtained from Companies House or can be downloaded from the Company's website. There are no restrictions on the voting rights attaching to the Company's ordinary shares or on the transfer of securities in the Company. No person holds securities in the Company carrying special rights with regard to the control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by special resolution of the Company's shareholders.

Other than in relation to its borrowings which, unless certain conditions are satisfied, become repayable on a takeover, the Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid. The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover.

All of the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Contractual arrangements

The Group has contractual and other arrangements with numerous third parties in support of its business operations. The disclosure in this report of information about any such third parties is not considered to be necessary for an understanding of the development, performance or position of the Group's business.

Major shareholdings

Other than the shareholdings disclosed as directors' interests in the remuneration report as at 22 February 2013, the Company had been notified under Section 5 of the Disclosure and Transparency Rules of the UK Listing Authority of the following significant holdings of voting rights in its ordinary shares:

	Ordinary shares (number)	Percentage of ordinary shares in issue	Nature of holding
Kuala Lumpur			Direct
Kepong Berhad Group	66,111,401	19.45	interest
Standard Life			Direct and indirect
Investments Limited	37,412,994	11.01	interest

Report of the directors

for the year ended 31 December 2012 continued

Employment policies

The Group gives every consideration to applications for employment from disabled persons. Employees who become disabled are given every opportunity to continue employment under normal terms and conditions with appropriate training, career development and promotion wherever possible. The Group seeks to achieve equal opportunities in employment through recruitment and training policies.

Authority to purchase own shares

The Company has a general authority, which expires at the conclusion of the 2013 Annual General Meeting, to make market purchases of not more than 33,988,076 of the Company's ordinary shares in accordance with the terms of the special resolution passed at the 2012 Annual General Meeting. A resolution will be tabled at the 2013 Annual General Meeting to renew this authority.

Employee involvement

The Group encourages employee involvement in its affairs and makes use of an intranet system to promote such involvement and to aid communication with employees. The Group is currently implementing a project in order to establish whether its current communication procedures can be improved. An annual management conference is held to bring senior managers together to share ideas and develop policy and values. Dialogue takes place regularly with employee representative groups to make employees aware of the financial and economic factors affecting the performance of the Group. Performance related bonus schemes are in operation throughout the Group.

A new long-term share incentive plan for directors and senior executives was introduced in 2011 with the approval of shareholders.

UK pension funds

The trustees have reviewed the independent investment management of the assets of the Company pension schemes in the UK and assured themselves of the security and controls in place. In particular, it is the trustees' policy not to invest in Synthomer plc shares nor lend money to the Company.

Creditor payment policy

The Group's policy is to make payments to creditors and other suppliers in accordance with terms of payment agreed at the time the contract of supply is made, subject to all the terms and conditions of the order being satisfied by the supplier. The Company signed up to the UK Prompt Payment code in January 2013. Trade creditor days of the Company for the year ended 31 December 2012 were **22 days** (2011 28 days) based on the ratio of trade creditors at the year end to the amounts invoiced during the year by trade creditors.

Charitable donations

Charitable donations in the year amounted to $\pmb{£62,000}$ (2011 $\pmb{£53,500}$). There were no political donations during the year (2011 $\pmb{£nil}$).

Statement as to disclosure of information to auditor

Each director of the Company confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware and that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. For these purposes, relevant audit information means information needed by the Company's auditor in connection with preparing their reports on pages 41 and 79.

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Corporate governance

The Corporate governance report is set out on pages 30 to 34 and forms part of the report of the directors.

Principal risks and uncertainties

The directors have appropriately considered the Group's principal risks and uncertainties including the following:

- Conditions in the global economy, economic fluctuations in customer industries and volatility and cyclicality of the global chemicals and polymers markets may adversely affect the results of operations, financial condition and cash flows of the Group;
- Volatility in raw material prices and energy prices may adversely affect the profitability of the Group and its working capital position;
- The failure of the Group to procure key raw materials may lead to production interruptions that may adversely affect the profitability of the Group and its working capital position;
- The markets in which the Group operates are highly competitive and the Group may lose market share to other producers or sellers of water-based polymers or to other products that can be substituted for the products of the Group;
- The Group operates in a number of different geographies which may present different legal and regulatory risks. In addition, the Group operates in a number of different tax regimes, which may increase the volatility of the effective tax rate and cash tax rate of the Group;
- The ability of the Group to compete is highly dependent on its ability
 to develop technological innovations, to introduce new products and
 to protect its intellectual property, trade secrets and know-how. Failure
 to do so could have an adverse affect on the Group;
- The Group may be liable for damages based on product liability claims brought against its customers in end-use markets. In addition, compliance with extensive environmental, health and safety laws and regulations could require material expenditure, changes in the operations of the Group or site remediation;
- The manufacture, storage and transportation of chemicals is inherently dangerous and any incidents relating to the hazards which the Group faces may adversely affect its financial condition, results of operations and reputation;
- Fluctuations in currency exchange rates may significantly impact the results of the operations of the Group and may significantly affect the comparability of financial results between financial periods;
- Credit market conditions and credit ratings may restrict the ability of the Group to obtain credit facilities or to refinance its existing debt facilities in the longer term. In addition, interest rate fluctuations and increases in bank lending margins may increase the Group's costs of borrowing in the longer term; and
- The Group has funding risks relating to defined benefit pension schemes and any deterioration in the value of assets in which the pension scheme has invested as against the financial obligations to make payments to members of the schemes could have an adverse affect on the Group.

Not all these risks can be managed or substantially mitigated. The Group has a number of key processes to effect reduction and some mitigation of operational risks where reasonably practical, including:

- Active management processes to manage margins and recover input cost increases from customers;
- Sourcing strategies to access multiple sources for key raw materials;
- Actively managed innovation processes;
- · Product quality control and testing processes;
- A centralised internal audit function dedicated to SHE issues, and programmes for continuous improvement across all major SHE areas; and
- Internal audit and business performance review processes, the format of which were enhanced in 2012.

Financial risks are partly mitigated through currency and interest rate hedging and the Group has a policy on leverage limits and seeks to ensure it has adequate borrowing headroom on a twelve month forecast basis.

Going concern

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

- the Group's euro denominated £150 million term loan facility and £60 million multicurrency revolving credit facility the termination dates of which were extended from 13 December 2013 to 31 March 2015 on 22 December 2011.
- the second repayment under the 2004 series private placement notes of US\$70 million due in September 2014.

Further discussion on liquidity and financing is provided in the Financial review.

After making enquiries and taking account of reasonably possible changes in trading performance, the directors have concluded that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Key performance indicators

Management monitors a number of financial and non-financial key performance indicators, which are disclosed within the Chief Executive Officer's report, the Financial review and Corporate social responsibility report. These key performance indicators include divisional sales and underlying operating profit, net borrowings, reportable safety incidents, energy usage and water consumption.

Cautionary statement

The purpose of this report is to provide information to the members of the Company. It contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this report should be construed as a profit forecast.

Independent auditors

A resolution to appoint PricewaterhouseCoopers LLP as the Company's auditor will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on Thursday 16 May 2013 at Manor of Groves Hotel, High Wych, Sawbridgeworth, Hertfordshire CM21 0JU.

By order of the Board R Atkinson Company secretary 14 March 2013

Corporate governance

Report from the Chairman

Dear Shareholder

As well as achieving a second successive year of record profitability 2012 also saw an enhancement in our standards of corporate governance.

I succeeded Peter Wood as Chairman of the Board in May 2012 and during the course of the year three new independent non-executive directors were recruited to regain Board balance following the retirement of Peter and Sandy Dobbie at the 2012 Annual General Meeting. The appointment of Just Jansz, Ishbel Macpherson and Jinya Chen widened the general diversity, skills and business background of the Board and I was delighted to welcome them to the Company. Ishbel Macpherson has subsequently announced her intention not to stand for election at the forthcoming AGM.

Our chairman of the Audit Committee, Jez Maiden, highlights the work of that Committee later in this report which included a tender process for the Group's audit services and implementation of an internal audit programme.

I took over as chairman of the Remuneration Committee in February 2013 and a report on all matters relating to remuneration and the work performed in 2012 under the chairmanship of Sandy and subsequently Ishbel is also set out separately. Considerable work will be required in 2013 to adapt to the new UK government proposals for reforming directors' remuneration and associated reporting and I will oversee the implementation of these important changes.

The Nomination Committee, which I have chaired since March 2012, had a very busy year as a result of the recruitment referred to above. The Committee will now manage the process for the appointment of a further independent non-executive director following the vacancy that will arise in May and will seek to ensure that an appropriate mix of skills, experience and diversity is maintained.

There is little compulsory change required to corporate governance reporting for 2012 however your Board is monitoring closely the significant developments which are expected to impact on reporting for 2013. As a number of these developments still require finalisation we have only adopted the anticipated changes to a limited extent in this year's annual report. 2012 is the last year in which we report against the UK Corporate Governance Code ("the Code") which was published in June 2010 by the Financial Reporting Council following the publication of a revised Code in September 2012 which is applicable to our reporting for 2013.

Our full statements on compliance and the application of the main principles of the Code are set out in the following sections of this report.

Neil Johnson

Chairman

Statement of compliance

The Company considers that it has complied throughout the financial year ended 31 December 2012 with the provisions set out in the Code except in relation to the composition of the Board and its Nomination Committee. Further details on these matters are set out in this report.

Application of the Code

The main principles of the Code were applied as follows:

Leadership and effectiveness

Operation of the Board

The activities of the Company are controlled by the Board which, during 2012, comprised two executive directors and seven to eight non-executive directors. In anticipation of the retirement of Mr P S Wood and Dr A A Dobbie at the 2012 Annual General Meeting and the appointment of Mr N A Johnson as Chairman three new independent non-executive directors were recruited during the course of the year: Dr J J C Jansz, Ms I J S Macpherson and Mr J Chen. The roles of Chairman and Chief Executive Officer are clearly divided between Mr Johnson who heads the Board in his capacity as non-executive Chairman and Mr A M Whitfield who has responsibility for the running of the Company's business as Chief Executive Officer. The non-executive directors all have wide business and boardroom experience gained in a broad range of business sectors.

The Board has reserved to itself a schedule of matters which includes setting long-term objectives for the Group and the strategies to be employed in achieving them, setting policies in the areas of safety, health and the environment, recruitment and employment, risk management and treasury and, subject to materiality thresholds, decisions on the raising of capital, financial commitments, capital expenditure, acquisitions and disposals and the prosecution, defence and settlement of litigation.

During 2012 the Board held six scheduled meetings to review current and projected performance and to determine strategic issues. The directors receive in advance full information on all matters to be discussed at Board meetings as well as a detailed review of performance prepared by the Chief Executive Officer. The Board has established Audit, Nomination and Remuneration committees which are discussed below.

In addition arrangements are made each year for the Board to visit up to two of the Group's operational sites and meet local management. Ad hoc site visits are facilitated for individual non-executive directors on request. During 2012 the Board held a meeting at the offices of its Malaysian businesses in Kuala Lumpur. In conjunction with that Board meeting presentations were given by local senior management and the directors visited the Group's Malaysian plants.

The Board has delegated to the Chief Executive Officer responsibility for the development and preparation of the business plan for the Group and the annual Group budget for recommendation to the Board. As the senior executive director, the Chief Executive Officer is responsible for all aspects of day-to-day operational control of the Group and execution of the Group strategy. The Chief Executive Officer has established and chairs an Executive Committee (whose other members are the Chief Financial Officer, the Chief Operating Officer, the Chief Counsel and Company Secretary, the Vice President - Human Resources, the Vice President - Europe, Middle East & Africa, the Vice President - South East Asia, the Vice President - Finance and the Vice President Operational Excellence & Engineering) to assist him in the performance of his duties and which meets once a month. The Chairman has available to him the minutes of the Executive Committee and all directors receive a monthly trading summary and commentary from the Chief Financial Officer and an update report from the Chief Executive Officer.

Board membership and balance

The Chairman, Chief Executive Officer and Senior Independent Director are identified on page 26. The Chairmen and members of the Audit, Nomination and Remuneration Committees are identified below. The Board considers Mr J K Maiden, Dr J J C Jansz, Ms I J S Macpherson and Mr J Chen are independent in accordance with the provisions of the Code.

For some five months of 2012 the Company was not in compliance with the requirement of Code provision B.1.2 for half the Board, excluding the Chairman, to comprise independent non-executive directors. Following completion of a recruitment exercise in 2012 which culminated with the appointment of Mr J Chen in October 2012 the Board returned to compliance with this requirement.

The Board held a total of six meetings in 2012. In addition the Chairman held one separate meeting with the non-executive directors without the executive directors being present to appraise the performance of the executive management. The non-executive directors also met once without the Chairman to appraise his performance.

The table below shows the number of meetings of the Board, Audit, Remuneration and Nomination Committees held during the year and the number of meetings attended by each director. Where a director is unable to attend a Board or Committee meeting his views on agenda items are canvassed in advance of the meeting and incorporated into the discussions.

Number of meetings held	Board	Audit	Remuneration	Nomination
	6	4	4	1
Number of meetings attended				
D C Blackwood	6/6	N/A	N/A	N/A
A G Catto	6/6	N/A	N/A	N/A
A A Dobbie ⁶	3/3	1/1	2/2	N/A
N A Johnson	6/6	0/1	2/2	1/1
Lee Hau Hian	5/6	N/A	N/A	N/A
J K Maiden	6/6	4/4	3/4	0/1
A M Whitfield	6/6	N/A	N/A	1/1
PS Wood ⁶	3/3	N/A	N/A	N/A
D Fournier 1,5	1/2	1/1	1/2	N/A
J J C Jansz ²	4/4	3/3	2/2	N/A
IJS Macpherson ³	2/3	3/3	2/2	N/A
J Chen ⁴	1/1	N/A	N/A	N/A

- 1. Appointed on 1 January 2012
- 2. Appointed on 2 April 2012
- 3. Appointed on 17 May 2012
- Appointed on 5 October 2012
 Retired on 13 March 2012
- 6. Retired on 17 May 2012

Induction and training

Induction arrangements are in place in order to ensure new directors receive a full formal and tailored induction on appointment. The Chairman reviews and agrees the training and development needs of the directors and the skills and knowledge of the Board as a whole are updated by briefings provided by the Company's internal resources and materials and seminars offered by external advisers.

Performance evaluation

Performance evaluations of the Board, its committees and its directors were carried out in the last year by the following internal processes:

- an assessment of the performance of individual non-executive directors is carried out by the Chairman through a rolling programme of one-to-one discussions using performance evaluation questions as the centrepiece for those discussions. Every non-executive director is assessed in this way once a year;
- the performance of the executive directors was reviewed in August 2012 at a meeting of the non-executive directors chaired by the Chairman;
- a meeting of the non-executive directors (in the absence of the Chairman) chaired by the Senior Independent Director was held in November 2012 to evaluate the performance of the Chairman, taking into account the views of the executive directors; and
- the Board and its Committees carry out an annual self-assessment of performance led by the Chairman and the Chairman of each committee respectively. The results of assessment questionnaires completed by those Chairmen were reviewed by the relevant committees and the Board and were shared with and discussed by the Board as a whole at its meeting in November 2012 and January 2013.

2012 saw significant change to the Board's composition with a strengthening of its effectiveness and a widening of its skills, business background and general diversity. Due to this change it was considered that it would be too early to consider the introduction of an externally facilitated Board evaluation process during 2012.

Non-executive directors are appointed for three-year terms. All directors submit themselves for annual election at each Annual General Meeting.

Board committees

The Board has formally established Nomination, Audit, and Remuneration Committees, each with their own terms of reference which set out their respective roles and the authority delegated to them by the Board. Copies of the terms of reference are available upon request from the Company Secretary and can also be downloaded from the Company's website. Since 17 May 2012 the Nomination Committee has not complied with the composition requirements of Code Provision B.2.1. in that a majority of its members were not independent non-executive directors. The Board considers that the current composition of the Nomination Committee provides it with the flexibility and speed of decision making that is necessary in connection with the interview process required for making nominations to fill Board vacancies. Accordingly the Board does not currently intend to make any changes to the composition of this Committee. All non-executive directors have a standing invitation to attend Committee meetings unless they are notified otherwise.

Corporate governance continued

Audit Committee

Dear Shareholder

During 2012 the Committee carried out substantial work in connection with the provision of the Group's external audit services and internal audit processes.

As the external auditor had been in place since 2002 and their appointment was last reviewed in 2009 it was decided that 2012 was an appropriate point at which to put the Group's audit services contract out to tender. The Committee oversaw the tender process which was initiated in April 2012 and conducted by senior financial management and involved formal proposals and presentations from three audit firms. Following a rigorous process which took into account qualification, expertise, resources, independence and value for money the Committee's recommendation to the Board that PricewaterhouseCoopers LLP be appointed was accepted and the appointment was made on 12 July 2012. There were no contractual obligations that acted to restrict the Committee's recommendation. I would like to thank the outgoing auditors, Deloitte LLP, for their service over the last ten years and welcome on your behalf PricewaterhouseCoopers LLP as our new auditor.

Following an assessment of the effectiveness of the 2012 audit carried out by way of a review and discussion with the external audit team and the Company's senior financial management the Committee is pleased to recommend to you that PricewaterhouseCoopers LLP be appointed as auditor at the forthcoming Annual General Meeting.

As anticipated in the 2011 Audit Committee report a formalised programme of outsourced internal audit services managed by a member of the Company's senior financial management was put into operation from the beginning of 2012. The Committee approved the appointment of KPMG (UK) LLP at the end of 2011 as the provider of the outsourced services and agreed a three year work plan with reports to be made to the Committee twice a year. The first year of the programme has worked well with all the businesses acquired as part of the PolymerLatex acquisition in 2011 being the subject of internal audit reports in 2012. The second year of the programme will be rolled out in 2013 and is being supplemented, as it was in 2012, by operational review visits performed by senior financial management.

The Committee also covered the other matters delegated to it by the Board under its remit during the course of the year and these are reported on in the following section of this report.

Finally I would like to thank my fellow Committee members whose details are set out below for their support and look forward to working with Alex Catto who joined the Committee this month.

Jez Maiden

Audit Committee Chairman

Audit Committee membership since 1 January 2012

Jez Maiden (Chairman)
Just Jansz (from 17 May 2012)
Alex Catto (from 6 March 2013)
Ishbel Macpherson (from 17 May 2012 until 7 February 2013)
Sandy Dobbie (until 17 May 2012)
Neil Johnson (until 17 May 2012)
Dominique Fournier (until 13 March 2012)

The role of the Audit Committee

Throughout 2012 the Audit Committee was chaired by Mr J K Maiden and comprised three independent non-executive directors. Mr Maiden is considered by the Board to have 'recent and relevant financial experience' for the purposes of Provision C.3.1 of the Code due to his current financial position outside the Group. The Committee has established a detailed remit regarding the application of financial reporting and internal control principles, which covers:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained in them;
- reviewing the Group's internal financial controls and the Group's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Group's internal audit function:
- making recommendations to the Board regarding the appointment of the external auditor and approving their remuneration and terms of engagement:
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process; and
- developing and implementing policy on the engagement of the external auditor to supply non-audit services.

The Chief Financial Officer and senior members of his department attend meetings of the Committee as part of the review of the Group's interim and annual financial statements prior to their submission to the Board. The Committee meets periodically with the Company's auditor without management present to discuss the adequacy of the Group's financial management, internal controls and information systems and to review the terms of their engagement, effectiveness, independence and objectivity.

With regard to seeking to ensure the independence and objectivity of the auditor, the Audit Committee's policy is to avoid the auditor providing services in areas which may create or be perceived to create a conflict of interest. Accordingly, other than in circumstances where time constraints render it impractical or assignments are of a minor nature, the auditor is not invited to tender or propose for services of the following nature: corporate finance, legal, information technology and systems, recruitment or remuneration, accounting, internal audit or control, acquisition due diligence, valuations or appraisals, actuarial or general business consulting. In addition the auditor has been requested not to provide services to executive directors or senior executives except where approved by the Audit Committee. Non-executive directors are required to disclose any relationship they have with the auditor. Prior to appointment in July 2012 PricewaterhouseCoopers LLP were providing and have continued to provide personal tax advice to the Chief Executive Officer and expatriate tax services to the Group's senior managers who are required to work outside their home country. The Committee do not consider that the provision of these services creates any conflict of interest as they are of a minor nature and are provided by individuals and teams who are not involved in the audit and accordingly have approved their continuation.

Details of audit and non-audit fees paid to the auditor in 2012 are set out in note 6 on page 56. Non-audit fees principally relate to tax compliance and tax advisory services.

The Committee met formally 4 times during 2012 and carried out the following main activities in addition to the items mentioned in the Chairman's overview:

- Reviewed the financial statements in the 2011 annual report and the 2012 interim statement;
- Reviewed the scope and effectiveness of the external audit;
- Monitored the effectiveness of the internal controls and risk management;
- Received reports from the external auditor on the major findings of its work;
- Approved the annual audit plan;
- · Reviewed its remit; and
- Reviewed the Group's whistleblowing arrangements.

In addition the Chairman of the Committee had regular dialogue with the auditor during the course of the year.

Nomination Committee

The composition of the Nomination Committee since 1 January 2012 has been as follows:

Neil Johnson (Chairman since 17 May 2012)

Jez Maiden

Adrian Whitfield

Peter Wood (until 17 May 2012 and Chairman until that date) Sandy Dobbie (until 17 May 2012)

The Committee is responsible for: the regular review of the structure, size and composition of the Board and the making of recommendations with regard to any changes; leading the process for Board appointments and nominating candidates for non-executive positions; and considering succession planning.

The Committee led the process for nominating Dr J J C Jansz, Ms I J S Macpherson and Mr J Chen for appointment as independent non-executive directors. This process involved a thorough review of a range of candidates put forward by an independent recruitment consultancy, which conducted an extensive search process. The diversity (including gender) of the Board was taken into account by the Committee when making nominations.

The Committee also reviewed senior management succession planning within the Group during the course of the year.

The Nomination Committee held one formal meeting during 2012 and a number of informal meetings and telephone calls as well as numerous interviews in connection with the nomination process referred to above.

The Board adopted a policy on diversity in March 2013. This policy seeks to ensure that diversity in its broadest sense is taken into account in the process of making appointments on merit against objective selection criteria. Copies of the policy are available at www.synthomer.com.

Remuneration Committee

All matters relating to the Remuneration Committee and remuneration are covered in the Remuneration report, set out on pages 35 to 39.

Relations with shareholders

Dialogue with institutional investors is conducted on a regular basis by the Chief Executive Officer and the Chief Financial Officer and meetings take place following the announcement of interim and full year results and at other times according to circumstances.

The Board has adopted a set of shareholder communication principles in order to ensure that Board members develop an understanding of the views of the Group's major shareholders. These principles require the Chairman to be present with the Chief Executive Officer and the Chief Financial Officer at sufficient shareholder presentations and meetings that he fully understands the issues and concerns of major shareholders.

The Chief Executive Officer reports on shareholder relations at each Board meeting. Communications with shareholders relating to corporate governance matters are conducted by the Chairman with the assistance of the Chairmen of the Audit, Nomination and Remuneration Committees. Written reports on all meetings between non-executive directors and institutional shareholders and their representative bodies are presented to the Board at the first opportunity following such meetings as is all correspondence with them.

The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of the Chairman or the Chief Executive Officer has failed to resolve or for which such contact is inappropriate.

The Board seeks to encourage participation of all shareholders, and in particular private investors, at the Company's Annual General Meeting and endeavours to ensure all Board members are in attendance. In particular, the Chairmen of the Remuneration, Audit and Nomination Committees are available to answer questions.

The Company makes use of its website www.synthomer.com to communicate with its shareholders where it publishes interim and full year results, Company announcements, share price and corporate governance and other investor information.

Accountability

An explanation of the directors' responsibility for preparing the financial statements, their report that the business is a going concern, a responsibility statement and their statement as to disclosure of information to the auditor are set out on pages 40 and 28 respectively. Statements by the auditor about its reporting responsibilities are set out on pages 41 and 79 respectively.

A report on the approach to internal control is set out below. The directors endeavour to make the annual report and financial statements as informative and understandable as possible.

Internal control

The Board of Directors has ultimate responsibility for the Group's system of internal control and sets appropriate policies to ensure that the Code requirements on internal control are met. The system of internal control deployed within the Group is designed to reduce the risks of failure to meet business objectives, but these risks cannot be eliminated. The internal control system adopted can therefore only provide reasonable, not absolute, assurance about meeting such business objectives or against material mis-statement or loss.

The Group's internal controls over the financial reporting and consolidation processes are designed under the supervision of the Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Group's published financial statements for external reporting purposes in accordance with IFRS.

Corporate governance

continued

An ongoing process for identifying, evaluating and managing significant business risks faced by the Group has been in place since 2000. This has since been built upon so as to embed further the process into the businesses and to enhance the usefulness of the relevant processes and information, and has been operated throughout 2012 and up to the date of approval of the annual report and accounts, and accords with the Turnbull Guidance.

The system is applied across the Group on a functional and regional basis and a 'bottom up' risk profile is created by evaluating the information at an operational and Group level. Individual senior managers within Synthomer's businesses identify and assess key risks associated within their area of responsibility based on formal management information and interaction with colleagues, customers, suppliers and other parties.

The individual submissions are consolidated, reviewed and agreed by the Executive Committee. A business risk report is prepared that is closely linked to business strategy and takes account of key internal and external factors. Risks are prioritised using a common risk matrix, which forms the basis of a single corporate risk report that is reviewed and discussed by the Audit Committee.

The individual business risk reports are formally reviewed every six months, out of which a revised report is submitted which identifies changes in the risk environment

The process was last reviewed by the Synthomer Board of Directors in March 2013. The nature of the risks identified as a result of this process during the year primarily relate to matters of an operational and financial nature and the most significant of those which faced the Group in 2012 are reviewed in the reports of the Chairman, Chief Executive Officer, Chief Financial Officer and the Report of the directors.

Risks associated with safety, health and the environment are, by the nature of the Group's business, always of the utmost concern and the Corporate social responsibility report on pages 15 to 25 reviews the Group's performance in this connection in 2012.

The processes which are used by the Board either directly or, where appropriate, through the Audit Committee to review the effectiveness of the internal control and risk management systems (including in relation to the financial reporting process and the process for preparing consolidated accounts) include the following:

- a review of the external audit work plan;
- consideration of reports from management and external parties, including the auditor, on the system of internal financial control and any material control weaknesses;
- a quarterly review of safety, health and environmental performance;
- discussion with management of the actions taken on any possible problem areas for the business identified by Board members or in the audit report;
- consideration of a consolidated risk management report setting out the main conclusions from the internal control process; and
- a biannual report from the internal audit function.

In addition, the Board:

- receives copies of the minutes from all Audit Committee meetings;
- considers the role of the Group insurance programme;
- receives regular written and oral reports from management on all aspects of production, operations, financial and risk management matters; and
- in compliance with Provision C.2.1 of the Combined Code the Board regularly reviews and approves the effectiveness of the Group's system of internal controls.

The Board confirms that a review of the effectiveness of the Company's risk management and internal control systems was carried out in 2012.

Environmental, social and governance matters

In January 2007 the Association of British Insurers (ABI) published a revised version of its guidelines on responsible investment disclosure. These guidelines require statements on the extent to which environmental, social and governance matters are taken into account by the Board and identified, assessed, managed and monitored, particularly in relation to the risks and opportunities they present to the value of the Company.

The Company is a member of the FTSE4Good Index.

Environmental matters

The maintenance of high standards of environmental (together with health and safety) protection is central to the Company's business. A separate statement on safety, health and environmental (SHE) matters has been a feature of the annual report for a number of years. The Corporate social responsibility report statement on pages 15 to 25 incorporates the ABI guidelines and includes a report on the initiatives the Company has adopted regarding sustainable development.

Social and ethical matters

The Board takes account of social and ethical matters as part of its review of internal control which, by virtue of its approach to risk identification, covers areas which encompass social and ethical matters.

The Board is conscious of its responsibility to the communities in which the Group's businesses operate and encourages local engagement by management which includes supporting environmental, health and education initiatives.

The Board is also aware of the reputational and legal risks associated with social and ethical issues and has a Group-wide code of business conduct on corruption and anti-competitive activities, which is available on the Company's website and upon request from the Company Secretary. The purpose of this code is to ensure that the Group's employees have a clear understanding of the principles that are important in these areas when conducting the Group's business. The application of the code is explained to senior management at regular intervals and they are charged with its communication throughout their businesses supported by internal and external training. A compliance procedure involving annual certification by regional senior management and a procedure for maintaining a register of, and where appropriate gaining prior approval for, gifts, entertainment and corporate hospitality operates throughout the Group. A report is made to the Audit Committee annually on the code and the Company's whistleblowing procedure.

Governance

The Board's approach to governance, training of directors and identification and assessment of risk is set out above.

Directors' remuneration report

The following report complies with the relevant provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and satisfies the requirements of the Listing Rules of the Financial Services Authority and the UK Corporate Governance Code which was published in June 2010 by the Financial Reporting Council.

Principal areas of focus for the Remuneration Committee during 2012

Following a high level of activity in 2011 including a review of remuneration policies, the introduction of a new long-term incentive plan and a review of non-executive directors' fees the Remuneration Committee ("Committee") dealt with more routine matters in 2012. These principally comprised carrying out pay reviews for the executive directors, the setting of annual bonus targets for 2012 and determining performance targets and making awards under the long-term incentive plan. The Committee also oversaw the introduction of revised share ownership guidelines for the executive directors and senior management.

The salary increase for the Chief Executive Officer effective from 1 January 2013 included implementation of a commitment arising from the 2011 remuneration review but executive director pay reviews otherwise reflected inflation related awards. The fees paid to the non-executive directors remained static in 2012. 2012 saw the making of normal awards for the first time under the Performance Share Plan introduced in 2011 and awards made in 2010 under the now superseded 2002 long-term incentive plan (2002 PSP) were confirmed as having fully vested in March 2013 when tested under the performance criteria based on absolute and relative total shareholder return.

Role of the Remuneration Committee and its advisers

During 2012 the Committee comprised three independent non-executive directors with Dr Dobbie handing over the role of Chairman to Ms Macpherson in May 2012. The composition of the Committee since 1 January 2012 has been as follows:

Neil Johnson (until 17 May 2012 and since 7 February 2013 and Chairman) Jez Maiden

Just Jansz (since 17 May 2012)

Ishbel Macpherson (from 17 May 2012 until 7 February 2013 and Chairman until that date) $\,$

Sandy Dobbie (until 17 May 2012) Dominique Fournier (until 13 March 2012)

Attendance at Committee meetings during 2012 is set out on page 31.

The Committee is responsible for determining, in agreement with the Board, the Company's policy on executive remuneration and the specific remuneration for the Chairman and each of the executive directors, including pension rights, within the terms of the agreed policy. The Committee is also responsible for reviewing the remuneration of senior executives throughout the Group. The Committee was assisted in its deliberations on the Chief Financial Officer's remuneration by the Chief Executive Officer and also took independent advice from and used the services of New Bridge Street (a trading name of Aon Hewitt Limited) during the year. Aon Hewitt Limited is part of Aon Group as is Aon Limited which provides insurance broking services to the Group. The Committee is satisfied that this in no way compromises the provision of independent advice by New Bridge Street.

New Bridge Street was paid £11,500 for its services in 2012 which included assistance with the preparation of the 2011 remuneration report to shareholders, general advice to the Committee and guidance on the implications of the UK government's proposed remuneration reporting regulations. No director is involved in any discussions relating to their own remuneration.

The Committee met four times during 2012.

Remuneration policy

Executive directors' remuneration

The Company's central policy for 2012 was and continues to be to structure executive pay in such a way that key executives may be recruited, motivated and retained through being offered remuneration packages that are competitive. The Committee has the discretion to consider the Company's performance on environmental, social and governance matters when setting the remuneration of the executive directors.

Remuneration of the executive directors comprises:

- a base salary:
- performance related incentives (being an annual cash bonus plan and the 2011 Performance Share Plan); and
- pension and ancillary benefits.

The major element of the remuneration package is a competitive basic salary with a further significant proportion being structured so as to link rewards to corporate performance. Pension and other benefits are provided at a level so as to assist with recruitment and retention. Incentive arrangements were designed in accordance with the provisions of Schedule A to the UK Corporate Governance Code. No elements of remuneration other than basic salary are pensionable.

The details of these are set out below.

The Committee does not consider that the incentive structure for senior executives gives rise to environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

Base salaries

The basic salary of senior executives is reviewed with effect from 1 January each year. The Committee also takes into account the pay and employment conditions elsewhere in the Group when considering annual salary increases and total remuneration.

During 2012 the Chief Executive Officer and the Chief Financial Officer received basic annual salaries of £472,500 and £305,000 respectively with increases to £500,000 (5.82%) and £312,625 (2.5%) respectively implemented from 1 January 2013.

Annual incentive arrangements

For 2012 the Company operated cash bonus plans for the executive directors and senior management related to the achievement of profit before tax targets. The absolute entry level profit targets under the plan were not achieved, however goals for synergy and integration benefits were met and accordingly the Remuneration Committee exercised its discretion and awarded bonuses of 27% of salary to the executive directors for 2012. The potential maximum amount payable to the executive directors under the plan remained at 100% of basic annual salary. For senior management the potential maximum amount payable under the 2012 annual cash bonus plans were subject to limits of between 50% to 80% of basic annual salary, depending on levels of seniority. All bonus arrangements inherited as a result of the acquisition of PolymerLatex in 2011 have been terminated. For 2013, the annual bonus arrangements will operate within a similar framework to 2012.

Share plans

2011 Performance Share Plan

The 2011 Performance Share Plan was introduced in 2011 following shareholder approval at a General Meeting held in June 2011 and covers the executive directors and senior management. An award consists of a right to acquire shares which can be exercised for a nominal price, subject to the Company satisfying performance conditions. The value of shares awarded under the 2011 Performance Share Plan in any financial year to any individual normally may not exceed 150% of their annual basic salary. However, in line with market practice, bigger awards may be made in exceptional circumstances of up to a further 150% of salary.

Directors' remuneration report

continued

The award policy for 2012 was and remains for 2013 that annual awards of 100% of salary are made and, should this policy increase, the Committee would consult with key shareholders in advance.

The current performance policy is that two performance conditions apply to normal, annual awards under the 2011 Performance Share Plan. One half of the awards will vest subject to a relative total shareholder return (TSR) performance condition comparing the Company's TSR against the TSR of the constituents of the FTSE 250 Index (excluding investment trusts and financial services companies) over a three year period. An underpin applies to the TSR performance condition which permits the Committee, at its discretion, to scale down the vesting of this part of an award in exceptional circumstances if it considers that the level of vesting is not reflective of the Company's underlying financial performance. The other half of the awards will vest subject to an earnings per share (EPS) performance condition relating to the annualised three year growth in EPS. The Committee has the discretion to reduce (or defer) the level of vesting of an award under both the TSR and EPS performance conditions where an event has occurred (such as a material health and safety incident) as a result of which the Committee considers that it would be inappropriate for vesting to occur in accordance with the TSR and EPS performance conditions.

The Committee chose targets that comprise an equal mix of TSR and EPS growth as they consider it provides an appropriate blend of share price and financial conditions which best aligns the interests of management with the interests of shareholders.

The 2011 Performance Share Plan provides for clawback if the Group's accounts have been materially misstated or there has been an error in the calculation of any performance conditions which results in an overpayment.

The first normal awards were made under the 2011 Performance Share Plan in March 2012 of 100% of salary to the Chief Executive Officer and the Chief Financial Officer and awards of between 20% and 100% of salary were made to a group of senior executives. The performance conditions attaching to those awards are set out on page 39.

In order to further align the interests of the executive directors and shareholders there are share ownership requirements in connection with both the 2002 PSP and the 2011 Performance Share Plan requiring the retention of 25% of the shares acquired by the executive director until such time as the executive directors' holding of ordinary shares in the Company has been built up to a level equivalent in value to annual basic salary. Taking into account shares comprised in vested unexercised awards, as permitted by the share ownership guidelines, this target as at 31 December 2012 has been met:

Compliance with share ownership guidelines based on

		Actual snare ownership
	Actual share ownership	plus vested unexercised
	as a % of 2012 salary	awards as a % 2012 salary
	calculated on closing	calculated on closing
Director	share price 31/12/12	share price on 31/12/12
A M Whitfield	6%	>100%
D C Blackwood	11%	>100%

During 2012 866,456 shares were the subject of awards made under the 2011 Performance Share Plan.

2002 PSP

The shares comprised in the awards granted in 2010 under the 2002 PSP have vested in full as the performance conditions related to absolute and relative total shareholder return were exceeded by a margin of 400% and 100% respectively.

For the purposes of determining the extent to which performance conditions have been met TSR data is sourced from external advisers and relevant calculations are presented to the Committee by the Group Finance and Company Secretary functions for its review before formal vesting takes place.

Pension arrangements

Mr A M Whitfield and Mr D C Blackwood are eligible to participate in the Group personal pension plan and receive payments of 25% and 20% of basic annual salary respectively from the Company which they may use either in conjunction with that plan and/or to enable them to make their own arrangements. There are no unfunded pension promises or similar arrangements for directors.

Benefits

Ancillary benefits comprise a fully expensed car and private health insurance.

Executive directors' service contracts

No director other than Mr A M Whitfield and Mr D C Blackwood has a service contract. Mr Whitfield's contract is dated 22 November 2005 and Mr Blackwood's is dated 12 September 2007. Both contracts have no unexpired term, provide for a notice period of one year or, at the option of the Company, payment of an amount equal to one year's salary on early termination and otherwise make no provision for pre-determined compensation on termination.

The Committee's policy on contracts and notice periods for executive directors is to seek to comply with best practice in corporate governance.

Non-executive directorships held by the executive directors

Mr Whitfield is a non-executive director of Chemical Industries Association Limited for which he does not receive any remuneration. He was also a non-executive director of AZ Electronic Materials SA until 25 May 2012 for which he received and retained £22,564 in 2012. Mr Blackwood was a member of the Board for Actuarial Standards until June 2012 for which he received and retained £5,000 in 2012.

Non-executive directors' remuneration and terms of appointment

The Board determines the remuneration of the non-executive directors, including members of the Remuneration Committee, which is reviewed on a biennial basis.

During 2012 the Chairman's fee was £140,000 per annum with other non-executive director fees as follows: £40,000 per annum for those who do not sit on a committee; £45,000 per annum, for those who do sit on a committee; £50,000 per annum for those who are Committee chairmen and the Senior Independent Director.

Non-executive directors are not eligible to receive awards under any of the Company's share plans or other employee benefit schemes nor does the Company make any contribution to their pension arrangements.

All non-executive directors are appointed in writing.

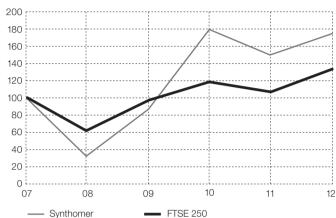
In addition to Mr N A Johnson's letter of appointment as Chairman the Company has entered into a consultancy agreement with CI (International Consulting) Limited for the provision of consultancy services by Mr Johnson. The total of the annual fees paid to Mr Johnson and to CI (International Consulting) Limited equates to the fees due to an individual fulfilling the role of Chairman of £140,000 per annum. The first year of each director's appointment is shown in the directors' biographies on page 26. The periods of appointment and the requirements for re-election of non-executive directors are provided within the Performance evaluation section of the Corporate governance report on page 31.

Total shareholder return over five years

The graph compares the share price performance of the Company (by reference to total shareholder return) with that of the FTSE 250 which is considered to be the most appropriate index against which to make a comparison.

Synthomer shareholder return versus FTSE 250 total return

(Cumulative) years ended 31 December



AGM approval

The Directors' remuneration report has been submitted to the 2013 Annual General Meeting for approval.

Remuneration details

The amount and components of the directors' remuneration are set out below.

Audited information

Directors' remuneration

Emoluments	£000	£000
The total amounts for directors' remuneration and other benefits were:		
Emoluments	1,435	1,799

The emoluments of the individual executive directors holding office during the year were:

	Base salary 2012 £	Annual incentive arrangements 2012	Benefits 2012 £	Benefits in lieu of pension 2012 £	Total 2012 £	Total 2011 £
A M Whitfield – Highest paid director	472,500 ¹	127,575	31,790	120,461	752,326	1,031,057
D C Blackwood	305,000	82,350	24,765	61,000	473,115	616,281

^{1.} Before payment A M Whitfield sacrificed part of his basic salary. Pension contributions equal to the amount given up were made into a pension plan for the benefit of his dependants. The amount shown in the basic salary column reflects the full amount earned.

The annual incentive arrangements are discussed in more detail on page 35 of the remuneration report.

Non-executive directors' fees

The fees of the individual non-executive directors holding office during the year were:

	2012 £	2011 £
N A Johnson	106,100	16,667
P S Wood	53,318	132,500
The Hon. A G Catto	40,000	37,500
Dr A A Dobbie	18,850	46,500
Dato' Lee Hau Hian	40,000	37,500
J K Maiden	50,000	46,500
D Fournier	7,500	_
Dr J J C Jansz	33,750	_
I J S Macpherson	31,667	_
J Chen	9,432	_
	390,617	317,167

Directors' remuneration report continued

The non-executive directors receive no other remuneration in addition to their fee.

Shareholdings

Given below are details of the interests of the directors in the share capital of the Company at 31 December 2012 and 31 December 2011:

	Numbe ordinary s		Numbe optio		
	2012	2011	2012	2011	
D C Blackwood	17,500	40,833	1,736,071	1,602,826	
The Hon. A G Catto	1,946,955	2,046,955			
	7,741,950*	7,741,950*			
Dato' Lee Hau Hian	44,763	24,763			
N A Johnson	100,000	_			
J K Maiden	2,523	2,523			
A M Whitfield	14,000	14,000	1,671,050	2,507,862	
Dr J J C Jansz	10,000	_		_	
I J S Macpherson	5,449	_		_	
J Chen	_	_		_	

^{*} Non-beneficial interest.

Between 31 December 2012 and 22 February 2013 there were no changes in the directors' holdings.

Executive options

		Number of o	ptions during t	he year				
	At 01/01/12	Granted	Lapsed	Exercised	At 31/12/12	Exercise price	Notional value £	Exercise period
A M Whitfield	346,738 ⁽ⁱ⁾	_	-	346,738*	-	_	_	_
	1,392,992(ii)	-	_	696,496*	696,496	-	1,313,591	12 March 2012- 12 March 2019 11 March 2013-
	339,159(iii)	_	_	_	339,159	_	639,654	11 March 2020
	222,551 ^(iv)	-	_	_	222,551	_	419,731	20 April 2014- 20 April 2021 29 June 2014-
	206,422(v)	-	-	_	206,422	_	389,312	29 June 2021 15 March 2015-
	-	206,422 ^(vi)	-	_	206,422	-	389,312	15 March 2022
	2,507,862	206,422	_	1,043,234	1,671,050	-	3,151,600	

^{*} Options exercised at a price of 246.8 pence per share on 23 March 2012.

	_	Number of o	ptions during th	ne year				
	At 01/01/12	Granted	Lapsed	Exercised	At 31/12/12	Exercise price	Notional value £	Exercise period
D C Blackwood	224,647 ⁽ⁱ⁾	_	_	_	224,647	_	423,684	13 March 2011- 13 March 2018
	901,681 ⁽ⁱⁱ⁾	_	_	_	901,681	_	1,700,570	12 March 2012- 12 March 2019
	219,114 ⁽ⁱⁱⁱ⁾	_	_	_	219,114	_	413,249	11 March 2013- 11 March 2020
	133,531 ^(iv)		_	_	133,531	_	251,839	20 April 2014- 20 April 2021
	123,853 ^(v)		_	_	123,853	_	233,587	29 June 2014- 29 June 2021
	_	133,245 ^(vi)	_	_	133,245	_	251,300	15 March 2015- 15 March 2022
	1,602,826	133,245	-	_	1,736,071	_	3,274,229	

Vested awards

- (i) The awards made in 2008 under the 2002 PSP were subject to the following performance conditions:
 - (a) Absolute total shareholder return condition. 50% of the shares comprised in the award would vest upon the Company's total shareholder return (TSR) over a three year period ended on 31 December 2010 increasing by the rise in RPI plus 15.76% or more compared with the Company's TSR at the start of the three year performance period; 25% of the shares comprised in the award would vest upon the Company's TSR increasing by the rise in RPI plus 9.27% over the three year performance period; and between 25% to 50% of the shares would vest for performance between these points on a straight-line basis with lesser performance resulting in no part of the 50% of the shares vesting.
 - (b) Relative total shareholder return condition. 50% of the shares comprised in the award would vest upon the growth in the Company's TSR over the three year performance period exceeding the growth of the FTSE 250 Total Return Index over the same three year period by 7.69% or more; 5% of the shares comprised in the award would vest upon the growth in the Company's TSR over the three year performance period being equal to the growth of the FTSE Total Return Index over the same period; and between 5% to 50% of the shares would vest for performance between these points on a straight-line basis with lesser performance resulting in no part of the 50% of the shares vesting.

The 2008 awards vested in March 2011 in full due to the maximum performance criteria being exceeded.

(ii) For the awards made in 2009 under the 2002 PSP the same performance conditions applied as for the awards made in 2008 measured over a three year period ending on 31 December 2011.

The 2009 awards vested in March 2012 in full due to the maximum performance criteria being exceeded.

(iii) For the awards made in 2010 under the 2002 PSP the same performance conditions applied as for the awards made in 2008 measured over a three year period ending on 31 December 2012.

The 2010 awards vested in March 2013 in full due to the maximum performance criteria being met.

Unvested awards

- (iv) For the awards made in April 2011 under the 2002 PSP the same absolute total shareholder condition applied to 50% of the shares comprised in the award as for awards made in 2008 measured over a three year period ending 31 December 2013. For the other 50% of the shares comprised in the award the following conditions applied: 50% of the shares comprised in the award will vest upon the Company's TSR at the end of the three year period ending on 31 December 2013 being in the top quartile of the TSR of the companies in the FTSE 250 Index: 5% of the shares comprised in the award will vest upon the Company's TSR at the end of the three year period ending on 31 December 2013 being at least equal to the FTSE 250 Total Return Index; and between 5% and 50% of the shares will vest for performance between these points on a straight-line base with lesser performance resulting in no part of the 50% of the shares vesting.
- (v) For the exceptional awards made in June 2011 under the 2011 Performance Share Plan 100% of the shares comprised in the award will vest if earnings per share (EPS) for 2013 is equal to or greater than 30.3 pence. No shares will vest if EPS for 2013 is less than 27.3 pence and between 27.3 pence and 30.3 pence vesting will be on a straight-line basis.
- (vi) The awards made in March 2012 under the 2011 Performance Share Plan were subject to the following performance conditions:
 - a) Relative total shareholder return condition: 50% of the shares comprised in the award will vest upon the Company's TSR at the end of the three year period ending on 31 December 2014 being in the top quartile of the companies in the FTSE 250 Index (excluding investment trusts and financial services companies). 12.5% of the shares comprised in the award will vest upon the Company's TSR at the end of the three year period ending on 31 December 2014 being at least at the median of the same comparator group; and between 12.5% and 50% of the shares will vest for performance between these points on a straight-line basis with lesser performance resulting in no part of the 50% of the shares vesting.
 - b) EPS condition: 50% of the shares comprised in the award will vest if earnings per share (EPS) for 2014 is equal to or greater than 32 pence per share. No shares will vest if EPS for 2014 is less than 28 pence and between 28 pence and 32 pence per share vesting will be on a straight line basis.

The notional value of unexercised share options is based on the mid-market price of a share on 31 December 2012 of 188.6 pence. During the year the market price ranged between 127.4 pence and 251.0 pence.

By order of the Board R Atkinson
Company secretary
14 March 2013

Statement of directors' responsibilities

Financial statements, including adoption of going concern basis

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent:
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Other matters

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

A M Whitfield

Chief Executive Officer

14 March 2013

D C Blackwood Chief Financial Officer

Independent auditor's report to the members of Synthomer plc

We have audited the Group financial statements of Synthomer plc for the year ended 31 December 2012 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated balance sheet, the Analysis of net borrowings, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 40, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended:
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and;
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006 In our opinion:

 the information given in the Report of the directors' for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 29, in relation to going concern;
- the part of the Corporate governance statement relating to the company's compliance with the nine provisions of UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Synthomer plc for the year ended 31 December 2012 and on the information in the Directors' remuneration report that is described as having been audited.

Andrew Latham (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors St Albans 14 March 2013

Consolidated income statement

for the year ended 31 December 2012

			2012			2011	
		Underlying	Special		Underlying	Special	
	Note	performance £m	items £m	IFRS £m	performance £m	items £m	IFRS £m
Continuing operations	14010	2111	2111	2111	٤١١١	٤١١١	2111
Group revenue	4,5	1,053.0	_	1,053.0	1.059.4	_	1.059.4
Share of joint ventures' revenue	4,5	58.8	_	58.8	57.4	_	57.4
Total sales	,-	1,111.8	_	1,111.8	1,116.8	_	1,116.8
Group revenue		1,053.0	_	1,053.0	1,059.4	_	1,059.4
Company and subsidiaries							
before special items		104.1	_	104.1	91.6	_	91.6
Restructuring and site closure	3	-	(6.7)	(6.7)	_	(20.2)	(20.2)
Acquisition costs	3	-	-	-	_	(1.4)	(1.4)
Amortisation of acquired intangibles	3	_	(25.8)	(25.8)	-	(19.1)	(19.1)
Company and subsidiaries		104.1	(32.5)	71.6	91.6	(40.7)	50.9
Share of joint ventures	4,5	4.9	(1.6)	3.3	4.8	(1.3)	3.5
Operating profit/(loss)	5	109.0	(34.1)	74.9	96.4	(42.0)	54.4
Interest payable	7	(11.6)	_	(11.6)	(12.3)	_	(12.3)
Interest receivable	7	0.7	_	0.7	0.7	_	0.7
		(10.9)	_	(10.9)	(11.6)	_	(11.6)
Fair value adjustment	3,7	_	(1.7)	(1.7)	_	(3.3)	(3.3)
Finance costs		(10.9)	(1.7)	(12.6)	(11.6)	(3.3)	(14.9)
Profit/(loss) before taxation		98.1	(35.8)	62.3	84.8	(45.3)	39.5
Taxation	8	(21.7)	17.3	(4.4)	(19.5)	14.9	(4.6)
Profit/(loss) for the year from					,		, ,
continuing operations		76.4	(18.5)	57.9	65.3	(30.4)	34.9
Discontinued operations							
Loss for the year from							
discontinued operations	3	_		_	_	(40.2)	(40.2)
Profit/(loss) for the year		76.4	(18.5)	57.9	65.3	(70.6)	(5.3)
Profit attributable to minority interests		1.8	(0.5)	1.3	1.6	_	1.6
Profit/(loss) attributable to equity							
holders of the parent		74.6	(18.0)	56.6	63.7	(70.6)	(6.9)
		76.4	(18.5)	57.9	65.3	(70.6)	(5.3)
Earnings/(loss) per share							
From continuing operations							
- Basic	11	22.0p	(5.3)p	16.7p	18.8p	(9.0)p	9.8p
- Diluted	11	21.6p	(5.2)p	16.4p	18.4p	(8.8)p	9.6p
From continuing and discontinued operations							
- Basic	11	22.0p	(5.3)p	16.7p	18.8p	(20.8)p	(2.0)p
- Diluted	11	22.0p 21.6p	(5.3)p (5.2)p	16.4p	18.4p	(20.4)p	(2.0)p
	11	21.0p	(υ.Ζ)Ρ	10.4p	10.4p	(20.4)β	(∠.υ)ρ

Special items

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

Consolidated statement of comprehensive income

for the year ended 31 December 2012

		2012		2011			
	Equity holders of the parent £m	Minority interests £m	Total £m	Equity holders of the parent £m	Minority interests £m	Total £m	
Profit/(loss) for the period	56.6	1.3	57.9	(6.9)	1.6	(5.3)	
Actuarial gains and losses	(20.0)	-	(20.0)	(34.0)	-	(34.0)	
Gains/(losses) on cash flow hedges arising during the period	0.5	-	0.5	(7.3)	_	(7.3)	
Exchange differences on translation of foreign operations	(7.9)	(0.2)	(8.1)	(4.4)	(0.2)	(4.6)	
Gains on a hedge of a net investment taken to equity	0.1	-	0.1	0.5	_	0.5	
Tax relating to components of other comprehensive income (see note 8)	1.9	_	1.9	1.3	_	1.3	
Other comprehensive expense for the period	(25.4)	(0.2)	(25.6)	(43.9)	(0.2)	(44.1)	
Total comprehensive income/(expense) for the period	31.2	1.1	32.3	(50.8)	1.4	(49.4)	

Consolidated statement of changes in equity

for the year ended 31 December 2012

	Share capital £m	Share premium £m	Capital redemption reserve £m		Hedging and translation reserve £m	Cash flow hedging reserve £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
At 1 January 2012	34.0	230.5	0.9	-	2.9	(2.8)	(1.0)	264.5	10.6	275.1
Profit for the period	_	-	_	-	_	_	56.6	56.6	1.3	57.9
Actuarial gains and losses	-	-	-	-	_	-	(20.0)	(20.0)	-	(20.0)
Gains on cash flow hedges arising during the period	_	-	_	_	_	0.5	-	0.5	_	0.5
Exchange differences on translation of foreign operations		_	_	_	(7.9)	_	_	(7.9)	(0.2)	(8.1)
Gains on a hedge of a net investment taken to equity	_	_	_	_	0.1	_	_	0.1	_	0.1
Tax relating to components of other comprehensive income (see note 8)	_	_	_	_	_	_	1.9	1.9	_	1.9
Total comprehensive (expense)/income for the period	_	_	_	_	(7.8)	0.5	38.5	31.2	1.1	32.3
Dividends paid	_	_	_	_	(1.0)	-	(15.3)	(15.3)	-	(15.3)
Share-based payments	_	_	_	_	_	_	(5.5)	(5.5)	_	(5.5)
At 31 December 2012	34.0	230.5	0.9	_	(4.9)	(2.3)	16.7	274.9	11.7	286.6
					(,	(===)				
At 1 January 2011	14.6	33.0	0.9	_	6.8	4.5	46.5	106.3	6.3	112.6
(Loss)/profit for the period	_	_	_	_	_	_	(6.9)	(6.9)	1.6	(5.3)
Actuarial gains and losses	_	_	_	_	_	_	(34.0)	(34.0)	_	(34.0)
Losses on cash flow hedges arising during the period	_	_	_	_	_	(7.3)	_	(7.3)	_	(7.3)
Exchange differences on translation of foreign operations	_	_	-	_	(4.4)	_	_	(4.4)	(0.2)	(4.6)
Gains on a hedge of a net investment taken to equity	_	_	_	_	0.5	_	_	0.5	_	0.5
Tax relating to components of other comprehensive income (see note 8)	_	_	_	_	_	_	1.3	1.3	_	1.3
Total comprehensive (expense)/income for the period					(3.9)	(7.3)	(39.6)	(50.8)	1.4	(49.4)
Dividends paid	_	_	_	_	(3.9)	(7.5)	(8.5)	(8.5)	1.4	(8.5)
Investment by minority interest	_	_	_	_	_	_	(0.5)	(0.5)	2.9	(6.5)
Issue of share capital	19.4	205.9	_		_	_	_	225.3	2.9	225.3
Expenses on issue of shares	19.4	(8.4)	_	_	_	_	_	(8.4)	_	(8.4)
Shares purchased by ESOP trust	_	(0.4)	_	0.7	_	_	_	0.7	_	0.7
Share-based payments	_	_	_	(0.7)	_	_	0.6	(0.1)	_	(0.1)
At 31 December 2011	34.0	230.5	0.9	(0.7)	2.9	(2.8)	(1.0)	264.5	10.6	275.1
A CT December 2011	04.0	200.0	0.9		2.9	(८.०)	(1.0)	۷.4.0	10.0	۷۱ ا ا

Consolidated balance sheet

31 December 2012

Non-current assets 240.9 244.7 Goodwill 13 240.9 244.7 Acquired Intangible assets 16 165. 165. Other intangible assets 15 0.6 0.9 Property, plant and equipment 16 183.6 56.6 Element assets 9 10.2 1.1 Investment in join ventures 18 13.9 14.3 Investment in join ventures 8 13.9 14.6 Current assets 9 78.1 78.8 Trade and other receivables 20 139.0 146.7 Cash and cash equivalents 21 53.7 55.9 Derivatives at fair value 2 8.7 17.4 Total current assets 2 10.4 (13.7 Trade and other payables 2 10.4 (13.7 Trade and other payables 2 4 (5.6 Total current liabilities 2 4 (5.6 Total current liability 2 4 (Note	2012 £m	2011 £m
Acquired intangible assets 14 135.6 165.4 Other intangible assets 15 0.6 0.9 Property, plant and equipment 16 199.6 183.6 Financial asset 17 5.6 5.6 Deferred tax assets 9 10.2 1.1 Investment in joint ventures 18 13.9 14.3 Investment in joint ventures 66.4 615.6 Current assets 9 10.2 1.1 Inventories 19 78.1 73.8 Trade and other receivables 20 139.0 146.7 Cash and cash equivalents 21 53.7 25.9 Derivatives at fair value 21 63.7 17.4 Total current assets 21 (0.4 (31.7 Tarde and other payables 21 (0.4 (31.7 Derrowings 21 (0.4 (50.9 Derivatives at fair value 22 (4.3 (50.9 Derivatives at fair value 22 (3.0	Non-current assets			
Other intangible assets 15 0.6 19.9 Property, plant and equipment 16 199.6 18.6 Iniancial asset 17 5.6 5.6 Deferred tax assets 9 10.2 11.1 Investment in joint ventures 9 10.2 11.3 Inventories 19 78.1 73.8 Inventories 20 139.0 18.0 Trade and other receivables 20 139.0 18.0 Cash and cash equivalents 21 53.7 85.9 Derivatives at fair value 22 8.7 17.4 Total current assets 279.5 303.8 Current liabilities 23 18.4 193.7 Trade and other payables 23 18.4 193.7 Current tax liability 8 38.8 37.9 Derivatives at fair value 22 4.3 56.9 Derivatives at fair value 22 4.3 56.9 Total current liabilities 28 32 <td< td=""><td></td><td>13</td><td>240.9</td><td>244.7</td></td<>		13	240.9	244.7
Other intangible assets 15 0.6 19.9 Property, plant and equipment 16 199.6 18.6 Iniancial asset 17 5.6 5.6 Deferred tax assets 9 10.2 11.1 Investment in joint ventures 9 10.2 11.3 Inventories 19 78.1 73.8 Inventories 20 139.0 18.0 Trade and other receivables 20 139.0 18.0 Cash and cash equivalents 21 53.7 85.9 Derivatives at fair value 22 8.7 17.4 Total current assets 279.5 303.8 Current liabilities 23 18.4 193.7 Trade and other payables 23 18.4 193.7 Current tax liability 8 38.8 37.9 Derivatives at fair value 22 4.3 56.9 Derivatives at fair value 22 4.3 56.9 Total current liabilities 28 32 <td< td=""><td>Acquired intangible assets</td><td>14</td><td>135.6</td><td>165.4</td></td<>	Acquired intangible assets	14	135.6	165.4
Financial asset 17 5.6 5.7 Deferred tax assets 9 10.2 1.1 Investment in joint ventures 18 13.9 14.6 Euroren assets 8 60.6 615.6 Inventories 20 139.0 146.7 Cash and cash equivalents 20 139.0 146.7 Cash and cash equivalents 21 53.7 85.9 Derivatives at fair value 22 2.7 7.7 Cash and cash equivalents 21 53.7 85.9 Derivatives at fair value 22 27.5 323.8 Current Liabilities 21 (0.4) (13.7) Trade and other payables 21 (1.04) (1.57) Current Liabilities 2 (2.3) (2.60) Total current liabilities 2 (2.3) (2.60) Derivatives at fair value 2 (2.3) (2.60) Total current liabilities 2 (2.0) (2.60) Derivatives at fair value 2		15	0.6	0.9
Deferred tax assets 9 10.2 1.1 Investment in joint ventures 18 13.9 11.4 Current assets 606.4 61.50 Inventories 19 78.1 73.8 Trade and other receivables 21 53.7 85.9 Cash and cash equivalents 21 53.7 85.9 Derivatives at fair value 22 8.7 17.4 Total current assets 22 8.7 17.4 Total current assets 21 (0.4) (31.7) Total current labilities 21 (0.4) (31.7) Trade and other payables 21 (0.4) (31.7) Trade and other payables 22 (4.3) (5.6) Total current liabilities 22 (4.3) (5.6) Total current liabilities 22 (4.3) (5.6) Total current liabilities 2 (20.9) (5.0) Borrowings 21 (20.0) (20.0) (20.0) (20.0) (20.0) (20.0) <td>Property, plant and equipment</td> <td>16</td> <td>199.6</td> <td>183.6</td>	Property, plant and equipment	16	199.6	183.6
Investment in joint ventures 18 13.9 14.3 Current assets 606.4 615.6 Inventories 19 78.1 73.8 Trade and other receivables 20 139.0 146.7 Cash and cash equivalents 21 53.7 85.9 Derivatives at fair value 22 8.7 17.4 Total current assets 21 (0.4) (31.7 Tarde and other payables 23 (184.8) (193.7) Current tax liability 8 (38.8) (37.9) Derivatives at fair value 22 (4.3) (5.6) Total current liabilities 22 (4.3) (5.6) Derivatives at fair value 22 (4.3) (5.6) Total current liabilities 22 (4.3) (5.6) Derivatives at fair value 22 (4.9) (5.6) Total current liabilities 21 (20.4) (5.6) Total current liabilities 21 (20.04) (21.5) Borrowings <	Financial asset	17	5.6	5.6
Current assets 78.1 73.8 Inventories 20 139.0 146.7 Cash and other receivables 20 139.0 146.7 Cash and cash equivalents 21 53.7 85.9 Derivatives at fair value 22 8.7 17.4 Total current assets 279.5 323.8 Current liabilities 23 (184.8) (193.7) Trade and other payables 23 (184.8) (193.7) Current tax liability 8 (38.8) (37.9) Portivatives at fair value 22 (4.3) (5.6) Total current liabilities (228.3) (268.9) Non-current liabilities 21 (200.4) (215.9) Portivatives at fair value 21 (200.4) (215.9) Trade and other payables 23 (20.4) (21.9) Portivatives at fair value 24 (11.9) (11.9) Post retirement benefit obligations 24 (11.9) (11.9) Incapital contrent liabilities <	Deferred tax assets	9	10.2	1.1
Current assets 19 78.1 73.8 Trade and other receivables 20 139.0 146.7 Cash and cash equivalents 21 53.7 85.9 Derivatives at fair value 22 8.7 17.4 Total current assets 279.5 323.8 Current liabilities 21 (0.4) (31.7) Trade and other payables 23 (184.8) (193.7) Current tax liability 8 (38.8) (37.9) Current tax liability 8 (38.8) (37.9) Portivatives at fair value 23 (184.8) (193.7) Current liabilities 22 (28.9) (28.9) Non-current liabilities 23 (28.9) (28.9) Post current liabilities 23 1.0 (2.1) (2.6) Deferred tax liability 9 (50.9) (6.1) (2.1) (2.1) (2.1) (2.1) (2.1) (2.1) (2.1) (2.1) (2.1) (2.1) (2.1) (2.1) (2.1)	Investment in joint ventures	18	13.9	14.3
Inventories 19 78.1 73.8 Trade and other receivables 20 139.0 146.7 Cash and cash equivalents 21 53.7 85.9 Derivatives at fair value 22 8.7 17.4 Total current assets 279.5 323.8 Current liabilities 21 (0.4) (31.7) Trade and other payables 23 (184.8) (37.9) Current tax liability 3 (38.8) (37.9) Derivatives at fair value 22 (4.3) (5.6) Total current liabilities 21 (20.4) (25.9) Rorrowings 21 (20.4) (21.9) Borrowings 21 (20.4) (21.9) Post retirement benefit obligations 21 (37.1) (39.5) Retaisets 28			606.4	615.6
Trade and other receivables 20 139.0 146.7 Cash and cash equivalents 21 53.7 85.9 Derivatives at fair value 22 8.7 17.4 Total current assets 279.5 323.8 Current liabilities 21 (0.4) (31.7) Tade and other payables 23 (184.8) (193.7) Current ka liability 23 (84.8) (37.9) Derivatives at fair value 22 (4.3) (56.9) Total current liabilities (228.3) (268.9) Non-current liabilities 21 (200.4) (215.9) Borrowings 21 (200.4) (215.9) Trade and other payables 23 - (0.2) Deferred tax liability 9 (50.9) (61.4) Post retirement benefit obligations 23 - (0.2) Ret assets 286.6 275.1 Equity 286.6 275.1 Capital redemption reserve 29.9 9.9 La	Current assets			
Cash and cash equivalents 21 53.7 85.9 Derivatives at fair value 22 8.7 17.4 Total current sassets 279.5 323.8 Current liabilities 8 (0.4) (31.7) Borrowings 21 (0.4) (31.7) Trade and other payables 23 (184.8) (37.9) Derivatives at fair value 22 (4.3) (56.9) Derivatives at fair value 21 (20.04) (21.9) De	Inventories	19	78.1	73.8
Derivatives at fair value 22 8.7 17.4 Total current assets 279.5 323.8 Current liabilities 8 (0.4) (31.7) Borrowings 23 (184.8) (193.7) Current tax liability 8 (38.8) (37.9) Derivatives at fair value 22 (4.3) (5.6) Total current liabilities 228.3 (26.9) Non-current liabilities 23 - (0.2) Portugate and other payables 23 - (0.2) Post retirement benefit obligations 23 - (0.2) Deferred tax liability 9 (50.9) (61.4) Post retirement benefit obligations 24 (119.7) (117.9) Incompany 25 34.0 35.0 Net assets 25 34.0 34.0 Equity 230.5 230.5 Called up share capital 25 34.0 34.0 Share premium 23 - 0.9 0.9	Trade and other receivables	20	139.0	146.7
Total current assets 279.5 323.8 Current liabilities Current formula common commo	Cash and cash equivalents		53.7	85.9
Current liabilities Current payables 21 (0.4) (31.7) Trade and other payables 23 (184.8) (193.7) Current tax liability 8 (38.8) (37.9) Derivatives at fair value 22 (4.3) (5.6) Total current liabilities (228.3) (268.9) Non-current liabilities 21 (200.4) (215.9) Trade and other payables 23 - (0.2) Deferred tax liability 9 (50.9) (61.4) Post retirement benefit obligations 24 (119.7) (117.9) Net assets 286.6 275.1 Equity (371.0) (395.4) Called up share capital 25 34.0 34.0 Share premium 25 34.0 34.0 Capital redemption reserve 0.9 0.9 Cash flow hedging reserve (4.9) 2.9 Retained earnings (2.3) (2.3) (2.3) Equity attributable to equity holders of the parent 274.9 <td< td=""><td>Derivatives at fair value</td><td>22</td><td>8.7</td><td>17.4</td></td<>	Derivatives at fair value	22	8.7	17.4
Borrowings 21 (0.4) (31.7) Trade and other payables 23 (184.8) (193.7) Current tax liability 8 (38.8) (37.9) Derivatives at fair value 22 (4.3) (5.6) Total current liabilities 22 (4.3) (5.6) Non-current liabilities 21 (200.4) (215.9) Borrowings 21 (200.4) (215.9) Trade and other payables 23 - (0.2) Deferred tax liability 9 (50.9) (61.4) Post retirement benefit obligations 24 (119.7) (117.9) Net assets 286.6 275.1 Equity 24 34.0 34.0 Share premium 25 34.0 34.0 Share premium 25 34.0 34.0 Capital redemption reserve 0.9 0.9 Capital redemption reserve (4.9) 2.9 Cash flow hedging reserve (4.9) 2.0 Retained earn	Total current assets		279.5	323.8
Trade and other payables 23 (184.8) (193.7) Current tax liability 8 (38.8) (37.9) Derivatives at fair value 22 (4.3) (5.6) Total current liabilities (228.3) (268.9) Non-current liabilities 21 (200.4) (215.9) Borrowings 21 (200.4) (215.9) Trade and other payables 23 - (0.2) Deferred tax liability 9 (50.9) (61.4) Post retirement benefit obligations 24 (119.7) (117.9) Net assets 286.6 275.1 Equity 2 34.0 34.0 Share premium 230.5 230.5 230.5 Capital redemption reserve 9 9 9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 <t< td=""><td>Current liabilities</td><td></td><td></td><td></td></t<>	Current liabilities			
Current tax liability 8 (38.8) (37.9) Derivatives at fair value 22 (4.3) (5.6) Total current liabilities (228.3) (268.9) Non-current liabilities 21 (200.4) (215.9) Borrowings 21 (200.4) (215.9) Trade and other payables 23 - (0.2) Deferred tax liability 9 (50.9) (61.4) Post retirement benefit obligations 24 (119.7) (117.9) Net assets 286.6 275.1 Equity 286.6 275.1 Equity 280.5 280.5 280.5 Share premium 230.5 230.5 230.5 Capital redemption reserve 9.9 9.9 9.9 Hedging and translation reserve (4.9) 9.9 9.9 Cash flow hedging reserve (2.3) (2.8) (2.3) (2.8) Retained earnings 16.7 (1.0) (1.0) (2.0) (2.0) (2.0) (2.0) <th< td=""><td>Borrowings</td><td>21</td><td>(0.4)</td><td>(31.7)</td></th<>	Borrowings	21	(0.4)	(31.7)
Derivatives at fair value 22 (4.3) (5.6) Total current liabilities (228.3) (268.9) Non-current liabilities Value of the payables	Trade and other payables	23	(184.8)	(193.7)
Total current liabilities (228.3) (268.9) Non-current liabilities 8 21 (200.4) (215.9) Borrowings 21 (200.4) (215.9) Trade and other payables 23 - (0.2) Deferred tax liability 9 (50.9) (61.4) Post retirement benefit obligations 24 (119.7) (117.9) Net assets 286.6 275.1 Equity 286.6 275.1 Called up share capital 25 34.0 34.0 Share premium 230.5 230.5 Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	Current tax liability	8		(37.9)
Non-current liabilities Image: Common stands and other payables 21 (200.4) (215.9) Trade and other payables 23 - (0.2) Deferred tax liability 9 (50.9) (61.4) Post retirement benefit obligations 24 (119.7) (117.9) Net assets 286.6 275.1 Equity 2 34.0 34.0 Share premium 230.5 230.5 Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	Derivatives at fair value	22	(4.3)	(5.6)
Borrowings 21 (200.4) (215.9) Trade and other payables 23 - (0.2) Deferred tax liability 9 (50.9) (61.4) Post retirement benefit obligations 24 (119.7) (117.9) Net assets 286.6 275.1 Equity 25 34.0 34.0 Share premium 230.5 230.5 Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	Total current liabilities		(228.3)	(268.9)
Trade and other payables 23 - (0.2) Deferred tax liability 9 (50.9) (61.4) Post retirement benefit obligations 24 (119.7) (117.9) Net assets 286.6 275.1 Equity 25 34.0 34.0 Share premium 230.5 230.5 Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	Non-current liabilities			
Deferred tax liability 9 (50.9) (61.4) Post retirement benefit obligations 24 (119.7) (117.9) Net assets 286.6 275.1 Equity 25 34.0 34.0 Share premium 230.5 230.5 Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6			(200.4)	(215.9)
Post retirement benefit obligations 24 (119.7) (117.9) Net assets 286.6 275.1 Equity 25 34.0 34.0 Share premium 230.5 230.5 Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	Trade and other payables	23	_	(0.2)
Net assets (371.0) (395.4) Equity 286.6 275.1 Called up share capital 25 34.0 34.0 Share premium 230.5 230.5 Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	•	9	(50.9)	, ,
Net assets 286.6 275.1 Equity 25 34.0 34.0 Share premium 230.5 230.5 Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	Post retirement benefit obligations	24	(119.7)	(117.9)
Equity 25 34.0 34.0 Share premium 230.5 230.5 Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6			(371.0)	(395.4)
Called up share capital 25 34.0 34.0 Share premium 230.5 230.5 Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	Net assets		286.6	275.1
Share premium 230.5 230.5 Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	Equity			
Capital redemption reserve 0.9 0.9 Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	Called up share capital	25	34.0	34.0
Hedging and translation reserve (4.9) 2.9 Cash flow hedging reserve (2.3) (2.8) Retained earnings 16.7 (1.0) Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	Share premium		230.5	230.5
Cash flow hedging reserve(2.3)(2.8)Retained earnings16.7(1.0)Equity attributable to equity holders of the parent274.9264.5Minority interests11.710.6	Capital redemption reserve		0.9	0.9
Retained earnings16.7(1.0)Equity attributable to equity holders of the parent274.9264.5Minority interests11.710.6	Hedging and translation reserve		(4.9)	2.9
Equity attributable to equity holders of the parent 274.9 264.5 Minority interests 11.7 10.6	Cash flow hedging reserve		(2.3)	(2.8)
Minority interests 11.7 10.6	Retained earnings		16.7	(1.0)
•	Equity attributable to equity holders of the parent		274.9	264.5
Total equity 286.6 275.1	Minority interests		11.7	10.6
	Total equity		286.6	275.1

The financial statements on pages 42 to 78 were approved by the Board of Directors and authorised for issue on 14 March 2013. They are signed on its behalf by:

A M Whitfield D C Blackwood Directors

Analysis of net borrowings

		2012	2011
	Note	£m	£m
Cash and cash equivalents	21	53.7	85.9
Current borrowings	21	(0.4)	(31.7)
Financial asset	17	5.6	5.6
Non-current borrowings	21	(200.4)	(215.9)
Net borrowings		(141.5)	(156.1)
Special item: deduct fair value adjustment	21	6.1	12.8
Special item: add non-recourse factoring	21	(20.4)	(21.0)
Net borrowings (underlying performance)		(155.8)	(164.3)

Consolidated cash flow statement

for the year ended 31 December 2012

		2012		2011	
	Note	£m	£m	£m	£m
Operating					
Cash generated from operations	26		85.7		80.2
Interest received		0.7		0.7	
Interest paid		(12.0)		(15.9)	
Net interest paid			(11.3)		(15.2)
UK corporation tax paid		_		(0.1)	
Overseas corporate tax paid		(18.8)		(19.8)	
Total tax paid			(18.8)		(19.9)
Net cash inflow from operating activities			55.6		45.1
Investing					
Dividends received from joint ventures	18		3.2		3.4
Purchase of property, plant and equipment		(39.2)		(24.2)	
Sale of property, plant and equipment		1.1		2.3	
Net capital expenditure and financial investment			(38.1)		(21.9)
Purchase of businesses		_	. ,	(365.4)	,
Sale of businesses		_		28.5	
Net cash impact of acquisitions and disposals			_		(336.9)
Net cash outflow from investing activities			(34.9)		(355.4)
Financing					
Equity dividends paid	10		(15.3)		(8.5)
Investment by minority shareholder			_		2.9
Proceeds on issue of shares			_		225.3
Expenses on issue of shares			_		(8.4)
Purchase of own shares			_		(0.7)
Repayment of borrowings	27		(36.9)		(4.3)
Proceeds of non-current borrowings			_		154.1
Net cash (outflow)/inflow from financing activities			(52.2)		360.4
(Decrease)/increase in cash and bank overdrafts during the year			(31.5)		50.1
Comprised of:					
Cash and cash equivalents	27		(31.1)		42.2
Bank overdrafts	27		(0.4)		7.9
			(31.5)		50.1

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

		2012	2011
	Note	£m	£m
Net cash inflow from operating activities		55.6	45.1
Add back: reduction in factored invoices		0.6	9.8
Add back: dividends received from joint ventures	18	3.2	3.4
Less: net capital expenditure and financial investment		(38.1)	(21.9)
		21.3	36.4
Net cash impact of acquisitions (underlying)		-	(396.1)
Net cash impact of disposals (underlying)		-	34.2
Investment by minority shareholder		_	2.9
Proceeds on issue of shares		-	225.3
Expenses on issue of shares		_	(8.4)
Purchase of own shares		-	(0.7)
Equity dividends paid	10	(15.3)	(8.5)
Exchange movements		2.5	14.0
Movement in net borrowings (underlying performance)		8.5	(100.9)

31 December 2012

1 General information

Synthomer plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 26. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

New and amended standards adopted by the group There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the group.

New standards and interpretations not yet adopted A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

Amendment to IAS1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS19, 'Employee benefits', was amended in June 2011. The most significant impact on the Group in its 2013 financial statements will be to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This change is expected to reduce the Group's reported profit by £3.2 million. This net interest charge will be reported as part of finance costs rather than as a charge to operating profit. The additional amount to be reclassified is estimated to be £1.9 million to yield a total net interest charge of £5.1 million.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial liabilities, the standard retains most of the IAS39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014, following endorsement by the EU.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014, following endorsement by the EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 Significant accounting policies Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. As discussed in the Report of the directors on page 29, the financial statements have been prepared on a going concern basis. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

The results of joint ventures are accounted for using equity accounting.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of combination.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS12 Income Taxes and IAS19 Employee Benefits respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstance that existed as of the acquisition date that, if known, would have affected the amounts as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Acquired intangible assets

Intangible assets acquired through acquisition are measured at their fair value and are amortized on a straight-line basis over their estimated useful lives, on the following bases:

Customer relationships – between 5 and 8 years Technology – 10 years

Where necessary the fair value at acquisition and estimated useful lives for these intangible assets are based on independent valuation reports.

continued

2 Significant accounting policies continued Other intangible assets

Software development and environmental licensing costs resulting in development of a long-term intangible asset are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives as follows:

Software – between 3 and 5 years

An internally-generated intangible asset arising from the Group's product development is recognised only if all of the following conditions in IAS38 are met:

- an asset is created that can be separately identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

No research or development costs met the criteria for required capitalisation under IAS38 during the year.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Property, plant and equipment

Property, plant and equipment is stated at cost (original purchase price and the costs attributable to bringing the asset to its working condition for its intended use), net of depreciation and any provision for impairment. Except for freehold land and land grants in Malaysia, which are not depreciated, the cost of property, plant and equipment is depreciated on a straight-line basis over its expected useful life as follows:

Freehold building – 50 years

Leasehold land and buildings – the lesser of 50 years and the period of the lease

Plant and equipment – between 3 and 10 years

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its plant, property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Operating leases

Operating lease payments are expensed on a straight-line basis to the income statement over the term of the relevant lease. Any benefits received as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss where there is objective evidence that the asset is impaired.

All trade receivables that are factored by third parties are done so on a non-recourse basis. At the point of factoring, the Group forfeits the right to future cash flows from these receivables and those amounts are derecognised. The cost of factoring receivables is recognised as a finance cost in the period in which the receivable is factored.

Amortised costs

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives, as set out in note 22.

Impairment of financial assets

At each balance sheet date, the Group reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Finance costs

Finance costs of debt are recognised in the income statement over the term of such instruments at an effective interest rate on the carrying amount. Finance costs that are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets in accordance with IAS23.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as sterling-denominated assets and liabilities.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

continued

2 Significant accounting policies continued Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line of the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, restricted cash balances which become fully liquid within three months or less and other short-term highly liquid investments with original maturities of three months or less.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

The costs of defined benefit contributions to the Group's pension schemes and of augmenting existing pensions are charged to the consolidated income statement on a systematic basis over the expected period of benefits from employees' service.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Actuarial gains on the defined benefit schemes are recognised in full in each period in which they occur. They are recognised outside of the consolidated income statement and are presented in the consolidated statement of comprehensive income

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The UK defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in separate trustee-administered funds.

For the German schemes, the assets are included within the assets of the respective companies, as permitted under local laws. The assets of the other overseas schemes are held separately from those of the Group.

Provisions

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's liability.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when goods are delivered and title has passed, where delivery is defined in accordance with Incoterms 2000.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Definitions

Total sales

Total sales represent the total of revenue from the Company, its subsidiaries, and its share of the revenue of joint ventures.

Operating profit

Operating profit represents profit from continuing activities before financing costs and taxation.

EBITDA

EBITDA is calculated as operating profit before depreciation, amortisation and special items (as defined below).

Special items

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

- · Amortisation of acquired intangible assets;
- Impairment of non-current assets;
- Costs of business combinations as defined by IFRS 3 and related debt issue costs;
- Re-structuring and site closure costs;
- Fair value adjustment mark to market adjustments in respect of cross currency and interest rate derivatives used for hedging purposes where IAS39 hedge accounting is not applied;
- Amounts advanced in respect of invoices sold under non-recourse factoring arrangements;
- Other non-recurring and non-operating items;
- Tax impact of the above items; and
- Settlement of prior period tax issues.

Underlying performance

Underlying performance represents the statutory performance of the Group under IFRS, excluding special items.

Net borrowings

Net borrowings represents cash and cash equivalents together with short and long term borrowings, as adjusted for the effect of related derivative instruments irrespective of whether they qualify for hedge accounting, non-recourse factoring arrangements, and the inclusion of Financial Assets.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Group has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Going concern

The assessment that the financial statements should be prepared on a going concern basis requires the directors to make a judgement that, after taking account of reasonably possible changes in trading performance, the Group has adequate resources to continue in operational existence for the foreseeable future.

Recognition of deferred tax assets

The Group activities give rise to significant potential deferred tax assets, particularly in respect of the UK pension liability, tax losses and accelerated capital allowances. Determination of whether these assets should be recognised requires a high degree of management judgement and is dependent on management's ability to project future earnings from activities that may apply loss positions carried forward against future income taxes.

Key sources of estimation uncertainty

The preparation of consolidated financial statements requires that management make estimates and assumptions that affect reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis taking the current and expected future market conditions into consideration.

Impairment/reversal of impairment

The Group has significant investments in property, plant and equipment, acquired intangibles and goodwill. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired requiring the book value to be written down to its recoverable amount. Impairments, excluding goodwill, are reversed if the conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgement and may depend to a large extent on the selection of key assumptions about the future.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The industry growth rates used within the forecast future cash flows are developed with reference to external sources but are subject to estimation uncertainty.

Post retirement benefit obligations

Included in the actuaries' calculation of the post retirement benefit obligations are a number of assumptions. These are shown in detail in note 24.

Current tax liability and deferred tax

The Group annually incurs significant amounts of income taxes payable to various jurisdictions around the world, and it also recognises significant changes in deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws, regulations and relevant court decisions. The quality of these estimates is highly dependent upon management's ability to properly apply what can be very complex sets of rules and to recognise changes in applicable rules.

3 Special items

The special items are made up as follows:

		2012 £m	2011 £m
Continuing operations			
Operating profit/(loss)			
Restructuring and site closure	- cash costs	(6.0)	(15.8)
	non-cash costs	(0.7)	(4.4)
Acquisition costs		_	(1.4)
Amortisation of acquired intangibles (see note 14)	subsidiaries	(25.8)	(19.1)
	 – share of joint ventures 	(1.6)	(1.3)
		(34.1)	(42.0)
Finance costs			
Fair value adjustment (see note 7)		(1.7)	(3.3)
Loss before taxation from continuing operations		(35.8)	(45.3)
Taxation (see note 8)		17.3	14.9
Loss for the year from continuing operations		(18.5)	(30.4)

The restructuring and site closure costs charged to the consolidated income statement above are in respect of post acquisition activities to integrate the former PolymerLatex business with that of the existing Group. 'Cash costs' represent those charges which have or will be defrayed in the form of cash settlements to third parties. As disclosed in note 26, at 31 December 2012 £11.4 million (2011 £5.8 million) of these costs have been physically paid to third parties. 'Non-cash costs' represent charges for the write off of specific fixed assets and stocks held on sites which are being closed as part of the integration exercise.

	2012 £m	2011 £m
Discontinued operations	ZIII	2111
Total sales		
Revenue of operations sold or closed during the year		63.1
Operating (loss)/profit of discontinued operations		
Operating profit of operations sold or closed during the year	_	4.1
Impairment of goodwill (see note 13)	_	(36.9)
Impairment of fixed assets prior to sale of operation	_	(5.6)
Loss arising from the sale or closure of operations	_	(0.8)
	_	(39.2)
Taxation		
Taxation on operating loss of operations sold or closed during the year	-	(1.0)
Loss for the year from discontinued operations	_	(40.2)

The loss for the year from discontinued operations is attributable solely to equity holders of the parent.

4 Segmental analysis

Substantially all revenues earned by the Group are from the sale of Polymer products derived from petrochemical monomers.

No single customer accounts for more than 10% of the Group's revenues. No information is provided at the divisional level to the Executive Committee concerning interest revenues, interest expense, depreciation or amortisation, income taxes or other material non-cash items.

	Total sales		Operating profit			
2012	Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
Analysis by activity						
Continuing activity						
Polymer Chemicals – Europe & North America						
Subsidiaries	763.8	_	763.8	96.2	(26.0)	70.2
Share of joint ventures	33.1	_	33.1	1.8	(1.6)	0.2
	796.9	_	796.9	98.0	(27.6)	70.4
Polymer Chemicals – Asia & Rest of World						
Subsidiaries	289.2	-	289.2	16.0	(6.5)	9.5
Share of joint ventures	25.7	_	25.7	3.1	-	3.1
	314.9	-	314.9	19.1	(6.5)	12.6
Total sales	1,111.8	_	1,111.8			
Divisional operating profit				117.1	(34.1)	83.0
Unallocated corporate expenses				(8.1)	_	(8.1)
Operating profit/(loss)				109.0	(34.1)	74.9
Total share of joint ventures						
Polymer Chemicals – Europe & North America	33.1	_	33.1	1.8	(1.6)	0.2
Polymer Chemicals - Asia & Rest of World	25.7	_	25.7	3.1	_	3.1
	58.8	_	58.8	4.9	(1.6)	3.3

		Total sales		Operating profit		
2011	Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
Analysis by activity						
Continuing activity						
Polymer Chemicals – Europe & North America						
Subsidiaries	743.5	_	743.5	70.6	(35.5)	35.1
Share of joint ventures	34.2	_	34.2	2.5	(1.3)	1.2
	777.7	_	777.7	73.1	(36.8)	36.3
Polymer Chemicals – Asia & Rest of World						
Subsidiaries	315.9	_	315.9	29.8	(3.8)	26.0
Share of joint ventures	23.2	_	23.2	2.3	_	2.3
	339.1	_	339.1	32.1	(3.8)	28.3
Total sales	1,116.8	_	1,116.8			
Divisional operating profit				105.2	(40.6)	64.6
Unallocated corporate expenses				(8.8)	(1.4)	(10.2)
Operating profit				96.4	(42.0)	54.4
Total share of joint ventures						
Polymer Chemicals – Europe & North America	34.2	_	34.2	2.5	(1.3)	1.2
Polymer Chemicals – Asia & Rest of World	23.2	_	23.2	2.3		2.3
	57.4	_	57.4	4.8	(1.3)	3.5

Net assets

Notes to the consolidated financial statements continued

4 Segmental analysis continued Special items

Polymer Chemicals Polymer Chemicals Europe & Rais & Rais & Control & Company & Control & Contr	Special items				
Restructuring & site closure - cash costs	2012	Chemicals – Europe & North America	Chemicals – Asia & Rest of World	corporate expenses	
Polymer Poly					
Amortisation of acquired intangibles (19.6) (6.2) — (25.8) Share of joint ventures special items (1.6) — — (1.6) (27.6) (6.5) — (34.1) Polymer Chemicals – Europe & North Pamerical – Europe & North America Pamerical – Polymer Chemicals – Europe & North America Polymer Chemicals – State & Polymer Chemicals – Polymer	•		, ,	_	
Share of joint ventures special items (1.6) - - - (1.6) (27.6) (6.5) - (34.1) Polymer Chemicals - Europe & North America Polymer Chemicals - Europe & North America Rest of Assis & Rest of World America Valid Capabilities Valid Capabili		` '		_	
Capital Capi	·	, ,	(0.2)	_	, ,
2011 Chemicials Europe & Leurope & North America 2011 Chemicials Europe & North America 2012 Capital isolitities and included assets and liabilities Capital isolities 2012 Capital isolit	onale of joint ventures special terms		(6.5)		
2011 £m £m £m £m £m Restructuring & site closure – cash costs (15.3) (0.5) — (15.8) — non-cash costs (4.4) — — (4.4) Amortisation of acquired intangibles (15.8) (3.3) — (1.9.1) Share of Joint Ventures special items (1.3) — — (1.3) — — (1.3) (1.4)		Chemicals – Europe & North	Chemicals – Asia & Rest of	corporate	Tabel
Restructuring & site closure	2011				
Amortisation of acquired intangibles (15.8) (3.3) - (19.1) Share of Joint Ventures special items (1.3) - (1.3) Acquisition costs - (1.4) (1.4) Amortisation of acquired intangibles (15.8) (3.3) - (1.3) Acquisition costs - (1.4) (1.4) Acquisi	Restructuring & site closure - cash costs	(15.3)	(0.5)	_	
Amortisation of acquired intangibles (15.8) (3.3) — (19.1) Share of Joint Ventures special items (1.3) — — (1.3) — — (1.3) — — (1.3) — — (1.3) — — (1.4) (1.4) — (1.4) — (1.4) — (1.4) — (1.4) — (1.4) — (1.4) — (1.4) — (1.4) — (1.4) — (1.4) — (1.4) — (1.4) — (1.4) — (1.4) — — (1.4) — (1.4) — </td <td><u> </u></td> <td>, ,</td> <td>, ,</td> <td>_</td> <td>, ,</td>	<u> </u>	, ,	, ,	_	, ,
Acquisition costs - - - (1.4) (1.4) (36.8) (3.8) (3.8) (1.4) (42.0) Total assets £m Total Liabilities £m Total £m Total £m Capital expenditure and anortisation and amortisation £m Analysis by activity Continuing activity Subsidiaries Subsidiaries Subsidiaries Polymer Chemicals – Europe & North America 251.9 (168.0) 13.3 10.1 Polymer Chemicals – Asia & Rest of World 177.0 (63.9) 27.0 8.2 Unallocated assets and liabilities 7.3 (125.5) 0.1 0.1 Share of joint ventures (see note 18) 27.2 (13.3) 40.4 18.4 Share of joint ventures (see note 13) 240.9 - 40.4 18.4 Acquired intangibles and related deferred tax 135.6 (41.1) (41.1)	Amortisation of acquired intangibles	(15.8)	(3.3)	_	
Total assets Total assets Total liabilities Em Em Em Em Em Em Em E	Share of Joint Ventures special items	(1.3)	` _	_	(1.3)
2012 Total assets £m Total liabilities £m Total Liabilities £m Capital expenditure and amortisation and amortisation £m Analysis by activity Continuing activity Subsidiaries Polymer Chemicals – Europe & North America 251.9 (168.0) 13.3 10.1 Polymer Chemicals – Asia & Rest of World 177.0 (63.9) 27.0 8.2 Unallocated assets and liabilities 7.3 (125.5) 0.1 0.1 Share of joint ventures (see note 18) 27.2 (13.3) 40.4 18.4 Share of joint ventures (see note 13) 240.9 - - Acquired intangibles and related deferred tax 135.6 (41.1) -	Acquisition costs	_	_	(1.4)	(1.4)
2012 Total assets £m Total Liabilities £m Capital expenditure amortisation amortisation £m Analysis by activity Continuing activity Subsidiaries Polymer Chemicals – Europe & North America 251.9 (168.0) 13.3 10.1 Polymer Chemicals – Asia & Rest of World 177.0 (63.9) 27.0 8.2 Unallocated assets and liabilities 7.3 (125.5) 0.1 0.1 Share of joint ventures (see note 18) 27.2 (13.3) Goodwill (see note 13) 240.9 - Acquired intangibles and related deferred tax 135.6 (41.1)		(36.8)	(3.8)	(1.4)	(42.0)
Continuing activity Subsidiaries Polymer Chemicals – Europe & North America 251.9 (168.0) 13.3 10.1 Polymer Chemicals – Asia & Rest of World 177.0 (63.9) 27.0 8.2 428.9 (231.9) 40.3 18.3 Unallocated assets and liabilities 7.3 (125.5) 0.1 0.1 436.2 (357.4) 40.4 18.4 Share of joint ventures (see note 18) 27.2 (13.3) Goodwill (see note 13) 240.9 - Acquired intangibles and related deferred tax 135.6 (41.1)	2012	assets	liabilities	expenditure	and amortisation
Subsidiaries Polymer Chemicals – Europe & North America 251.9 (168.0) 13.3 10.1 Polymer Chemicals – Asia & Rest of World 177.0 (63.9) 27.0 8.2 428.9 (231.9) 40.3 18.3 Unallocated assets and liabilities 7.3 (125.5) 0.1 0.1 Share of joint ventures (see note 18) 27.2 (13.3) 40.4 18.4 Share of joint ventures (see note 13) 240.9 – – Acquired intangibles and related deferred tax 135.6 (41.1)	Analysis by activity				
Polymer Chemicals – Europe & North America 251.9 (168.0) 13.3 10.1 Polymer Chemicals – Asia & Rest of World 177.0 (63.9) 27.0 8.2 428.9 (231.9) 40.3 18.3 Unallocated assets and liabilities 7.3 (125.5) 0.1 0.1 Share of joint ventures (see note 18) 27.2 (13.3) 40.4 18.4 Goodwill (see note 13) 240.9 - - Acquired intangibles and related deferred tax 135.6 (41.1)					
Polymer Chemicals – Asia & Rest of World 177.0 (63.9) 27.0 8.2 428.9 (231.9) 40.3 18.3 Unallocated assets and liabilities 7.3 (125.5) 0.1 0.1 436.2 (357.4) 40.4 18.4 Share of joint ventures (see note 18) 27.2 (13.3) Goodwill (see note 13) 240.9 - Acquired intangibles and related deferred tax 135.6 (41.1)		251.0	(169.0)	10.0	10.1
Unallocated assets and liabilities 428.9 (231.9) 40.3 (231.9) 40.3 (18.3) Unallocated assets and liabilities 7.3 (125.5) 0.1 (15.5)					
Unallocated assets and liabilities 7.3 (125.5) 0.1 0.1 Share of joint ventures (see note 18) 27.2 (13.3) Goodwill (see note 13) 240.9 - Acquired intangibles and related deferred tax 135.6 (41.1)	Folymer Chemicals - Asia & nest of World				
436.2 (357.4) 40.4 18.4	I Inallocated assets and liabilities				
Share of joint ventures (see note 18) Goodwill (see note 13) Acquired intangibles and related deferred tax 27.2 (13.3) 240.9 - (41.1)	OHAIIOCALEGI ASSELS AHG HADIIILIES				
Goodwill (see note 13) Acquired intangibles and related deferred tax 240.9 - (41.1)	Share of joint ventures (see note 18)		, ,	_	10.4
Acquired intangibles and related deferred tax 135.6 (41.1)	· · · · · · · · · · · · · · · · · · ·		(13.5)		
	,		(41 1)		
	Net borrowings (see note 21)	-	(141.5)		

(553.3)

286.6

2011	Total assets £m	Total liabilities £m	Capital expenditure £m	Depreciation and amortisation £m
Analysis by activity				
Continuing activity				
Subsidiaries				
Polymer Chemicals – Europe & North America	224.2	(163.6)	7.2	9.4
Polymer Chemicals – Asia & Rest of World	162.3	(70.5)	14.0	9.2
	386.5	(234.1)	21.2	18.6
Unallocated assets and liabilities	36.9	(131.6)	0.1	0.2
Discontinued activity				
Pharma Chemicals	_	_	4.1	4.0
	423.4	(365.7)	25.4	22.8
Share of joint ventures (see note 18)	25.6	(11.3)		
Goodwill (see note 13)	244.7	_		
Acquired intangibles and related deferred tax	165.4	(50.9)		
Net borrowings (see note 21)	_	(156.1)		
	859.1	(584.0)		
Net assets		275.1		

	2012 £m	2011 £m
Analysis of total sales by destination		
Western Europe	607.1	609.2
Eastern Europe	48.0	35.9
North America	45.5	38.8
Asia	309.6	317.5
Africa and Middle East	96.0	95.8
Rest of World	5.6	19.6
	1,111.8	1,116.8

Inter-segmental sales
In addition to the amounts included above, inter-segmental sales of £11.9 million (2011 £4.3 million) were made as set out below. These sales were eliminated on consolidation.

	Polymer	Polymer	
	Chemicals -	Chemicals -	
	Europe &	Asia &	
	North	Rest of	
	America	World	Total
2012	£m	£m	£m
Polymer Chemicals – Europe & North America	_	7.9	7.9
Polymer Chemicals – Asia & Rest of World	4.0	_	4.0
Total	4.0	7.9	11.9

2011	Polymer Chemicals – Europe & North America £m	Polymer Chemicals – Asia & Rest of World £m	Total £m
Polymer Chemicals – Europe & North America	-	1.7	1.7
Polymer Chemicals – Asia & Rest of World	2.6	_	2.6
Total	2.6	1.7	4.3

5 Operating profit

		2012			2011		
	Company and subsidiaries £m	Joint ventures £m	Total £m	Company and subsidiaries £m	Joint ventures £m	Total £m	
Total sales		58.8					
Cost of sales	1,053.0 (851.7)	(48.8)	1,111.8	1,059.4 (858.2)	57.4	1,116.8	
-	201.3	10.0	(900.5) 211.3	201.2	(49.4) 8.0	(907.6) 209.2	
Gross profit Distribution costs		(1.8)			(1.6)		
Administrative expenses	(52.0) (45.2)	(3.3)	(53.8) (48.5)	(75.0) (34.6)	(1.6)	(76.6) (36.2)	
Special items	(32.5)	(3.3)	(34.1)	(40.7)	(1.0)	(42.0)	
Operating profit	71.6	3.3	74.9	50.9	3.5	54.4	
Operating profit is stated after charging Depreciation Amortisation: acquired intangibles (see	-	J:			18.1 25.8	22.4 19.1	
Amortisation: acquired intangibles (see Amortisation: other intangibles (see not	,				25.6 0.3	0.4	
Hire of plant and equipment	6 10)				2.5	2.5	
Other lease rentals					3.0	3.8	
Research and development expenditur	е				8.0	12.5	
6 Auditor's remuneration					2012 £000	2011 £000	
Fees payable to the Company's auditor		ad accounts			87	100	
audit of the Company's annual accou	ints and the consolidate	ed accounts			87	132	

The other services provided by the Group auditor in the current year related to translation of foreign financial statements. Other taxation advisory services relate to advice on employment tax and other sundry projects.

Fees payable to the Company's auditor and their associates for other services to the Group:

Details of the company's policy on the use of auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee section of the Corporate Governance report on page 32. No services were provided pursuant to contingent fee arrangements.

392

479

2

36

11

15

64

469

601

34

22

91

17

6

170

7 Finance costs

Total audit fees

Other services

Total non-audit fees

audit of the Company's subsidiaries

Services relating to the acquisition of PolymerLatex

Audit related assurance services

Other taxation advisory services

Tax compliance services

	2012 £m	2011 £m
Interest payable on bank loans and overdrafts	8.8	9.2
Interest payable on other loans	2.8	3.1
	11.6	12.3
Less: interest receivable	(0.7)	(0.7)
Net interest payable	10.9	11.6
Fair value adjustment	1.7	3.3
Total finance costs	12.6	14.9

The fair value adjustment is the mark to market adjustment in respect of cross currency and interest rate derivatives used for hedging purposes where IAS39 hedge accounting is not applied.

8 Taxation

·	2012	2011
	£m	£m
Continuing operations		
Current tax		
UK corporation tax	0.1	0.1
Overseas taxation	21.9	20.3
	22.0	20.4
Deferred tax		
Origination and reversal of temporary differences	(0.3)	(0.9)
	21.7	19.5
Special items		
Current tax:		
Historic issues	_	(7.4)
Restructuring and site closure costs	(1.6)	(2.4)
Deferred tax:		
Recognition of UK deferred tax asset	(7.1)	_
Amortisation on acquired intangibles	(8.6)	(5.1)
	(17.3)	(14.9)
Total tax on profit before taxation	4.4	4.6
Discontinued operations		
Tax on special items	_	1.0
Tax charge for the year on discontinued operations	_	1.0

UK corporation tax is calculated at **24.5%** (2011 26.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2012 £m	2011 £m
Tax expense		
Continuing operations	4.4	4.6
Discontinued operations	-	1.0
Total tax expense	4.4	5.6

Reconciliation of tax expense to profit before taxation

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2012 £m	2011 £m
Profit before taxation – continuing operations	62.3	39.5
Tax on profit before taxation (continuing operations) at standard UK corporation tax rate of 24.5% (2011 26.5%)	15.3	10.5
Effects of:		
Expenses not deductible for tax purposes	1.7	8.7
Tax incentives and items not subject to tax	(4.4)	(6.6)
Losses not recognised less utilisation of losses not previously recognised	-	0.5
Higher tax rates on overseas earnings	0.8	0.8
Other deferred tax asset not recognised less amounts now recognised	(8.6)	(3.5)
Adjustments to tax charge in respect of prior periods	(0.4)	(6.0)
Effect of change of rate on deferred tax	_	0.1
Tax charge for year	4.4	4.5

8 Taxation continued

Tax charges to other comprehensive income

	2012 £m	2011 £m
Deferred tax credit in respect of actuarial losses	(1.9)	(1.3)
Current tax liabilities		
	2012 £m	2011 £m
Current tax liabilities	(38.8)	(37.9)

9 Deferred taxation

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered. No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

The movements in deferred tax assets and liabilities (prior to offset) are shown below.

Deferred tax liabilities

2012	Accelerated tax depreciation £m	Acquired intangibles £m	Other £m	Total £m
At 1 January	(11.0)	(50.9)	0.5	(61.4)
(Charged)/credited to income statement	-	8.6	0.3	8.9
Exchange adjustment	0.3	1.2	0.1	1.6
At 31 December	(10.7)	(41.1)	0.9	(50.9)

Deferred tax assets

2012	Pensions £m
At 1 January	1.1
Credited to income statement	7.1
Credited through retained earnings	1.9
Exchange adjustment	0.1
At 31 December	10.2

Deferred tax asset not recognised

Deferred tax assets are not recognised when it is not probable that taxable profits will be available against which the deferred tax asset could be utilised.

The amounts of deferred tax not recognised at the balance sheet dates are as follows:

	2012	2011
	£m	£m
UK pension liability	8.8	18.5
Tax losses	10.7	8.1
Accelerated capital allowances	2.8	3.9
Other timing differences	0.3	(1.2)
	22.6	29.3

10 Ordinary dividends

	2012 Pence per	2011 Pence per	2012	2011
	share	share	£m	£m
Interim dividend	2.2	1.2	7.5	4.1
Proposed final dividend	3.3	2.3	11.2	7.8

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.

11 Earnings per share

Number of shares

	2012 Number '000	2011 Number '000
Weighted average number of ordinary shares for the purposes of basic earnings per share Effect of dilutive potential ordinary shares:	339,549	339,611
Share options	5,527	7,516
Weighted average number of ordinary shares for the purposes of diluted earnings per share	345,076	347,127
Forming to manage and		

Earnings per share

	2012			2011		
	Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
From continuing operations						
Earnings (profit attributable to equity holders						
of the parent)	74.6	(18.0)	56.6	63.7	(30.4)	33.3
Basic earnings per share	22.0p	(5.3)p	16.7p	18.8p	(9.0)p	9.8p
Diluted earnings per share	21.6p	(5.2)p	16.4p	18.4p	q(8.8)	9.6p
From continuing and discontinued operations	S					
Earnings (profit attributable to equity holders						
of the parent)	74.6	(18.0)	56.6	63.7	(70.6)	(6.9)
Basic earnings per share	22.0p	(5.3)p	16.7p	18.8p	(20.8)p	(2.0)p
Diluted earnings per share	21.6p	(5.2)p	16.4p	18.4p	(20.4)p	(2.0)p

12 Employees

	2012 Number	2011 Number
The average monthly number of employees during the year by activity was:	Number	- INGITIBEI
Continuing activity		
Polymer Chemicals – Europe & North America	1,151	1,300
Polymer Chemicals – Asia & Rest of World	817	747
Holding companies	23	29
	1,991	2,076
Share of joint ventures	63	65
Discontinued activity		
Pharma Chemicals	_	398
	2,054	2,539
	,	,
	2012	2011
	£m	£m
The aggregate remuneration of all Group employees comprised:		
Wages and salaries	64.0	79.1
Social security costs	9.5	10.9
Post retirement benefit obligations	8.4	8.0
Share based payments	1.1	1.3
	83.0	99.3

13 Goodwill

	2012 £m	2011 £m
Cost		
At 1 January	354.6	263.9
Recognised on acquisition	_	164.2
Exchange adjustments	(3.8)	(6.6)
Eliminated on disposal	_	(66.9)
At 31 December	350.8	354.6
Accumulated impairment losses		
At 1 January	109.9	139.9
Impairment losses for the year	_	36.9
Eliminated on disposal	_	(66.9)
At 31 December	109.9	109.9
Net book value		
At 31 December	240.9	244.7

The Group tests goodwill annually for impairment at the balance sheet date, or more frequently if there are indications that goodwill might be impaired.

Goodwill acquired in a business combination is allocated, at acquisition, to the Cash Generating Units ("CGUs") that are expected to benefit from that business combination.

The allocation of the carrying value of goodwill is represented below.

					Net		Net
	Net				book value		book value
	book value	Recognised		Impairment	at		at
	at 1 January	on	Exchange	during	31 December	Exchange	31 December
	2011	acquisition	adjustments	the year	2011	adjustments	2012
	£m	£m	£m	£m	£m	£m	£m
Polymer Chemicals							
Europe & North America	86.7	130.9	(6.3)	0.0	211.3	(3.0)	208.3
Asia & Rest of World	0.4	33.3	(0.3)	0.0	33.4	(8.0)	32.6
	87.1	164.2	(6.6)	0.0	244.7	(3.8)	240.9
Pharma Chemicals							
Uguifa Spain SA and Uguifa							
Mexico SACV	36.9	0.0	0.0	(36.9)	0.0	0.0	0.0
Total	124.0	164.2	(6.6)	(36.9)	244.7	(3.8)	240.9

The recoverable amounts for CGUs are determined from value in use calculations, based upon discounted cash flows. The key assumptions for those discounted cash flow calculations are the discount rate, profitability and growth rate. The discount rate is based on the Group's weighted average cost of capital adjusted, where appropriate, for the risk premium attributable to the particular CGUs activities and geography of operation. Profitability and growth rates are based on past experience combined with management's expectations for future business performance, which is informed by a number of factors including economic growth, internal plans and competitor and customer activity.

Discount rates of **11%** (2011 11%) and **12%** (2011 12%) have been used in the above calculations for Europe & North America and Asia & Rest of World respectively.

The profit used in the cash flows for the first year is derived from management forecasts; for years 2 to 10 a growth rate is applied. The profit for year 10 is then assumed to apply without further growth into perpetuity. Growth rates of between **2%** (2011 2%) and **5%** (2011 5%) have been used for Europe & North America and Asia & Rest of World respectively, representing management's best estimate of each CGUs circumstances, and these do not exceed the long term growth rates for the markets concerned.

Of the net book value of goodwill at 31 December 2012, £70.5 million (2011 £70.5 million) is located in the UK.

14 Acquired intangible assets

	Customer relationships £m	Technology £m	Total £m
Cost			
At 1 January 2012	181.0	2.9	183.9
Exchange adjustments	(4.4)	_	(4.4)
At 31 December 2012	176.6	2.9	179.5
Accumulated amortisation and impairment			
At 1 January 2012	18.3	0.2	18.5
Exchange adjustments	(0.4)	_	(0.4)
Amortisation charge for the year	25.5	0.3	25.8
At 31 December 2012	43.4	0.5	43.9
Net book value			
At 31 December 2012	133.2	2.4	135.6
Cost	Customer relationships £m	Technology £m	Total £m
At 1 January 2011			
Recognised on acquisition	188.1	3.1	191.2
Exchange adjustments	(7.1)	(0.2)	(7.3)
At 31 December 2011	181.0	2.9	183.9
Accumulated amortisation and impairment At 1 January 2011			
Amortisation charge for the year	18.9	0.2	19.1
Exchange adjustments	(0.6)	_	(0.6)
At 31 December 2011	18.3	0.2	18.5
Net book value			
At 31 December 2011	162.7	2.7	165.4

15 Other intangible assets

At 31 December 2011

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

No development expenditure met the requirements to be recognised as an internally generated intangible asset, therefore all development costs in the period were expensed.

adversight and being with a period word experience.			
	Software	Environmental	Total
	Sortware £m	licences £m	£m
Cost	~	2	2
At 1 January 2012	6.0	_	6.0
Exchange adjustments	(0.1)	_	(0.1)
Additions	0.1	_	0.1
At 31 December 2012	6.0	-	6.0
Accumulated amortisation and impairment			
At 1 January 2012	5.1	_	5.1
Exchange adjustments	_	_	_
Amortisation charge for the year	0.3	_	0.3
At 31 December 2012	5.4	-	5.4
Net book value			
At 31 December 2012	0.6	_	0.6
		Environmental	
	Software	licences	Total
	£m	£m	£m
Cost			
At 1 January 2011	6.1	0.2	6.3
Exchange adjustments	(0.5)	_	(0.5)
Additions	0.5	_	0.5
Acquisition of subsidiary undertaking	0.7	_	0.7
Disposals	_	(0.1)	(0.1)
Sale of subsidiary undertaking	(0.8)	(0.1)	(0.9)
At 31 December 2011	6.0	_	6.0
Accumulated amortisation and impairment			
At 1 January 2011	5.8	0.2	6.0
Exchange adjustments	(0.4)	_	(0.4)
Amortisation charge for the year	0.4	_	0.4
Disposals	_	(0.1)	(0.1)
Sale of subsidiary undertaking	(0.7)	(0.1)	(0.8)
At 31 December 2011	5.1	_	5.1
Net book value			

0.9

0.9

16 Property, plant and equipment

	Land				
		Leaseholds		Plant and	
	Freeholds	Long	Short	equipment	Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 2012	50.0	5.3	17.5	351.3	424.1
Exchange adjustments	(0.9)	_	(0.5)	(6.4)	(7.8)
Additions	0.3	_	_	40.0	40.3
Disposals	(6.0)	_	_	(8.0)	(14.0)
At 31 December 2012	43.4	5.3	17.0	376.9	442.6
Accumulated depreciation and impairment					
At 1 January 2012	19.3	2.6	1.2	217.4	240.5
Exchange adjustments	-	_	_	(3.1)	(3.1)
Depreciation charge for the year	1.9	0.1	0.5	15.6	18.1
Assets written down pending closure of business	0.3	_	_	0.2	0.5
Disposals	(5.2)	_	_	(7.8)	(13.0)
At 31 December 2012	16.3	2.7	1.7	222.3	243.0
Net book value					
At 31 December 2012	27.1	2.6	15.3	154.6	199.6

	Land	and buildings			
	_	Lease	eholds	Plant and	
	Freeholds £m	Long £m	Short £m	equipment £m	Total £m
Cost					
At 1 January 2011	44.9	4.9	8.4	339.0	397.2
Exchange adjustments	(2.3)	_	(0.3)	(14.8)	(17.4)
Additions	0.9	_	2.5	22.0	25.4
Acquisition of subsidary undertaking	20.7	0.4	6.9	92.3	120.3
Sale of subsidiary undertaking	(12.4)	_	-	(85.5)	(97.9)
Disposals	(1.8)	_	-	(1.7)	(3.5)
At 31 December 2011	50.0	5.3	17.5	351.3	424.1
Accumulated depreciation and impairment					
At 1 January 2011	19.1	2.5	1.1	271.8	294.5
Exchange adjustments	(0.8)	_	-	(10.1)	(10.9)
Depreciation charge for the year	2.0	0.1	0.1	20.2	22.4
Assets written down pending closure of business	1.3	_	-	2.9	4.2
Impairment of assets prior to sale of subsidiary undertaking	_	_	-	5.6	5.6
Sale of subsidiary undertaking	(2.3)	_	_	(71.5)	(73.8)
Disposals	-	_	-	(1.5)	(1.5)
At 31 December 2011	19.3	2.6	1.2	217.4	240.5
Net book value					
At 31 December 2011	30.7	2.7	16.3	133.9	183.6

Freehold land amounting to $\pmb{\mathfrak{L}3.7}$ million (2011 $\pmb{\mathfrak{L}6.3}$ million) has not been depreciated.

17 Financial asset

The Group disposed of its Pharma Chemicals business on 30 November 2011. Part of the consideration agreed with the buyer, totalling \$10.0m, was in the form of a deferred payment to the Group which will be made by the buyer on or before 30 September 2014. In the event that the buyer is unable to fulfil his obligation, this deferred consideration is secured by an irrevocable bank guarantee held in favour of Synthomer plc by HSBC Bank plc.

In view of the security held, the Directors consider this deferred consideration virtually certain to be received and have therefore included it in these financial statements as a Non-Current Financial Asset, and within the Group's definition of Net Borrowings.

The amount of £5.6 million (2011 £5.6 million) included in Non-current assets represents the agreed amount of \$10.0 million discounted at the rate of 5% per annum from 30 September 2014 to date of completion, plus an appropriate amount unwound on this discounting in the period up to 31 December 2012.

18 Investment in joint ventures

To invocation in Joint Voltarios				
	2012 £m	2012 £m	2011 £m	2011 £m
At 1 January				
Share of non-current assets		10.2		0.9
Share of current assets		15.4		7.5
Share of current liabilities		(10.0)		(4.7)
Share of non-current liabilities		(1.3)		
		14.3		3.7
Share of net assets of acquired joint venture		_		11.0
		14.3		14.7
Share of income	58.8		57.4	
Share of expenses (including special items)	(55.3)		(53.5)	
	3.5		3.9	
Tax	(0.2)		(0.4)	
	3.3		3.5	
Dividends paid during the year	(3.2)		(3.4)	
Exchange adjustments	(0.5)		(0.5)	
Retained loss	(0.4)		(0.4)	
At 31 December				
Share of non-current assets		8.2		10.2
Share of current assets		19.0		15.4
Share of current liabilities		(13.3)		(10.0)
Share of non-current liabilities				(1.3)
		13.9		14.3

A list of principal subsidiary undertakings and joint ventures is given on page 89.

19 Inventories

	2012 £m	2011 £m
Raw materials and consumables	30.6	28.6
Finished goods	47.5	45.2
	78.1	73.8

The value of stock written off during the year was £0.8 million (2011 £1.4 million).

There is no material difference between the balance sheet value of inventories and their replacement cost.

The nature of the chemical reaction necessary to produce finished goods from raw materials is such that 'work in progress' is not a material part of the Group's inventory at any given point of time.

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20 Trade and other receivables

	2012 £m	2011 £m
Trade receivables	120.0	121.9
Amounts owed by joint ventures	0.6	0.9
Other receivables	16.7	22.9
Prepayments and accrued income	1.7	1.0
	139.0	146.7

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Credit risk

Amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

Before accepting a new customer, the Group uses appropriate procedures to assess the potential customer's credit quality in order to set a credit limit.

Ageing of trade receivables

	£m	£m
Not yet due	98.7	103.4
0 – 60 days overdue	20.3	19.0
61 – 120 days overdue	2.8	1.9
Over 120 days due	3.4	2.0
	125.2	126.3
Less: provision for impairment	(5.2)	(4.4)
	120.0	121.9

Provision	tor	impairmen	t o	t receivabl	es
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	£m	£m
At 1 January	4.4	2.8
Exchange adjustments	0.3	(0.1)
Provisions of acquired businesses	_	1.2
Provisions of sold businesses	_	(0.5)
Credit/(charge) for the year	1.0	1.5
Amounts written off as uncollectible	(0.5)	(0.5)
At 31 December	5.2	4.4

The provision is predominantly against trade receivables more than 61 days overdue.

21 Cash and borrowings

21 Oddir dira borrowingo		
	2012 £m	2011 £m
Current borrowings		
Bank loans		
Bank loans and overdrafts	0.4	_
Malaysian ringgits 100 million six-year amortising term loan	-	3.9
Other loans		
\$43.0m 5.55% Guaranteed Senior Unsecured Notes due 2 September 2012*	_	27.8
	0.4	31.7
Non-current borrowings		
Bank loans		
Unsecured £150.0 million multicurrency term loan facility expiring 2015	145.4	149.0
Malaysian ringgits 100 million six-year amortising term loan	_	9.8
Other loans		
\$70.0m 5.78% Guaranteed Senior Unsecured Notes due 2 September 2014*	43.3	45.3
\$22.0m 5.98% Guaranteed Senior Unsecured Notes due 2 September 2016*	13.6	14.2
<u> </u>	202.3	218.3
Less: capitalised costs	(1.9)	(2.4)
-	200.4	215.9

^{*} In aggregate £56.9 million, associated with which is the currency impact of derivatives of £6.1 million, net £50.8 million.

Bank loans are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents or government bond rates appropriate to the country in which the borrowing is incurred.

At 31 December 2012, the Group had available £60.0 million (2011 £60.0 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The directors calculate the carrying value of the Group's borrowings as follows:

Analysis of borrowings at carrying value by currency					
	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
31 December 2012					
Bank loans and overdrafts	0.4	_	_	_	0.4
Bank loans	-	-	145.4	-	145.4
Loan notes	-	56.9	_	-	56.9
Capitalised costs	(1.9)	_	_	-	(1.9)
	(1.5)	56.9	145.4	-	200.8
Cash and cash equivalents					(53.7)
Financial asset – see note 17					(5.6)
Net borrowings					141.5
Deduct: special item fair value adjustment					(6.1)
Add: special item non-recourse factoring					20.4
Net borrowings (underlying performance)					155.8

21 Cash and borrowings continued

	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
31 December 2011					
Bank loans	_	_	149.0	13.7	162.7
Loan notes	_	87.3	_	_	87.3
Capitalised costs	(2.4)	_	_	_	(2.4)
	(2.4)	87.3	149.0	13.7	247.6
Cash and cash equivalents					(85.9)
Financial asset – see note 17					(5.6)
Net borrowings					156.1
Deduct: special item fair value adjustment					(12.8)
Add: special item non-recourse factoring					21.0
Net borrowings (underlying performance)			-		164.3

The special item fair value adjustment represents the revaluation of US dollar loan notes from the rate of the related cross currency swaps to the year end rate, together with 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 prior to the adoption of IFRS.

Cash and cash equivalents are deposited with financial institutions with a credit rating of A or higher.

22 Financial instruments

The Group's treasury function operates procedures designed to reduce or eliminate financial risk and ensure that funds are available for current and future needs. The policies are approved by the Board and the use of financial instruments is strictly controlled.

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the cash and borrowings disclosed in note 21, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group's principal financial instruments comprise borrowings, some cash and liquid resources and various items, such as trade debtors and trade creditors, that arise directly from its operations. The Group also uses interest rate swaps, currency swaps and forward foreign currency contracts to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in Derivative Financial instruments shall be undertaken.

Set out below is a breakdown of the Group's financial assets and liabilities:

	201	2	201	1
	Loans and receivables £m	Fair value through profit and loss £m	Loans and receivables £m	Fair value through profit and loss £m
Financial assets				
Trade and other receivables excluding prepayments	137.3	_	145.7	_
Cash and cash equivalents	53.7	_	85.9	_
Financial asset	-	5.6	_	5.6
Derivatives at fair value	-	8.7	_	17.4
	191.0	14.3	231.6	23.0

	Amortised	Derivative instruments in designated hedge	i Amortised	Derivative nstruments in designated hedge
	cost £m	accounting £m	cost £m	accounting £m
Financial liabilities				
Loan notes	56.9	_	87.3	_
Bank loans and overdrafts	143.9	_	160.3	_
Derivatives at fair value	_	4.3	_	5.6
Trade and other payables excluding accruals	145.1	_	146.3	
	345.9	4.3	393.9	5.6

22 Financial instruments continued

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities:

		Carrying values at 31 December		es mber
	2012 £m	2011 £m	2012 £m	2011 £m
Fair value of financial assets				
Trade and other receivables excluding prepayments	137.3	145.7	137.3	145.7
Cash and cash equivalents	53.7	85.9	53.7	85.9
Financial asset	5.6	5.6	5.6	5.6
Derivatives at fair value	8.7	17.4	8.7	17.4
	205.3	254.6	205.3	254.6
Fair value of financial liabilities				
Loan notes	56.9	87.2	59.6	91.8
Bank loans and overdrafts	143.9	160.4	143.5	160.4
Derivatives at fair value	4.3	5.6	4.3	5.6
Trade and other payables excluding accruals	145.1	146.3	145.1	146.3
	350.2	399.5	352.5	404.1

Fair values have been obtained from the relevant institutions where appropriate. Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flow at prevailing interest rates and by applying year end exchange rates. The carrying amount of short-term borrowings approximates to book value.

The fair value of the Group's financial instruments are measured using inputs other than quoted prices that are directly or indirectly observable.

The main risks arising from the Group's financial instruments are market risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below, together with related disclosure required by IFRS.

Market risk

The Group's main exposure to market risk is in the form of interest rate risk and foreign currency risk. The policies adopted to address these risks are as follows:

Interest rate risk

The Group finances its operations through a mixture of retained profits, loan notes and bank borrowings. The Group borrows at both fixed and floating rates of interest and uses interest rate swaps to generate the desired interest profile in order to manage the Group's exposure to interest rate fluctuations.

Foreign currency risk

The Group uses currency borrowings, forward contracts and currency swaps to hedge overseas net assets, which are predominantly denominated in euros. Profit translation exposures are not hedged.

The Group hedges currency transaction exposures at the point of confirmed order, using forward foreign exchange contracts. The Group's policy is, where practicable, to hedge all exposures on monetary assets and liabilities. Consequently, there are no material currency exposures to disclose (2011 none).

Impact on income statement

Changes in the fair value of derivative contracts amounting to £1.7 million have been debited to the income statement in the year (2011 debit of £3.3 million). These changes are shown separately as a special item in the consolidated income statement.

22 Financial instruments continued

Hedge accounting

The Group has a number of cross currency swaps that are used to reduce the exposure to interest rate and currency risk.

These swaps are fully effective at eliminating the risks they address. The Group has reviewed the requirements necessary to permit the application of hedge accounting under IAS39. It has concluded that the costs involved in meeting these requirements cannot be justified and therefore IAS39 hedge accounting will not be applied.

Changes in the fair value of derivative financial instruments to which hedge accounting is not applied are recognised in the income statement as they arise.

The Group has designated a number of Interest Rate Swap agreements, acquired as part of the acquisition of PolymerLatex Group, which in combination represent a floating to fixed interest rate swap on a principal euro amount of €156 million, as an effective hedge against the interest rate exposure associated with a substantial portion of the Group's euro denominated, floating rate, £150 million term loan. As such these contracts are now accounted for as Cashflow Hedges as permitted by IAS39.

In addition, the Group has taken out forward foreign exchange contracts to fix the sterling value of its net investments in certain foreign operations, which have a euro functional currency. These contracts, together with €177.8 million drawn on the multicurrency term loan facility have been accounted for as net investment hedges as permitted by IAS39.

Interest rate risk profile

Financial liabilities

After taking into account the various interest rate and currency swaps entered into by the Group, the currency and interest rate exposure of the Group as at 31 December 2012 was:

		2012		2011			
	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m	
Sterling	19.3	30.0	49.3	32.1	40.0	72.1	
Euro	17.9	127.5	145.4	18.3	130.7	149.0	
US dollar	-	_	_	_	_	_	
Other	_	_	_	13.7	_	13.7	
	37.2	157.5	194.7	64.1	170.7	234.8	
Cash and cash equivalents			(53.7)			(85.9)	
Financial asset – see note 17			(5.6)			(5.6)	
Add: special item non-recourse factoring			20.4			21.0	
Net borrowings (underlying performance)			155.8			164.3	

The effective interest rate for the year was 4.7% (2011 4.4%).

Sensitivity analysis

The following table illustrates the effect on the income statement and items that are recognised directly in equity that would result from reasonably possible movements in UK and US interest rates and in euro and US dollar to sterling exchange rates, before the effect of tax.

		2011				
	Income sta	tement	Equity	Income stat	tement	Equity
	Underlying -/+ £m	IFRS -/+ £m	IFRS -/+ £m	Underlying -/+ £m	IFRS -/+ £m	IFRS -/+ £m
Interest rate sensitivity analysis						
UK interest rate +/- 1.0%	0.2	0.6	_	0.3	1.2	_
Euro interest rate +/- 1.0%	0.4	0.4	1.2	0.4	0.4	2.5
US interest rate +/- 1.0%	-	1.3	-	_	2.2	_
Foreign currency sensitivity analysis						
Euro exchange rate -/+ 10%	0.4	0.4	3.3	0.8	0.8	3.6
US dollar exchange rate -/+ 10%		0.7	_	_	1.1	

22 Financial instruments continued

The interest rate sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

The foreign currency sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or borrower.

Liquidity risk

The objective of the Group is to meet financial commitments as and when they fall due. The Board closely monitors liquidity through monthly management accounts.

At the year end, Synthomer plc had the following principal facilities:

A committed syndicated bank facility of £210 million comprising a £150 million term loan which was drawndown in euros on completion of the PolymerLatex acquisition, and a £60 million revolving credit facility which was undrawn at 31 December 2012.

Unsecured loan notes totalling approximately £51 million raised from the US private placement market in 2004. With maturity between 2014 and 2016, these loan notes provide the Group's long-term requirements. Please see note 21 for further details.

The following table details the remaining contractual maturity for non-derivative financial liabilities:

	2012							2011		
•		Amoun	t due			Amount due				
	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	Total £m	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	Total £m
Non-interest bearing										
Trade and other payables excluding accruals Variable interest	145.1	-	-	-	145.1	146.1	0.2	-	_	146.3
rate instruments Bank loans and overdrafts	3.9	3.4	146.2	_	153.5	9.7	9.9	161.4	_	181.0
Fixed interest rate instruments										
Loan notes	3.3	46.6	15.3	-	65.2	32.8	3.5	64.7	_	101.0
	152.3	50.0	161.5	_	363.8	188.6	13.6	226.1	_	428.3

The following table details the remaining contractual maturity for non-derivative financial assets:

	2012						2011			
		Amoun	t due				Amoun	t due		
	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	Total £m	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	Total £m
Non-interest bearing										
Trade and other receivables excluding prepayments Financial asset Variable interest rate instruments	137.3 -	- 5.6	-	- -	137.3 5.6	145.7 -	<u>-</u>	- 5.6	- -	145.7 5.6
Cash and cash equivalents	53.7	_	_	_	53.7	85.9	_	_	_	85.9
	191.0	5.6	_	-	196.6	231.6	_	5.6	_	237.2

22 Financial instruments continued

The following table details the remaining contractual maturity for its derivative financial instruments:

		2012					2011			
	Amount due						Amount due			
	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	Total £m	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	Total £m
Interest rate swaps	(4.5)	-	-	_	(4.5)	(2.4)	(2.3)	_	_	(4.7)
Cross currency swaps Foreign exchange	(1.4)	(1.0)	(0.3)	-	(2.7)	(1.9)	(1.2)	(1.5)	_	(4.6)
forward contracts	(0.7)	_	_	_	(0.7)	0.8	_	_	_	0.8
	(6.6)	(1.0)	(0.3)	_	(7.9)	(3.5)	(3.5)	(1.5)	_	(8.5)

In accordance with IFRS 7, the above table shows undiscounted cash flows. In contrast IAS39 requires these items to be carried in, the balance sheet at fair value, which is based on discounted cash flows.

23 Trade and other payables

	2012 £m	2011 £m
Amount due within one year		
Trade creditors	121.9	102.8
Other creditors	23.2	43.4
Accruals and deferred income	39.7	47.5
	184.8	193.7
Amount due in greater than one year		
Other creditors	_	0.2
	184.8	193.9

Average trade creditor days in 2012 was **66** (2011 51). This figure represents trade creditor days for all trading operations within the Group, calculated as a weighted average based on cost of sales.

The directors consider that the carrying amount of trade payables approximates to their fair value.

24 Post retirement benefit obligations

Charge to income statement in respect of the Group's pension schemes:

_	2012 £m				2011 £m			2010 £m			2009 £m		2008 £m		
	UK O	verseas	Total	UK O	/erseas	Total	UK O	verseas	Total	UK O	verseas	Total	UK O	erseas	Total
Defined benefit	0.6	2.7	3.3	1.2	2.4	3.6	1.8	0.7	2.5	3.2	0.7	3.9	1.0	0.4	1.4
Defined contribution	1.5	3.6	5.1	1.8	2.6	4.4	1.4	0.9	2.3	0.5	0.8	1.3	0.4	0.8	1.2
	2.1	6.3	8.4	3.0	5.0	8.0	3.2	1.6	4.8	3.7	1.5	5.2	1.4	1.2	2.6

Notes to the consolidated financial statements

continued

24 Post retirement benefit obligations continued

The fair value of the assets in the schemes, and the present value of the liabilities in the schemes at each balance sheet date were:

		2012 £m			2011 £m			2010 £m			2009 £m		2008 £m		
	UK (Overseas	Total	UK (Overseas	Total									
Present value of funded defined benefit obligations	(301.5)	(56.8)	(358.3)	(272.1)	(50.0)	(322.1)	(250.2)	(15.3)	(265.5)	(241.5)	(14.0)	(255.5)	(205.7)	(13.5)	(219.2)
Fair value of scheme assets	232.0	6.6	238.6	198.2	6.0	204.2	193.7	5.8	199.5	171.5	5.3	176.8	138.3	5.3	143.6
Post retirement benefit obligations	(69.5)	(50.2)	(119.7)	(73.9)	(44.0)	(117.9)	(56.5)	(9.5)	(66.0)	(70.0)	(8.7)	(78.7)	(67.4)	(8.2)	(75.6)

UK pension schemes

The Group's UK defined benefit scheme was closed to future accrual in 2009. All pension benefits since that time are provided by way of a defined contribution scheme.

The assets of the scheme are held separately from those of the companies concerned.

Contributions to the scheme are charged to the profit and loss account to spread the cost of pensions over employees' working lives within the Group.

Defined benefit scheme

The major assumptions used in the calculation of the IAS19 liability are:

	2012	2011	2010	2009	2008
Rate of increase in salaries	N/A	N/A	N/A	3.00%	2.60%
Rate of increase in pensions in payment	3.00%	3.00%	3.25%	3.00%	2.50%
Rate of increase in pensions in deferment	2.00%	2.00%	2.25%	3.00%	2.50%
Discount rate	4.60%	4.80%	5.40%	5.70%	6.50%
Rates of return on plan assets	6.56%	6.62%	7.12%	8.22%	7.31%
Inflation assumption	3.00%	3.00%	3.25%	3.00%	2.60%

In addition, for calculating the 2012 liability, the mortality tables used assumed a 65 year old man will live to 86.9 and a 65 year old woman will live to 89.0 with a 1.25% improvement rate.

24 Post retirement benefit obligations (continued)

Amount charged to operating profit

				2012 £m	2011 £m
Current service cost				0.5	0.7
Expected return on plan assets				(13.0)	(12.7)
Interest cost relating to pension scheme liabilities				13.1	13.2
				0.6	1.2
Actuarial loss recognised in the statement of comprehensive i	ncome				
				2012	2011
Actual vatuura laga ayya aataal vatuura ay ya ya ya ahaya aabayaa a				£m	£m
Actual return less expected return on pension scheme assets				13.2	(10.4)
Experience gains and losses arising on the scheme liabilities				(27.6)	(19.1)
				(14.4)	(29.5)
				2012 £m	2011 £m
Cumulative actuarial (losses)/gains recognised in the statement	of other compr	ehensive inco	me	(83.1)	(68.7)
History of experience gains and losses	2012	2011	2010	2000	2009
	2012	2011	2010	2009	2008
History of experience gains and losses Difference between the expected and actual return on scheme assets:	2012	2011	2010	2009	2008
Difference between the expected and actual return on	2012	2011	2010 7.6	2009	2008
Difference between the expected and actual return on scheme assets:		-			
Difference between the expected and actual return on scheme assets: Amount (£m)	13.2	(10.4)	7.6	21.2	(64.7)
Difference between the expected and actual return on scheme assets: Amount (£m) Percentage of scheme assets (%) Experience gains and losses arising on the scheme	13.2	(10.4)	7.6	21.2	(64.7)
Difference between the expected and actual return on scheme assets: Amount (£m) Percentage of scheme assets (%) Experience gains and losses arising on the scheme liabilities:	13.2 5.7	(10.4) (5.3)	7.6 3.9	21.2 12.4	(64.7) (46.8)
Difference between the expected and actual return on scheme assets: Amount (£m) Percentage of scheme assets (%) Experience gains and losses arising on the scheme liabilities: Amount (£m)	13.2 5.7 (27.6)	(10.4) (5.3)	7.6 3.9 (6.5)	21.2 12.4 (32.8)	(64.7) (46.8) 25.3
Difference between the expected and actual return on scheme assets: Amount (£m) Percentage of scheme assets (%) Experience gains and losses arising on the scheme liabilities: Amount (£m) Percentage of the present value of scheme liabilities (%) Total actuarial (losses)/gains recognised in the statement	13.2 5.7 (27.6)	(10.4) (5.3)	7.6 3.9 (6.5)	21.2 12.4 (32.8)	(64.7) (46.8) 25.3

The actual return on plan assets was £26,159,000 (2011 £2,263,000).

Movements in the present value of defined benefit obligations were as follows:

	2012	2011
	£m	£m
At 1 January	(272.1)	(250.2)
Current service cost	(0.5)	(0.7)
Interest cost	(13.2)	(13.2)
Experience gains and losses arising on the scheme liabilities	(27.6)	(19.1)
Cash paid by sponsoring companies	0.5	0.7
Benefits paid	11.2	10.4
At 31 December	(301.5)	(272.1)

Notes to the consolidated financial statements continued

24 Post retirement benefit obligations (continued)

Movements in the fair value of the scheme assets were as follows:

	2012	2011
	£m	£m
At 1 January	198.2	193.7
Expected return on scheme assets	13.0	12.7
Actual return less expected return on pension scheme assets	13.2	(10.4)
Contributions from sponsoring companies	18.8	12.6
Benefits paid	(11.2)	(10.4)
At 31 December	232.0	198.2

Contributions from the sponsoring companies are expected to be less than £5,000,000 in 2013.

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

	2012 %	2012 £m	2011 %	2011 £m	2010 %	2010 £m	2009 %	2009 £m	2008 %	2008 £m
Equities	7.80	119.2	7.80	104.8	7.70	110.4	8.00	113.4	9.00	90.3
Bonds	4.60	80.8	4.80	69.4	5.40	60.8	5.70	54.3	6.70	47.6
Property	7.80	20.1	7.80	18.7	7.70	10.5		_		_
Cash	1.00	11.9	0.80	5.3	2.00	12.0	2.00	3.8	4.25	0.4
Total fair value of assets		232.0		198.2		193.7		171.5		138.3
Present value of scheme liabilities		(301.5)		(272.1)		(250.2)		(241.5)		(205.7)
Post retirement benefit obligations		(69.5)		(73.9)		(56.5)		(70.0)		(67.4)

Overseas pension schemes

The Group operates a number of smaller overseas pension and post-retirement schemes. The assets of these schemes are held separately from those of the Group, with the exception of the unfunded German schemes (net liability £47.7 million, 2011 £42.7 million), where in line with common practice, the assets are held within the respective companies.

Defined benefit schemes

The aggregated pension disclosure below for the overseas defined benefit schemes has been compiled from a number of actuarial valuations at 31 December 2012.

The largest of these schemes accounts for £37.8 million (2011 £34.5 million) of the deficit at 31 December 2012. The major assumptions used in the actuarial valuation of this scheme are:

	2012	2011
Rate of increase in salaries	3.00%	3.00%
Rate of increase in pensions	2.00%	2.00%
Discount rate	3.80%	4.50%
Inflation assumption	3.00%	3.00%

The major assumption used in the valuation of the other overseas schemes do not differ significantly from the above.

Amount charged to operating profit

	2012 £m	2011 £m
Current service cost	0.5	0.5
Expected return on plan assets	(0.1)	(0.1)
Interest cost relating to pension scheme liabilities	2.3	2.0
	2.7	2.4

24 Post retirement benefit obligations (continued)

Actuarial (loss)/gain recognised in the statement of comprehensive income

	2012	2011
	£m	£m
Actual return less expected return on pension scheme assets	0.6	0.3
Experience gains and losses arising on the scheme liabilities	(6.2)	(4.8)
	(5.6)	(4.5)
	2012 £m	2011 £m
Cumulative actuarial (losses)/gains recognised in the statement of other comprehensive income	(8.3)	(2.7)

The actual return on plan assets was £0.7 million (2011 £0.4 million gain).

Analysis of the movements in the net balance sheet liability before deferred tax

	2012	2011
	£m	£m
Net liability at 1 January	(44.0)	(9.5)
Acquisition of PolymerLatex	_	(30.8)
Total expense as detailed above	(2.7)	(2.3)
Contributions made	1.3	1.1
Actuarial gain	(5.6)	(4.5)
Exchange movements	0.8	2.0
Net liability at 31 December	(50.2)	(44.0)

25 Share capital

	£m	2011 £m
Issued and fully paid		
339,880,769 (2011 339,880,769) ordinary shares of 10 pence each	34.0	34.0

Ordinary shares carry no right to fixed income.

Share options

As at 31 December 2012 the following options were outstanding:

Executive share options	Number	Option price
Exercisable between 2013-2018	224,647	(a)
Exercisable between 2013-2019	2,257,495	(b)
Exercisable between 2013-2020	926,046	(c)
Exercisable between 2014-2021	1,252,443	(d)
Exercisable between 2015-2022	866,456	(e)

⁽a) options granted under the Performance Share Plan with a total exercise price of $\mathfrak{L}2$. (b) options granted under the Performance Share Plan with a total exercise price of $\mathfrak{L}9$. (c) options granted under the Performance Share Plan with a total exercise price of $\mathfrak{L}16$.

⁽d) options granted under the Performance Share Plan with a total exercise price of £17. (e) options granted under the Performance Share Plan with a total exercise price of £23.

Notes to the consolidated financial statements continued

26 Reconciliation of operating profit to cash generated from operations

20 Neconclination of operating profit to cash generated from operations		
	2012 £m	2011 £m
Operating profit – continuing operations	74.9	54.4
Operating profit – discontinued operations	_	4.1
Less: share of profits of joint ventures	(3.3)	(3.5)
	71.6	55.0
Adjustments for:		
Depreciation (underlying)	18.1	22.4
Amortisation (underlying)	0.3	0.4
Amortisation: special items	25.8	19.1
Restructuring and site closure - cash costs	6.0	15.8
- non-cash costs	0.7	4.4
Share-based payments	1.1	1.3
Acquisition costs expensed in the period	_	1.4
Profit on sale of fixed assets	(0.1)	(0.2)
Acquisition costs cash spent in the period	(0.4)	(4.4)
Termination of interest swap acquired	-	(3.0)
Share based payments – cash cost	(6.8)	-
Cash impact of restructuring and site closure	(11.4)	(5.8)
Cash impact of termination of discontinued operations	-	(0.4)
Pension funding in excess of IAS19 charge	(17.3)	(11.0)
(Increase)/decrease in inventories	(5.9)	7.3
Decrease/(increase) in trade and other receivables	4.8	(8.5)
Decrease in trade and other payables	(8.0)	(13.6)
Cash generated from operations	85.7	80.2
Reconciliation of movement in working capital		
	2012	2011
	£m	£m
(Increase)/decrease in inventories	(5.9)	7.3
Decrease/(increase) in trade and other receivables	4.8	(8.5)
Decrease in trade and other payables	(8.0)	(13.6)
Movement in working capital	(1.9)	(14.8)
Add back: reduction in factored invoices	0.6	9.8
Movement in working capital (underlying)	(1.3)	(5.0)

27 Analysis of changes in net borrowings

	Exchange				
		1 January Cash inflows/			er 31 December
	2012 £m	(outflows) £m	movements £m	2012 £m	
Cash and cash equivalents	85.9	(31.1)	(1.1)	53.7	
Current borrowing – Bank overdrafts	_	(0.4)	` _	(0.4)	
	85.9	(31.5)	(1.1)	53.3	
Financial asset	5.6	_	_	5.6	
Current borrowings	(31.7)	27.7	4.0	_	
Non-current borrowings	(215.9)	9.2	6.3	(200.4)	
Net borrowings	(156.1)	5.4	9.2	(141.5)	
Deduct: special item fair value adjustment	12.8	_	(6.7)	6.1	
	(143.3)	5.4	2.5	(135.4)	
Add: special item factoring	(21.0)	_	0.6	(20.4)	
Net borrowings (underlying performance)	(164.3)	5.4	3.1	(155.8)	

The special item represents the revaluation of US dollar loan notes from the rate of the related cross currency swaps to the year end rate, together with 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 economic hedges.

28 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. Transactions between the Company and its subsidiaries are disclosed in the Company's financial statements where appropriate.

Key management compensation

	2012 £m	2011 £m
Short-term employee benefits	3.6	3.7
Post retirement benefit obligations	0.3	0.3
Share-based payments	1.5	1.4
	5.4	5.4

The key management figures given above include the directors and members of the Executive Committee.

29 Commitments

	2012 £m	2011 £m
Capital expenditure authorised but not provided for in the financial statements		
Contracted	13.7	9.4
	2012 £m	2011 £m
Commitments under operating leases are as follows		
Payments under operating leases which fall due:		
Within 1 year	3.4	3.8
Between 2 and 5 years	7.4	8.5
After 5 years	16.6	17.6
	27.4	29.9

30 Contingent assets, contingent liabilities and guarantees

Guarantees of the parent company in respect of bank and other facilities of subsidiaries and joint ventures totalled £5.7 million (2011 £17.5 million).

Other guarantees and contingent liabilities of the Group amount to £0.3 million (2011 £0.4 million).

The Company and its subsidiaries have, in the normal course of business, entered into guarantees and counter-indemnities in respect of performance bonds, relating to the Group's own contracts.

Notes to the consolidated financial statements continued

31 Share-based payments

Executive share option schemes

Details of the share option schemes available to senior management are included in the remuneration report on pages 35 to 39.

The charge to profit is calculated on the assumption that, given that the exercise price is effectively nil, the share price at grant provides a reasonable estimate of the option value at grant.

	Options 2012	Weighted average exercise price (£) 2012	Options 2011	Weighted average exercise price (£) 2011
Outstanding at 1 January	7,515,639	_	6,517,753	_
Granted during the period	866,456	_	1,411,135	_
Exercised during the period	(2,793,242)	_	(124,086)	_
Lapsed during the period	(61,766)	_	(289,163)	_
Outstanding at 31 December	5,527,087	-	7,515,639	_
Exercisable at 31 December	736,412		1,783,959	

For options outstanding as at 31 December 2012, the exercise price was £nil and the weighted average remaining contractual life was **4.2 years** (2011 4.4 years).

Yule Catto Employee Benefit Trust

The Company established a trust, the Yule Catto Employee Benefit Trust, on 17 July 1996 to distribute shares to employees enabling the obligations under the Yule Catto Longer-Term Performance Share Plan and the Yule Catto Longer-Term Deferred Bonus Plan to be met. The Trust is managed by the RBC Trustees (Guernsey) Limited, an independent company located in Guernsey.

At 31 December 2012, the Trust held **331,502** (2011 331,502) ordinary shares in the company with a market value of £0.6 million (2011 £0.5 million).

The dividends on these shares have been waived. All of the shares are under option. Costs are amortised over the life of the plans.

32 Share price information

The middle market value of the listed ordinary shares at 31 December 2012 was 188.6 pence. During the year, the market price ranged between 127.4 pence and 251.0 pence. The latest ordinary share price is available on the Financial Times Cityline service, telephone 09058 171690.

33 Reconciliation of EBITDA

	Underlying performance		IFRS	
	2012 £m	2011 £m	2012 £m	2011 £m
Operating profit	109.0	96.4	74.9	54.4
Add: Acquisition costs	_	_	_	1.4
Add: Restructuring and site closure – cash costs	_	_	6.0	15.8
Add: Restructuring and site closure - non-cash costs	-	_	0.7	4.4
Add back: amortisation – underlying	0.3	0.4	0.3	0.4
Add back: amortisation – special items (a)	_	_	27.4	20.4
Add back: depreciation – underlying	18.1	18.4	18.1	18.4
EBITDA	127.4	115.2	127.4	115.2

(a) including amounts attributable to joint ventures.

Independent auditor's report to the members of Synthomer plc

We have audited the parent company financial statements of Synthomer plc for the year ended 31 December 2012 which comprise the parent Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 40, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006 In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Synthomer plc for the year ended 31 December 2012.

Andrew Latham (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors St Albans 14 March 2013

Company balance sheet 31 December 2012

	Note	2012 £m	2011 £m
Fixed assets			
Tangible fixed assets	5	2.6	2.6
Investments	6	289.2	272.9
		291.8	275.5
Current assets			
Debtors	7	767.0	1,174.3
Cash at bank and in hand		4.9	31.1
Derivatives at fair value		8.7	17.4
		780.6	1,222.8
Creditors – amounts falling due within one year			
Borrowings	8	(65.4)	(72.3)
Other creditors	10	(121.1)	(813.9)
		(186.5)	(886.2)
Net current assets/(liabilities)		594.1	336.6
Total assets less current liabilities		885.9	612.1
Creditors – amounts falling due after more than one year			
Borrowings	8	(200.4)	(206.1)
Net assets		685.5	406.0
Capital and reserves			
Called up share capital	11	34.0	34.0
Share premium	12	230.5	230.5
Revaluation reserve	12	0.8	0.8
Capital redemption reserve	12	0.9	0.9
Profit and loss account	12	419.3	139.8
Shareholders funds		685.5	406.0
Analysis of net borrowings			
Cash at bank and in hand		4.9	31.1
Borrowings due in less than one year		(65.4)	(72.3)
Borrowings due after more than one year		(200.4)	(206.1)
Net borrowings		(260.9)	(247.3)
Deduct: special item		6.1	12.8
Net borrowings (underlying performance)	8	(254.8)	(234.5)

The financial statements of Synthomer plc (formerly Yule Catto & Co plc) (registered number 98381) on pages 80 to 88 were approved on 14 March 2013.

A M Whitfield D C Blackwood Directors

Company financial statements

Notes to the company financial statements

31 December 2012

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of certain fixed assets, and comply with applicable UK accounting standards and the Companies Act 2006.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset plus the costs attributable to bringing the asset to its working condition for its intended use. Except for freehold land, which is not depreciated, the cost or valuation of tangible fixed assets is depreciated on a straight-line basis over their expected useful lives as follows:

Freehold buildings

Leasehold land and buildings

- -50 years
- the lesser of 50 years and the period of the lease

Plant and equipment

- between 3 and 10 years

Revaluation of properties

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Intercompany

Intercompany balances are shown gross unless a right of set off exists.

Borrowings

Borrowings are initially stated at the amount of the net proceeds after deduction of issue costs.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

Financial instruments

Financial assets and financial liabilities (including derivative instruments) are recognised on the Company balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade debtors

Trade debtors do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade creditors

Trade creditors are not interest-bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including cross currency interest rate swaps and forward foreign exchange contracts. The Company does not hold or issue derivative financial instruments for speculative purposes.

Notes to the company financial statements continued

1 Accounting policies continued

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in the profit and loss account immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the profit and loss account depends on the nature of the hedge relationship. The Company designates certain derivatives as fair value hedges.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives.

Fair value hedge accounting

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting for foreign currency exposure associated with the underlying hedged item. The gain or loss relating to the ineffective portion is also recognised in the profit and loss account.

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.

Pension funding

The costs of contributions to the Group's pension schemes and of augmenting existing pensions are charged to the profit and loss account on a systematic basis over the expected period of benefits from employees' service.

The UK defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in separate trustee-administered funds.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Auditor's remuneration

The audit fee of Synthomer plc amounted to £4,000 (2011 £7,000).

3 Profit attributable to equity shareholders

	2012	2011
UK GAAP basis*	£m	£m
Attributable to Synthomer plc (formerly – Yule Catto & Co plc)	300.0	39.1

As permitted by Section 408 of the Companies Act 2006 no profit and loss account is presented for Synthomer plc (formerly Yule Catto & Co plc).

4 Ordinary dividends

	2012 Pence per share	2011 Pence per share	2012 £m	2011 £m
Interim dividend	2.2	1.2	7.5	4.1
Proposed final dividend	3.3	2.3	11.2	7.8

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.

^{*} The above has been calculated on a UK GAAP basis as this is consistent with the continued presentation of Synthomer plc's (formerly Yule Catto & Co plc) accounts under UK GAAP.

5 Tangible fixed assets

	Land and	buildings		
	Freeholds £m	Long leaseholds £m	Plant and equipment £m	Total £m
Cost or valuation				
At 1 January 2012	2.8	0.1	1.7	4.6
Additions	_	_	0.2	0.2
Disposals	_	_	(0.1)	(0.1)
At 31 December 2012	2.8	0.1	1.8	4.7
At cost	_	_	1.8	1.8
At professional valuation in 1985	2.8	0.1	_	2.9
	2.8	0.1	1.8	4.7
Accumulated Depreciation				
At 1 January 2012	0.5	0.1	1.4	2.0
Charge for the year	0.1	_	0.1	0.2
Eliminated on disposals	_	_	(0.1)	(0.1)
At 31 December 2012	0.6	0.1	1.4	2.1
Net book value				
At 31 December 2012	2.2		0.4	2.6
Net book value				
At 31 December 2011	2.3	_	0.3	2.6

Properties included at valuation would have been stated on a historical cost basis at cost of £1.9 million (2011 £1.9 million) and depreciation of £0.5 million (2011 £0.5 million).

Freehold land amounting to £1.8 million (2011 £1.8 million) has not been depreciated.

6 Investments

		Joint	Other	
	Subsidiaries	ventures	investments	Total
Cook	£m	£m	£m	£m
Cost				
At 1 January 2012	273.7	0.5	0.1	274.3
Additions	284.7	_	_	284.7
Transfers to group companies	(212.7)	_	_	(212.7)
Disposals	(6.7)	_	_	(6.7)
Hedge adjustment (see below)	0.7	_	_	0.7
At 31 December 2012	339.7	0.5	0.1	340.3
Provisions				
At 1 January 2012	1.1	0.2	0.1	1.4
Impairment	50.3	_	_	50.3
Released on disposals	(0.6)	_	_	(0.6)
At 31 December 2012	50.8	0.2	0.1	51.1
Net book value				
At 31 December 2012	288.9	0.3	_	289.2
7.0. 5000501	200.0	0.0		
Net book value				
At 31 December 2011	272.6	0.3	_	272.9

A list of principal subsidiary undertakings and joint ventures is given on page 89.

Notes to the company financial statements continued

6 Investments continued

Additions for the year represent the investment in Ennismore Limited, a company incorporated in Jersey. A total amount of €350.1 million (£284.7 million) was invested. The Company has designated its euro denominated £150 million multicurrency term loan facility of €177.8 million (see note 8) as a FRS 26 fair value hedge against €177.8 million of this investment. Under FRS 26, the hedged portion of this investment is re-translated at the year end spot rate with the resulting gain or loss being taken to the profit and loss account, where it is fully offset by the exchange gain or loss resulting from the re-translation of the term loan facility at the same date.

Also included within the movement in investments during the year were the transfer of the Company's investment in Synthomer (UK) Limited to a subsidiary of the group, and the disposal and impairment of various non-trading companies which are no longer required.

7 Debtors

	2012	2011
	£m	£m
Amounts owed by subsidiaries	766.8	1,162.6
Other debtors	0.2	11.7
	767.0	1,174.3

Prior year intercompany balances have been restated to accord with the presentation adopted in the current period. This had the effect of increasing amounts owed by subsidiaries by £803.6 million and increasing amounts owed to subsidiaries by an equivalent amount.

8 Borrowings

	2012 £m	2011 £m
Current borrowings		
Bank loans		
Bank loans and overdrafts	65.4	44.5
Other loans		
\$43.0 million 5.55% Guaranteed Senior Unsecured Notes due 2 September 2012*	-	27.8
	65.4	72.3
Non-current borrowings Bank loans Unsecured £150.0 million multicurrency term loan facility expiring 2015	145.4	149.0
Other loans		
\$70.0 million 5.78% Guaranteed Senior Unsecured Notes due 2 September 2014*	43.3	45.3
\$22.0 million 5.98% Guaranteed Senior Unsecured Notes due 2 September 2016*	13.6	14.2
	202.3	208.5
Less: capitalised costs	(1.9)	(2.4)
	200.4	206.1

^{*} In aggregate £56.9 million (2011 £87.3 million), associated with which is the currency impact of derivatives of £6.1 million (2011 £12.8 million), net £50.8 million (2011 £74.5 million).

Bank loans are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents.

At 31 December 2012, the Company had available £60.0 million (2011 £60.0 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

8 Borrowings continued

Analysis of borrowings at carrying value by currency

The directors calculate the carrying value of the Company's borrowings as follows:

	Sterling £m	US dollar £m	Euro £m	Total £m
31 December 2012				
Bank loans and overdrafts	26.2	1.4	183.2	210.8
Loan notes	-	56.9	_	56.9
Capitalised costs	(1.9)	_	_	(1.9)
	24.3	58.3	183.2	265.8
Cash and cash equivalents				(4.9)
Net borrowings				260.9
Deduct: special item*				(6.1)
Net borrowings (underlying performance)				254.8
	Sterling	US dollar	Euro	Total
	£m	£m	£m	£m
31 December 2011				
Bank loans and overdrafts	7.9	0.8	184.8	193.5
Loan notes	_	87.3	_	87.3
Capitalised costs	(2.4)	_	_	(2.4)
	5.5	88.1	184.8	278.4
Cash and cash equivalents				(31.1)
Net borrowings				247.3
Deduct: special item*				(12.8)
Net borrowings (underlying performance)				234.5

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

9 Financial instruments

The fair value of derivative financial instruments has been disclosed in the Company's balance sheet as:

	2012					
	Loans and receivables £m	Fair value through Profit and Loss £m	Total carrying value £m	Loans and receivables £m	Fair value through Profit and Loss £m	Total carrying value £m
Fair value of financial assets						
Trade and other receivables excluding prepayments	767.0	_	767.0	1,174.3	_	1,174.3
Cash and cash equivalents	4.9	_	4.9	31.1	_	31.1
Derivatives at fair value	_	8.7	8.7	_	17.4	17.4
	771.9	8.7	780.6	1,205.4	17.4	1,222.8

	2012				2011	
	Loans and payables at amortised cost £m	Fair value through Profit and Loss £m	Total carrying value £m	Loans and payables at amortised cost £m	Fair value through Profit and Loss £m	Total carrying value £m
Fair value of financial liabilities						
Loan notes	56.9	_	56.9	87.3	_	87.3
Bank loans and overdrafts	208.9	_	208.9	191.1	_	191.1
Trade and other payables excluding accruals	115.0	_	115.0	807.0	_	807.0
	380.8	_	380.8	1,085.4	_	1,085.4

^{*} The special item represents the revaluation of US dollar loan notes from the rate of the related cross currency swaps to the year end rate, together with 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 pre FRS 26 UK GAAP.

Notes to the company financial statements continued

10 Other creditors

	2012 £m	2011 £m
Amount due within one year		
Trade creditors	0.6	1.2
Amounts owed to subsidiaries	113.5	803.6
Other taxation and social security	0.1	0.1
Other creditors	0.8	2.1
Accruals and deferred income	6.1	6.9
	121.1	813.9
11 Called up share capital		
	2012 £m	2011 £m
Issued and fully paid		
339,880,769 (2011 339,880,769) ordinary shares of 10 pence each	34.0	34.0
Issued and nil paid		
Nil (2011 Nil) ordinary shares of 10 pence each	_	
Ordinary shares carry no right to fixed income.		
Share options As at 31 December 2012 the following options were outstanding:		
Executive share options	Number	Option price

224,647

926,046

866,456

2,257,495

1,252,443

(a)

(b)

(c)

(d)

(e)

Exercisable between 2013-2018

Exercisable between 2013-2019

Exercisable between 2013-2020

Exercisable between 2014-2021

Exercisable between 2015-2022

⁽a) Options granted under the Performance Share Plan with a total exercise price of £2.

⁽b) Options granted under the Performance Share Plan with a total exercise price of £9.

⁽c) Options granted under the Performance Share Plan with a total exercise price of £16.

(d) Options granted under the Performance Share Plan with a total exercise price of £17.

⁽e) Options granted under the Performance Share Plan with a total exercise price of £23.

12 Share premium and reserves

			Capital		
	Share	Revaluation	redemption	Profit and	
	premium	reserve	reserve	loss account	Total
	£m	£m	£m	£m	£m
At 1 January 2012	230.5	0.8	0.9	139.8	372.0
Profit for the year	_	_	_	300.0	300.0
Dividends	_	_	_	(15.3)	(15.3)
Retained profit for the year	_	_	_	284.7	284.7
Share-based payments	_	_	_	(5.2)	(5.2)
At 31 December 2012	230.5	0.8	0.9	419.3	651.5

13 Related party transactions

There were no related party transactions during the year (2011 none), other than those in respect of key management compensation which are disclosed in note 28 of the consolidated financial statements on page 77.

14 Guarantees and other financial commitments

The Company has given guarantees amounting to £5.7 million (2011 £17.5 million) in respect of bank and other facilities of subsidiaries and joint ventures.

15 Pension commitments

The Group participates in a funded scheme with both a defined benefit and defined contribution section (the Yule Catto Group Retirement Benefit Scheme). The scheme's defined benefit section was closed to new members with effect from 31 December 1998 and with effect from 1 January 1999 a defined contribution section was introduced and is open to all eligible Group employees. During 2009 the Group announced that it intended to close the defined benefit scheme to future accrual. This process commenced in 2009 and was completed in September 2010.

The assets of the scheme are held separately from those of the companies concerned.

The pension charge for the year for the Company amounted to £19.4 million (2011 £14.1 million).

In accordance with FRS 17, the Company will account for its contributions to the defined benefit scheme as if it were a defined contribution scheme because it is not possible to identify the Company's share of the assets and liabilities in the scheme on a consistent and reasonable basis. The latest actuarial valuation of the scheme prepared for the purposes of making transitional disclosure in accordance with FRS 17 shows a net pension liability of £69.5 million at 31 December 2012 (2011 £73.9 million).

FRS 17 disclosure

Due to the application of IAS19 to the Group financial statements, resulting in changes to the required disclosures at Group level, the disclosure requirements of FRS 17 for the Group have been included below.

The major assumptions used in the calculation of the FRS 17 liability are:

	2012	2011	2010	2009	2008
Rate of increase in salaries	N/A	N/A	N/A	3.00%	2.60%
Rate of increase in pensions in payment	3.00%	3.00%	3.25%	3.00%	2.50%
Rate of increase in pensions in deferment	2.00%	2.00%	2.25%	3.00%	2.50%
Discount rate	4.60%	4.80%	5.40%	5.70%	6.50%
Inflation assumption	3.00%	3.25%	3.25%	3.00%	2.60%

Notes to the company financial statements continued

15 Pension commitments continued

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

	2012 %	2012 £m	2011 %	2011 £m	2010 %	2010 £m	2009 %	2009 £m	2008 %	2008 £m
Equities	7.80	119.2	6.60	104.8	7.70	110.4	8.00	113.4	9.00	90.3
Bonds	4.60	80.8	4.80	69.4	5.40	60.8	5.70	54.3	6.70	47.6
Property	7.80	20.1	6.60	18.7	7.70	10.5	_	_	_	_
Cash	1.00	11.9	0.80	5.3	2.00	12.0	2.00	3.8	4.25	0.4
Total fair value of assets		232.0		198.2		193.7		171.5		138.3
Present value of scheme liabilities		(301.5)		(272.1)		(250.2)		(241.5)		(205.7)
Deficit in the scheme		(69.5)		(73.9)		(56.5)		(70.0)		(67.4)
Related deferred tax asset		7.1		_		_		_		_
Net pension liability		(62.4)		(73.9)		(56.5)		(70.0)		(67.4)

Contributions from the sponsoring companies are expected to be less than £5.0 million in 2013.

Analysis of the amount that would have been charged to operating profit under FRS 17

	£m	£m
Current service cost	0.5	0.7
	0.5	0.7
Analysis of the amount that would have been showed to not finance in	and a supplier FDC 17	

Analysis of the amount that would have been charged to het illiance income under Fh3 17		
	2012 £m	2011 £m
Expected return on pension scheme assets	(13.0)	(12.7)
Interest on pension scheme liabilities	13.1	13.2
	0.1	0.5

Analysis of the actuarial (loss)/gain that would have been recognised in the statement of total recognised gains and losses

	2012 £m	2011 £m
Actual return less expected return on pension scheme assets	13.2	(10.4)
Experience gains and losses arising on the scheme liabilities	(27.6)	(19.1)
	(14.4)	(29.5)

History of experience gains and losses

i note: y or experience game and recess					
	2012	2011	2010	2009	2008
Difference between the expected and actual return on scheme assets:					
Amount (£m)	13.2	(10.4)	7.6	21.2	(64.7)
Percentage of scheme assets (%)	5.7	(5.2)	3.9	12.3	(46.7)
Experience (losses)/gains on scheme liabilities:					
Amount (£m)	(27.6)	(19.1)	(6.5)	(32.8)	25.3
Percentage of the present value of scheme liabilities (%)	(9.2)	(7.0)	(2.6)	(13.6)	12.3
Total actuarial (losses)/gains recognised in the statement of total recognised gains and losses:					
Amount (£m)	(14.4)	(29.5)	1.1	(11.6)	(39.4)
Percentage of the present value of scheme liabilities (%)	(4.8)	(10.8)	0.4	(4.8)	(19.2)

16 Share-based payments

For details of share-based payments please refer to note 31 to the consolidated financial statements on page 78.

Principal subsidiaries and joint ventures

Operating companies	Country of incorporation and operation	Group interest in equity %
Arkem (Pty) Ltd	South Africa	50#
Distributor of specialty chemicals and allied products		
Eka Synthomer Oy	Finland	50#
Styrene-butadiene latex products		
Quality Polymer Sdn Bhd	Malaysia	70
Acrylic and vinyl polymer dispersions		
Revertex (Malaysia) Sdn Bhd	Malaysia	70
Synthetic resin and emulsions, natural rubber latices, plasticers and allied products		
Synthomer BV	Netherlands	100
Latex based compounds		
Synthomer (Pty) Ltd	South Africa	100
Synthetic resin and emulsions and allied products		
Synthomer Deutschland GmbH	Germany	100
Synthetic rubber latices and emulsions		
Synthomer GmbH	Germany	100
Synthetic rubber latices		
Synthomer (UK) Ltd	England	100
Synthetic emulsions, latex based compounds, polyvinyl alcohol/acetate and liquid polybutadiene		
Synthomer Middle East Company	Saudi Arabia	49#
Acrylic and vinyl resin emulsions		
Synthomer SAE	Egypt	88
Latex based compounds		
Synthomer Sdn Bhd	Malaysia	100
Synthetic rubber latices		
Synthomer S.r.I.	Italy	100
Synthetic rubber latices and acrylic polymer dispersions		
Synthomer Vietnam Co. Ltd	Vietnam	60
Acrylic and vinyl emulsions		
William Blythe Ltd	England	100
Inorganic chemicals		
Holding companies		
Synthomer Holdings Ltd	England	100*
Yule Catto Holdings GmbH	Germany	100
Yule Catto Nederland BV	Netherlands	100

[#] Joint ventures.* Shares held by Synthomer plc.

Five-year financial summary

Underlying performance (a) (f)		2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Total sales		1,111.8	1,116.8	582.9	466.9	527.2
EBITDA	(b)	127.4	115.2	60.7	54.0	42.0
Operating profit	(C)	109.0	96.4	50.4	43.8	36.4
Finance costs		(10.9)	(11.6)	(7.8)	(9.8)	(10.5)
Profit before taxation		98.1	84.8	42.6	34.0	25.9
Basic earnings per share		22.0p	18.8p	14.5p	11.3p	9.2p
Dividends per share		5.5p	3.5p	2.6p	N/A	2.6p
Dividend cover		4.0	5.4	5.6	N/A	3.5
Net borrowings	(e)	(155.8)	(164.3)	(63.4)	(88.0)	(135.5)
Capital expenditure	(d)	39.2	24.2	10.6	8.7	17.0
IEDO continuir a constitue (f)		2012	2011	2010	2009	2008
IFRS – continuing operations (f)		£m	£m	£m	£m	£m
Total sales	// \	1,111.8	1,116.8	588.5	478.1	538.3
EBITDA	(b)	127.4	115.2	60.7	54.0	42.0
Operating profit	(C)	74.9	54.4	59.4	45.9	37.3
Finance costs		(12.6)	(14.9)	(5.2)	(14.3)	(1.9)
Profit before taxation		62.3	39.5	54.2	31.6	35.4
Basic earnings per share	(f)	16.7p	9.8p	20.7p	11.8p	12.9p
Dividends per share		5.5p	3.5p	2.6p	N/A	2.6p
Dividend cover		3.0	2.8	8.0	N/A	5.0
Net borrowings	(e)	(141.5)	(156.1)	(76.0)	(97.6)	(161.4)
Capital expenditure	(d)	39.2	24.2	10.6	8.7	17.0

⁽a) As presented in the consolidated income statement on page 42.

⁽a) As presented in the consolidated income statement on page 42.
(b) As defined in the accounting policies at note 2 and reconciled in note 33.
(c) As defined in note 2 to the financial statements on page 51.
(d) As shown with the consolidated cash flow statement on page 45.
(e) As defined in note 2 to the financial statements and reconciled in note 21.
(f) 2008 to 2010 figures restated to exclude Pharma Chemicals.

Notes

Notes



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Synthomer plc Temple Fields Harlow Essex CM20 2BH UK T +44 (0)1279 442 791 F +44 (0)1279 641 360 www.synthomer.com