Investing for growth

Synthomer plc
Annual Report 2015

Essential read

Chairman's statement
It has been an excellent year for Synthomer with the Group reporting record underlying profit before tax.

Read more on pages **04-06**

Chief Executive Officer's review
2015 has been a year of strong progress, supported by favourable nitrile market conditions and our focus on innovation, increased capacity and tight cost controls.

Read more on pages **07-09**

Strategy in action
Our new Alcotex®Eco product is an example of our new technology innovations which anticipates the needs of our customers.

Read more on pages **14-15**

Strategy in action
Synthomer has long experience in supporting speciality paint manufacturers in challenging applications.

Read more on pages **16-17**

Strategy in action
The markets which our health and protection business serves continue to grow strongly.

Read more on pages **18-19**

Strategic report

Governance

Group financial statements

Company financial statements

Other information






We deliver products to customers in over 100 countries around the world. Synthomer is a speciality chemical company. Our innovative technologies are used to create sophisticated formulations for thousands of customers across a diverse range of industries.

19
manufacturing
sites across the world

Keeping your wooden floor looking good

Using natural materials such as wood and stone in our homes continues to be a strong trend. As a result, there is an increasing demand to ensure the products are protected against wear and tear.

Our latest water-borne, environmentally friendly binders for speciality wood coatings offer excellent scratch resistance and protection against the daily challenges of normal life.

Improved packaging adhesives

With retail moving online, delivering customer products undamaged to customers has become more demanding for logistic providers. Synthomer's low noise tape adhesive is used to coat packaging tapes. It is environmentally friendly, provides a good bonding strength and low noise.

35ktes

estimated market for low noise packaging adhesives

No.2

in Europe for low noise packaging adhesives

Covering our buildings

Cladding can be an effective way of insulating buildings and reducing energy consumption. Our binding products are used to stick together glass meshes that provide insulation to buildings.

Two-thirds

of real estate is inefficiently insulated

No.1

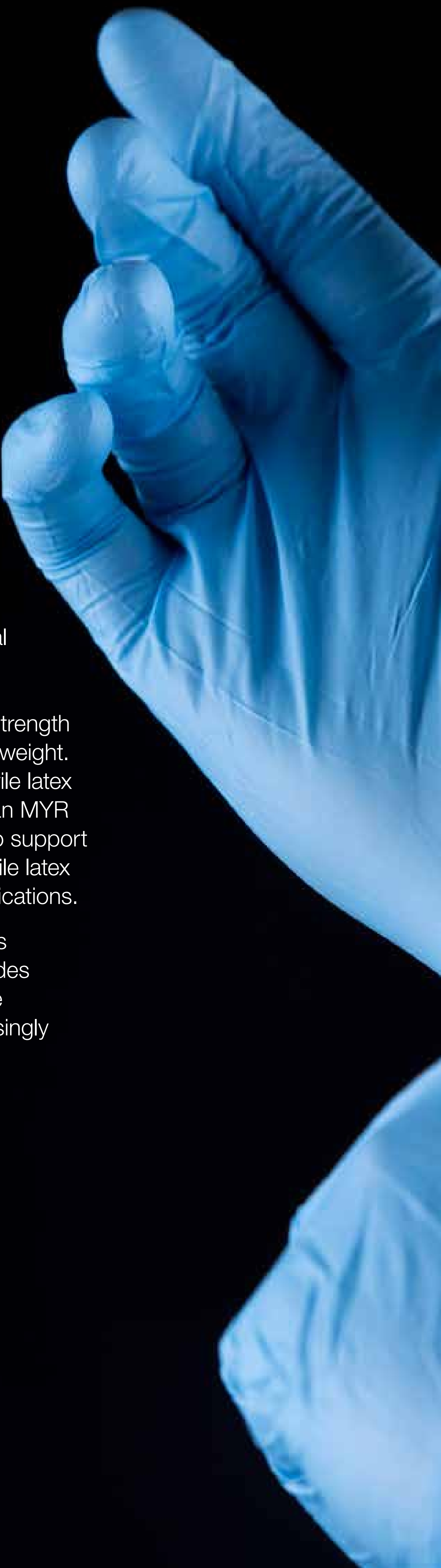
in Europe for textile and fibre bonding

The grass
is always green…

The demand for artificial turf has grown since its invention in the 1970s. Synthomer's speciality latices and compounds ensure long term durability of the turf in all weather conditions.

50m

square metres of artificial turf sold in Europe in 2014



Gloves balancing strength and feel

Manufacturers of disposable medical examination gloves are continuously striving to enhance their products' performance with improved tensile strength and elongation whilst reducing their weight. Synthomer is the world's leading nitrile latex producer and has invested more than MYR 600 million in Malaysia since 2001 to support the production and innovation of nitrile latex for medical and industrial glove applications.

To meet these needs Synthomer has developed a range of innovative grades of nitrile latex which enable the glove manufacturers to meet these increasingly challenging industry requirements

No.1

Synthomer's market position in the global nitrile latex market

5.8%

CAGR market growth rate for NBR glove (between 2014–2020)

Source: Rubberworld news Feb 3rd 2016

Lithene Ultra®

silence in action

The transportation industry is continually looking to reduce weight through use of light materials such as plastics, adhesives or composites. Synthomer's Lithene ultra® products are a constituent element of the sound dampening spray used inside vehicle panels and allow different materials to be joined together.

58%

expected increase in use of structural adhesives in cars by 2020

R&D sustainable innovation

Synthomer has a focused global R&D capability. 120 people working on innovation and our next generation of products in dedicated laboratories in Germany, UK and Malaysia.

For more information, go to **www.synthomer.com**.

18%
of turnover from products less than 5 years old

Well positioned for future growth

Financial highlights

Total sales[b]	Underlying operating profit[a]	IFRS operating profit
£894.0m	**£102.9m**	**£80.3m**
2014: £990.5m	2014: £96.5m	2014: £65.1m
EBITDA	**Underlying profit before taxation[a]**	**IFRS profit before taxation**
£125.0m	**£95.3m**	**£72.5m**
2014: £118.0m	2014: £86.0m	2014: £53.8m
Ordinary dividends per share	**Underlying earnings per share[a]**	**IFRS earnings per share**
8.6p	**21.5p**	**17.8p**
2014: 7.8p	2014: 19.5p	2014: 13.3p

Commercial highlights (underlying[a])

- Resilient operating performance in Europe and North America (ENA):

  EBIT at £73.3m stable relative to 2014 (2014: £85.7m) before adverse currency impact of £6.0m and higher group wide employee bonuses of £6.9m.

  Cost savings programme delivered annualised savings of €7m; on track to achieve annualised savings of €13m by the end of 2016.

- Asia and Rest of the World (ARW) very strong:

  EBIT up 128% to £40.5m (2014: £17.8m) mainly driven by Malaysian nitrile butadiene rubber business; and up 176% before adverse currency of £4.3m and bonuses of £4.3m.

  Construction and coatings had a good year in all geographical areas: Malaysia, Middle East and Africa.

- R&D driving innovation:

  Products launched in last 5 years representing 18% of sales (2014: 16%).

- Significant cash generation:

  Cash flow before financing grew significantly to £84.4m (2014: £49.6m).

- Strong operational progress:

  Strengthened executive management team; operational head office re-located to London with executive team in one place.

- Earnings per share:

  Underlying earnings per share for the year rose 10% to 21.5p (2014: 19.5p).

- Dividend:

  Full year dividend increased by 10% to 8.6p per share in line with dividend policy (2014: 7.8p per share).

(a) Underlying performance excludes special items as shown in the consolidated income statement. This is primarily amortisation of acquired intangibles of £23.7m (2014: £27.0m).
(b) Total sales includes Group revenue and share of joint venture revenue.

Our business at a glance

Global view with local market expertise

Synthomer is one of the world's major suppliers of latices and speciality emulsion polymers supporting leadership positions in many markets including coatings, construction, textiles, paper, and synthetic latex gloves.

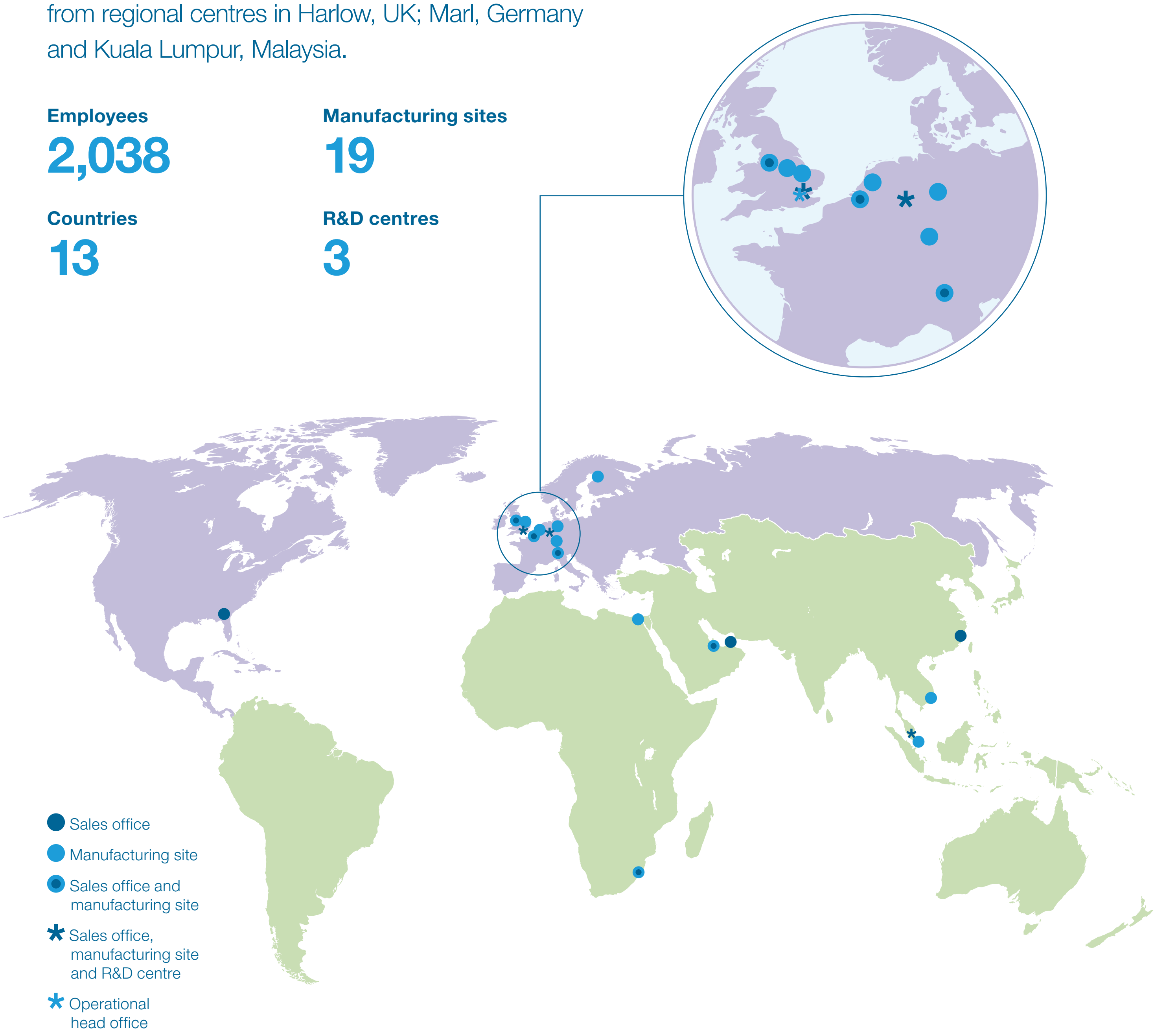
The Company has its operational headquarters in London, UK and provides customer-focused services from regional centres in Harlow, UK; Marl, Germany and Kuala Lumpur, Malaysia.

Employees
2,038

Manufacturing sites
19

Countries
13

R&D centres
3



Europe and North America

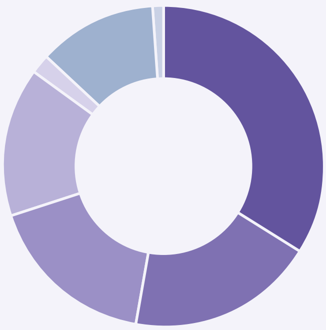
Volumes (ktes)
820.7
2014: 794.3

Underlying EBITDA
£85.5m
2014: £97.5m

Sales
£582.1m
2014: £687.2m

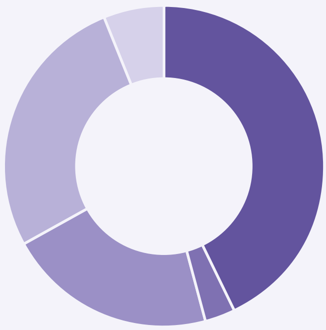
Underlying operating profit
£73.3m
2014: £85.7m

Volume by market



- Paper **34%**
- Carpet & Foam **19%**
- Construction & Coatings **17%**
- Functional Polymers **15%**
- Health & Protection **2%**
- Specialities **12%**
- Other **1%**

Sales by product



- Latex SBR **43%**
- Latex NBR **3%**
- Dispersions **21%**
- Specialities **27%**
- Compounds **6%**

Read more on pages **34-35**

Asia and Rest of World

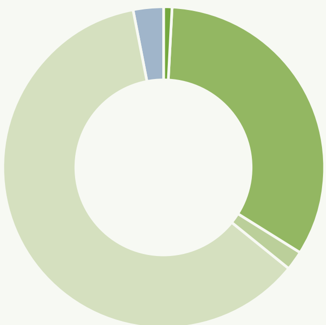
Volumes (ktes)
430.5
2014: 396.5

Underlying EBITDA
£50.3m
2014: 27.5m

Sales
£311.9m
2014: £303.3m

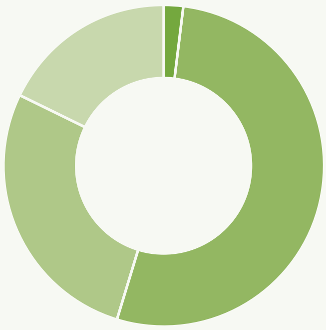
Underlying operating profit
£40.5m
2014: £17.8m

Volume by market



- Carpet & Foam **1%**
- Construction & Coatings **33%**
- Functional Polymers **2%**
- Health & Protection **61%**
- Other **3%**

Sales by product



- Latex SBR **2%**
- Latext NBR **54%**
- Dispersions **28%**
- Specialities **16%**

Read more on pages **36-37**

Chairman's statement

Investing for growth

Neil Johnson
Chairman

Governance highlights

- Full compliance with revised UK Corporate Governance Code
- Extension of our experience and diversity of the Board with the appointment of Caroline Johnstone as independent non-executive director and Chair of Audit Committee
- Improved boardroom dynamics and effectiveness following external evaluation
- Significant strengthening of the Group's succession planning process

"An excellent year for Synthomer with the Group reporting record underlying profit. It reflects favourable market conditions in our nitrile business and our focus on innovation, increased capacity and tight cost control."

Performance

2015 has been an excellent year for Synthomer, reflecting favourable market conditions in our nitrile business in Asia and our ongoing strategic initiatives to invest in future growth through innovation, increased capacity and tight cost control. Sales volumes were 5.0% higher in the year rising to 1,251ktes in 2015 (2014: 1,191ktes). The increase in volumes reflected growth across both the Europe and North America (ENA), and Asia and Rest of World (ARW) segments, as well as across all strategic business units. Total sales reduced by 9.7% to £894.0m (2014: £990.5m), with the impact of the rise in sales volumes being offset by both the depreciation in the Euro during 2015, and as a result a fall in raw material prices.

Underlying profit before tax increased by 11% to a record level of £95.3m (2014: £86.0m). This improvement was despite the adverse impact of currency of £10.3m and the significant rise of employee bonuses of £12.5m given the strong operating performance.

Cash flow before financing at £84.4m (2014: £49.6m) was also a record high for Synthomer, mainly benefiting from higher earnings and lower working capital, partly as a result of the fall in raw material prices.

This year's significant improvement in performance of our business was driven by our ARW segment where both our nitrile butadiene rubber (NBR) business and our dispersions businesses have had a very strong year. ARW operating profit up 127.5% to £40.5m (2014: £17.8m). Equally important was the stability and resilience of our business in ENA where operating profit was flat once the adverse impact of the currency translation and the rise in employee bonuses are taken into account.

Safety, health and environment

The Board remains resolute in its view that the Group's standards in relation to safety, health and environment are of the utmost importance to the profitability and well-being of our business, and that no compromise is acceptable in the drive for continuous improvement in our standards. Each day should end with employees returning home safely, with the chemical processes being well controlled throughout the day, and with no incidents giving rise to losses of containment and damage to our environment. We have made progress in all these areas and the Group's reportable lost time accident rate improved in 2015 to give Synthomer its best ever performance as set out in our Resources and Relationships report on pages 20 to 27 of the Annual Report.

Governance

The Board is committed to a focused and proportionate governance framework which supports, and is an integral part of, the investment and growth strategy of the Group. The Board sets the governance agenda, the composition, skills and diversity of the Board, and the evolution of the Group strategy under the new executive team. The Board considers its own effectiveness and the effectiveness of the governance structure in balancing the risks and rewards associated with the Group's activities.

Further information on our corporate governance policies and procedures is set out in our Corporate governance report on pages 44 to 52 of this Annual Report.

Board changes

At the start of 2015, we welcomed Calum MacLean who took over from Adrian Whitfield as our new Chief Executive Officer. In May 2015, Stephen Bennett joined as Chief Financial Officer, replacing David Blackwood who announced his intention to retire from the Group in December 2014. Like Calum, Steve joined from INEOS, where he had held a number of senior finance positions in different businesses, and brings a wealth of chemicals, and merger & acquisitions experience to Synthomer. Jez Maiden, our Senior Independent Director and Chair of the Audit Committee, stood down from the Board this year after eight years with the Company. Brendan Connolly succeeded him as Senior Independent Director, and Caroline Johnstone, formerly a partner at PricewaterhouseCoopers, joined the Board as a non-executive director and Chair of the Audit Committee in April.

The solid foundations laid under Adrian's leadership and the new impetus of the Group have been supported by selected recruitment of key personnel, which forms an experienced executive team capable of driving Synthomer to the next level in the medium term.

Our people

I commented last year on our Core Values programme that defines the qualities, characteristics and culture of our organisation. A key component of the Core Values programme is our people and we have appointed an experienced Group HR Director to lead our HR strategies in succession, recruitment, grade structure & rewards and training, and our investment in our current and future employees. Having an appropriate HR structure and policies is an integral part of our investment for growth, and will become increasingly important as we move our business forward both organically and through acquisitions.

In a year when the Group has reported a record set of results, I would like to thank our employees, across all our businesses, who have worked hard to deliver this excellent performance, for their significant contribution and commitment.

Dividend

The Board has recommended an increase in the final dividend per share to 5.4p (2014: 4.8p), with the total dividend per share declared in 2015 up 10.3% at 8.6p (2014: 7.8p). The final dividend per share is subject to shareholder approval at the Annual General Meeting on 28 April 2016 and will be distributed to shareholders on the register at 3 June 2016.

As provided for in the Capital Management Policy of the Group announced during 2014, the Board is committed to supporting the ambitious growth strategy of the Group, whilst maintaining an efficient, but flexible balance sheet. The Board will periodically assess the strength of the balance sheet and will continue to consider one off returns if the balance sheet becomes structurally below 1 times.

Outlook

Synthomer has had an excellent year in terms of earnings and cash flows, and we remain confident that the Group is well placed to capture value through the strategies that we have put in place. However, we also recognise that there are a number of challenges currently facing the global economy, including the uncertainty surrounding China, and the consequent knock-on impact on both global oil and feedstock prices.

Given the general economic environment, our outlook for the ENA businesses remains cautious with overall volumes and unit margins continuing at similar levels through 2016. In relation to ARW, which is heavily influenced by our Asian nitrile business, we are aware that a number of nitrile producers, including Synthomer, have announced plans to increase capacity during the latter part of 2016 and early 2017. Whilst we are confident of continued strong growth in demand from the nitrile glove manufacturers during 2016 and beyond, we expect this planned capacity increase to impact the supply/demand balance during the second half of 2016 leading to similar volumes and margins to 2015 for the year as a whole.

Neil Johnson
Chairman
1 March 2016

Chief Executive Officer's review

Investing for growth

Calum MacLean
Chief Executive Officer

Strategic highlights

- Strengthen Group organisation structure
- Further progress maximising the efficiency of our business
- Continued R&D investment to drive innovation
- Well positioned for continued organic and acquisitive growth

"2015 has been a year of strong progress, supported by favourable nitrile market conditions and our focus on innovation, increased capacity and tight cost controls."

Introduction

2015 has been a year of strong progress for Synthomer. The sound decisions made by the previous management to invest in innovation and capacity expansion, coupled with our ongoing focus on cost control and favourable market conditions in our nitrile business, have underpinned record earnings and cash flows.

Underlying profit before tax at £95.3m (2014: £86.0m) is the highest recorded by the Group, surpassing the previous high of £94.6m in 2012. The underlying profit before tax is 11% higher than 2014, 23% higher at constant currency and 37% higher at constant currency and constant bonus.

Strong cash generation remains a key feature of our business and cash flow before financing was £84.4m (2014: £49.6m). This helped to fuel our continued investment in innovation and capacity expansion, a strategic initiative that has yielded good returns. As a speciality chemical company, continued investment, both organically and through selective acquisitions, is a priority to underpin our continued momentum.

On becoming Chief Executive Officer, my first priority was to develop a thorough understanding of the business, its people, and the opportunities available in order to set the strategy for growth. As a focused aqueous polymers business, with strong market positions in Europe and Asia and Rest of World, Synthomer can generate solid earnings growth of between 3% and 4% over the cycle, supported by strong cash flow given modest underlying capital requirements. Our executive team will continue to ensure that our existing business is well run and that we focus on organic growth in the business, underpinned by global mega-trends. In addition, the planned development of the Group to become a more diversified, broad-based speciality chemicals company represents an evolution in the strategy and direction, and we are actively focused on finding the right acquisition opportunities at the right price.

A key metric for the Group, as a speciality chemicals business, is measuring its progress in research and development through reporting the progress on new products launched to the market. The proportion of sales generated in the year that related to new products launched in the previous five years was 18% (2014: 16%).

Safety, health and environment

As a business that has more than 2,000 employees across 19 production sites, and that handles and consumes hazardous chemicals, Synthomer's success is directly related to the Group conducting its business in a safe and responsible way. The Group's standards in relation to safety, health and environment are of the utmost importance to the Board, and to the profitability and well-being of our business. We are committed to a programme of continuous improvement in our standards. Our progress in driving for continuous improvement is set out in our Resources and Relationships report on pages 20 to 27 of this report.

Segmental review

Europe and North America

Consistent with the trend in the overall level of economic activity in Europe, on a like-for-like basis adjusting for both currency and employee bonuses, our Europe and North America segment has had a relatively stable year in terms of underlying operating profits. Overall volumes in 2015 were a little higher than the prior year, excluding our paper volumes which continued to trend downwards in-line with the reduction in market demand for paper. Average Euro unit margins in 2015 were also higher than 2014, reflecting a number of factors including the raw material price reductions late in 2014, implementation of selective price increases and affirmative action to exit low margin business.

Asia and Rest of World

Our Asia and Rest of World business had a very successful year with underlying operating profits rising significantly. Whilst the very strong growth was underpinned by our health and protection business in Asia where volumes and margins increased by 11% and 5% respectively, our construction and coatings business in Malaysia, the Middle East and Africa also had a good year, albeit overshadowed by the exceptional growth in health and protection business. As commented earlier, the health and protection business benefited from the investments in both capacity and innovation made in the last few years which, coupled with the continued growth in demand for our nitrile butadiene rubber latex from the surgical glove manufacturers, resulted in the reported improvement in both volumes and margins.

A full review of our ENA and ARW results is set out in our segmental review on pages 34 to 37.

New executive team and London HQ

In order to capture both the organic growth and acquisition opportunities, we have made a number of important changes to the way the business is run, including the streamlining of the executive management team, the recruitment of a small number of experienced senior personnel, and the opening of our new operational head office in London.

The new executive team of seven now comprises three executives leading our regional and specialities businesses, the Head of Group Operations and the Group General Counsel together with the Group Chief Financial Officer and myself. The new team benefits from the experience, knowledge and understanding of those who have been with the Group for some time, and from the fresh impetus and insight from the three of us who have joined in the last 12 months. In addition to the new Head of Group Operations, we have recruited a Global HR Director and Group Chief Information

Officer. All three have considerable experience in their respective fields and represent an investment in the human skills capital of the Group. I am confident they will add considerable value to the existing Group, and their expertise means that we are well positioned in the event we need to integrate new businesses.

We opened a new head office in London in September and, with the exception of our head of Asia who is based in Kuala Lumpur, all the members of the executive team, together with the key senior managers of the Group, are now based there. The new open plan office brings together the key commercial, operational, development and financial managers greatly enhancing the interaction and communication within our team.

Organic growth strategy

Our organic growth strategy is necessarily tailored to our specific market positions.

In our ENA segment, we are mainly focused on the styrene butadiene rubber and dispersions businesses. Our European styrene butadiene rubber business, which serves the paper, and carpet and foam manufacturers, operates in a market characterised by overcapacity among a few large producers, and accordingly our strategy centres on innovation, strong cost and cash controls, and asset rationalisation. Our dispersions business, which principally serves the construction and coatings, and adhesives and fibre bonding manufacturers, operates in a growth market that is fragmented, with well utilised capacity. Our strategy is to focus on innovation, cost and cash control, running the assets hard, and an evolving asset strategy that is aimed at cost effective debottlenecking of existing plant capacity and consolidation. We are progressing with our Synthomer 2015 cost reduction programme and at the end of 2015, annualised cost savings of €7m had been delivered, with a further €6m expected in 2016.

In our ARW segment, our business is centred on the nitrile butadiene rubber and dispersions businesses. The nitrile butadiene rubber business is focused around a Malaysian asset base and principally serves the disposable glove manufacturers. The end market is relatively young and is growing rapidly. As market leader, our strategy is to invest both in innovation and capacity to maintain our leadership position and capture the strong market growth dynamics. We are actively progressing the expansion of our Pasir Gudang facility to add a further 120ktes of nitrile butadiene rubber capacity, capitalising on the value of the existing site infrastructure, with a view to this coming online during mid-2017. The dispersions manufacturing base is more evenly spread across Malaysia and the Middle East and Africa, and in these geographies serves mainly the construction and coatings producers. We have seen good growth in these markets in recent years underpinned by our strategy to invest in innovation and capacity, and expand our dispersions product offering.

Acquisition strategy

Acquisitions are clearly highly dependent on finding the right opportunities at the right price. We have established an experienced and skilled team who are able to carry out comprehensive due diligence to ensure that every transaction opportunity is fully evaluated. This is a critical component of a successful acquisition strategy. Whilst we are fully committed and enthusiastic to acquire new businesses, we will only do so if the target offers growth potential, synergies and sustainable profitability. The existing Synthomer business is a strong market leader within its chosen markets, and any additions made through acquisition should be equally speciality in nature. Target transactions can include consolidation opportunities in our existing markets as well as speciality chemicals business in adjacent fields.

Our reference criteria for adjacent speciality chemicals businesses are those that have similar EBITDA margins to our existing businesses, include investment in research and development, have technical services teams working closely with customers to develop customer specific formulations, have proven products with market leading positions, and have good people/assets. We will be opportunistic in looking at potential targets and not limit the selection by reference to geography or chemistry.

Outlook

Synthomer has had an excellent year in terms of earnings and cash flows, and we remain confident that the Group is well placed to capture value through the strategies that we have put in place. However, we also recognise that there are a number of challenges currently facing the global economy, including the uncertainty surrounding China, and the consequent knock-on impact on both global oil and feedstock prices.

Given the general economic environment, our outlook for the ENA businesses remains cautious with overall volumes and unit margins continuing at similar levels through 2016. In relation to ARW, which is heavily influenced by our Asian nitrile business, we are aware that a number of nitrile producers, including Synthomer, have announced plans to increase capacity during the latter part of 2016 and early 2017. Whilst we are confident of continued strong growth in demand from the nitrile glove manufacturers during 2016 and beyond, we expect this planned capacity increase to impact the supply/demand balance during the second half of 2016 leading to similar volumes and margins to 2015 for the year as a whole.

Calum MacLean
Chief Executive Officer
1 March 2016

Global trends driving innovation

What we make	Styrene Butadiene Rubber (SBR)	Nitrile Butadiene Latex (NBR)
Market position	No.1 producer in Europe	No.1 producer globally
Which markets do they serve	Paper, carpet and foam markets	Health and protection
Which products are they used in	Coated paper, packaging, bindings for carpet, foams for mattresses, pillows and shoes	Medical gloves, medical devices (e.g. catheters) and other dipped latex products
Europe and North America		
Where we manufacture	Germany, Italy and Finland	Italy
Turnover	**£249.3m**	**£18.0m**
Market trends	↓	↑
Outlook	Paper and carpet markets are expected to decline slowly. Foam market is looking positive.	Demand in-line with strong growth main Asia/US markets.
Priorities	Innovation, strong cost and cash control and asset rationalisation. Capacity improvements to supply foam markets.	Innovation, operational efficiencies capacity expansion.
Asia and Rest of World		
Where we manufacture	Malaysia, South Africa	Malaysia
Turnover	**£5.0m**	**£167.8m**
Market trends	↑	↑
Geographical trends	Good demand expected medium term.	High growth in end user demand for nitrile latex gloves.
Priorities	Introduce products from Europe and look to maximise asset capacity.	Innovation, capacity expansion, operational efficiencies.

Dispersions	Specialities	Compounds
	(including inorganic products).	(Specialist SBR and High Solid SBR formulations).
No.1 producer in Malaysia and No.1 acrylic and vinylic producer in the Middle East		No.1 High Solids SBR producer globally
Construction, coatings, adhesives and textiles	Specialist markets including automotive, PVC manufacturers and construction	Speciality products for a range of markets including mattress and carpet markets
Cement modification, primers, flooring adhesives, flexible roof coatings, emulsion and specialist paints and coatings	Automotive sound dampening, PVC, polyester resins, catalysts and flame retardants	Compounds for carpet backing and high solid latex applications

Germany, Italy and UK	UK	UK, Netherlands and Egypt
£123.0m	**£154.7m**	**£37.1m**
Markets are growing, higher demand for specialist niche products.	Positive outlook, though challenges in certain catalysts markets.	Market generally follows the carpet market. This is a competitive fragmented market.
Innovation, strong cost and cash control, capacity debottlenecking, operational efficiencies and consolidation.	Innovation, capacity expansion, operational efficiencies.	Innovation, capacity debottlenecking, operational efficiencies.

Malaysia, Vietnam, Middle East and South Africa	Malaysia	
£87.7m	**£51.1m**	
Near term slow down in growth expected in Middle East and Asia in-line with construction industry, good demand medium term.	Increase in demand expected.	
Innovation, capacity expansion and introduction of new products from Europe into market.	Continue to supplement market growth from Europe.	

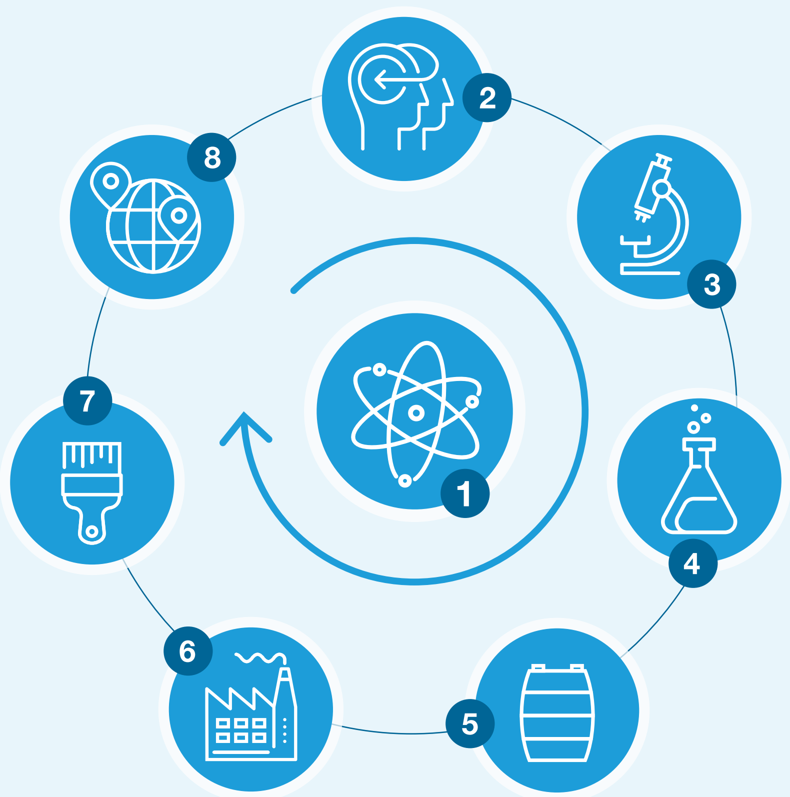
Creating and sustaining long-term value

Synthomer is a speciality chemical company. We are close to customers, understanding their needs and this, combined with our innovative technology, gives us our competitive advantage.

We produce sophisticated formulations for thousands of customers in a diversity of industries, from construction and coatings to healthcare and automotive. Our strategic procurement specialists acquire the upstream raw materials used in our complex production process.

The production process involves controlling the pressure, temperature and duration of mixing reactions of our raw materials so as to create specific formulations. Our highly

Our sustainable value chain



1 Research and development
Our three research and development 'centres of excellence' work to both develop products for our customers and also to improve the efficiency of their manufacture.

2 Consumers
We monitor mega-trends and market developments to ensure our formulations are meeting the requirements not only of our customers but the end users of their products.

3 Technical services
Our technical services work with our customers to ensure we are providing the right formulation for their needs.

4 Formulations
Our formulations are designed for use in customer specific products.

5 Sourcing raw materials
We work closely with our suppliers, ensuring correct material specification, ability to deliver and competitive price.

6 Production
Experienced operations teams optimise a cost-efficient complex production process regulating pressure, temperature and reaction duration.

7 Products
Our production facilities look to manufacture our products in an efficient and timely manner.

8 Logistics
Our specialist logistics teams work on ensuring safe and timely deliveries across the world. They ensure our product arrives at our customers' locations in excellent condition.

skilled and experienced people deliver cost effective flexible operational capabilities which maximize output. Our production sites are local to our customers and make high water content polymers economic to transport. We have built a strong platform for growth through our leading market positions in Europe and Asia and Rest of World businesses which is underpinned by our exposure to global mega-trends including an increasing demand for environmentally friendly technology.

We consider risk management a key principle in the protection of sustainable value. We have strategies for the mitigation of our key risks.

Read more on pages **29-33**

Our strategy

Our strategic goal is to be a global partner to our customers providing them with innovative, high quality solutions. We seek to expand both our knowledge and footprint in order to better meet their needs and thereby increase shareholder value.

Investing in innovation and knowledge
We use our research and development to create a strong portfolio of products and technologies.

Creating excellence in our business
We aim to excel in all aspects of our business from product development to manufacturing process to logistics.

Driving organic growth
Our organic growth strategy is four-fold. First, by focusing our technical expertise on how our products can be used we are able to expand into new markets. Second, by ensuring that we are using our current plants to the full extent we can increase our capacity without large capital investment. Third, where we see good growth in markets we will invest in building plants that allow us to service our growing markets. Finally, we continue to drive for efficient operations focusing on fixed and variable costs control and reduction.

Business growth through acquisition
Our acquisition strategy is to look for businesses that as part of Synthomer will add to our footprint, our knowledge and technical expertise.

Read more on page **9**

Key beneficiaries of our value chain

Employees
Our employees are a critical part of our success. Employees contribute to all aspects of our value chain and all employees benefit from the success of our business. We are committed to providing a safe environment to work.

Governments
We look to ensure that we adhere fairly with the tax regulations within each of the jurisdictions in which we operate. We see local safety and environment legislative compliance as the minimum level at which we should operate, and we strive for higher standards.

Communities
We look to be a valued part of the communities in which we operate, being both aware of how our plans may impact on a community and demonstrating that we respect the community and its environment.

Customers
Our customers expect us to provide them with innovative, high quality, competitive products. We seek to work in partnerships with customers and to develop products that support their goals.

Suppliers
Our suppliers are an important part of our business and we look to work closely with them to ensure we get the right specification of products for our needs at competitive prices.

Shareholders
Our shareholders, as the owners of our business, should see the benefits of our focus on long term sustainable growth, regulatory compliance and strong governance.

Strategy in action

Sustainable developments

Innovation

The polyvinyl chloride (PVC) industry, in-line with other industries and markets, has a requirement to reduce volatile organic compounds (VOCs) in products to meet tightening governmental regulations across the world. Synthomer has developed its Alcotex® Eco product range, based on a new patent pending technology, as a solvent free option for use in the manufacture of PVC.

Excellence

Our Alcotex® Eco product range has been designed to improve the manufacturing and performance of PVC polymers. In addition, because these products are now solvent free, it will support our customers' requirement to reduce their emissions.

Growth

Our new Alcotex® Eco product is an example of our new technology innovations which anticipate the needs of our customers and supports their competitiveness, whilst keeping Synthomer at the forefront of its key markets worldwide.

Intumescent coatings

Innovation

Intumescent coatings are special paints which swell up when heated and can therefore protect the material underneath in the event of a fire. Synthomer's innovative binders used in the paints for this demanding application have been among the first to meet the latest environmental standards whilst extending the protection time against fire by up to 120 minutes.

Excellence

Synthomer has long experience in supporting speciality paint manufacturers in challenging applications. Our binder that is used in these intumescent coatings is an example of how we provided a solution to one of our customers' issues.

Growth

The use of these paints has grown following the global mega-trends to use steel as a key component in modern architecture. With our speciality binders used in intumescent coatings, we make sure modern architecture remains attractive and safe.

Innovation in health and protection

Innovation

Synthomer's global research and development capabilities have been enhanced by recent investments in both human capital and process technology in its Asian Technology Centre, resulting in an increased rate of innovation and development of new products, most notably the recently launched 6330 and 6338 latex grades.

Excellence

Synthomer 6338 latex is formulated specifically to meet the needs of customers wishing to produce high strength and ultra-low weight gloves.

Delivering growth

The markets which our health and protection business serves continue to grow strongly. The new products recently developed and launched have, in addition to delivering improved customer benefits, allowed the debottlenecking of the production assets in Malaysia, resulting in an expansion of available capacity to meet the growth in customer demand.


synthomer

Sustainability at the heart of our business

Sustainability highlights

– Lost time accident rate best ever performance and now below UK Chemical Industries Association average levels
– Success in our programme of energy efficiency work in our Malaysian businesses has helped to reduce overall energy levels per tonne of production
– Focus on process safety and how it is monitored

Our people

We have completed our Synthomer Core Values roll out and their integration into our annual assessment process.

Safety, health and the environment

We have continued to focus on reducing accident rates in the past year. However, whilst we have reduced our over three day accident rates we have, disappointingly, seen an increase in our total recordable accident rate in Europe, Middle East and Africa. We are committed to achieving a zero accident rate.

Community

We are working within all our communities as a valued member of the community.

Our approach

Whilst financial results remain an important measure of success, to be a truly successful global business, we are working hard to continually improve our safety, health and environment (SHE) performance and how we can positively impact our employees and the communities in which we operate.

The Board, Chief Executive and Group Executive Committee are fully committed to improving our SHE performance and engaging and involving all our employees in these improvement programmes. The three long term goals that underpin all our SHE programmes are:

1. To minimise any environmental burden created by our activities;
2. To have no accidents or incidents; and
3. 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.

Key practices and programmes

The Group have SHE management practices and systems throughout the Group with the aim of continuously improving SHE performance. Some of the key practices and systems are:

Key measures, SHE performance indicators and SHE audit results are reported to the Board, the Group Executive and to the regional management meetings on a monthly basis.

The Group 'Core Values' programme, introduced in 2014 has SHE performance as the foundation for all the other values.

Our key SHE actions for 2015 and our main areas of focus for 2016 are shown on the table on page 21.

Key SHE programmes	2015 SHE key actions	2016 SHE key focus
Group's Safety, Health and Environment Management System (SHEMS) standards and policies	Review and streamlining of standards to improve clarity and focus.	Continuation of standards review.
Group SHE audits	This year, the audit process was revised to focus on process safety risks, coupled to faster feedback and agreement on actions that can deliver improvement. Sites have been given additional responsibility to carry out their own internal reviews in addition to the Group audits.	Continued roll-out of new audit process and the Group will carry out additional assurance checks on sites internal procedure reviews.
The Group Accident and Incident Management System (AIMS)	During 2015 improved methods of analysis were identified to ensure that the right information is gathered for effective learning and prevention.	Streamlined and focused incident reporting will be implemented.
SHE training and communication	A programme of one to one and small group discussions on SHE issues and inspections and engineering performance has been carried out across the Group: 'Line of fire' awareness meetings have been held for all staff to increase awareness of how actions can impact their own safety and the safety of others. Process safety training was undertaken across all the plants.	Consolidation of process safety and line of fire work. First line manager competence assurance framework and programme will be developed in 2016.
Alignment of staff incentives		The Group 2016 bonus scheme has been changed to better reflect the importance of safety to our business and emphasize how **all** employees can influence safety performance.

The Group publishes an annual Corporate Social Responsibility (CSR) report which is available online. It discusses a wider range of safety, health and environmental measures of our performance as well as other CSR measures and activities.

Please go to **www.synthomer.com** to find the latest report

Our people

Our business is only as good as our people, so we must ensure that we have the right people with the right skills, in the right roles. In 2015, we continued to develop our human resources strategy with a focus of increasing the involvement and contribution of our employees across the globe. This included improving our recruitment processes and developing our organisational effectiveness through succession planning, performance management and staff development. Synthomer values its ethnic diversity and has many policies that nurture and develop this.

We have an active policy to develop the capability in the countries where we operate and increase the focus on training and development. In 2015, we continued to roll out across many parts of the Group, both in Europe and Asia, operator, maintenance and supervisory training based on the European acclaimed Cogent Gold Standard programme. In the UK, where the training has already been implemented, it has substantially expanded abilities in business improvement, technical competence, compliance and life skills.

We have seen our focus on staff wellness, health and absence management programmes, in 2015, at selected sites in Europe help our employee attendance rates.

A large majority of our workforce has strong technical capability whether in operations, R&D or our commercial functions. There is a strong focus on meeting and exceeding the needs of our customers with active performance management objectives and local measures supporting this. The company is further aligning our staff focus and performance through our new 2016 revised bonus programme which has local site key performance measures at its heart.

Diversity

	Male	Female	Total
Board	8	1	9
Senior management	19	3	22
Employees	1,655	383	2,038

Employees in emerging markets
38%

Total Group employees
2,038

Employees working in R&D
120

Case study

Our commitment to apprentice programmes.

In Germany, Synthomer has been supporting the apprenticeship scheme for many years and has increased the rate of apprentices over recent years. In 2015, we employed 20 apprentices for vocations such as Plant Chemists, Energy Facility Electricians, Plant Technician and Laboratory Chemists.

As an example of the success of the programme, one of our apprentices who finished his training in 2015 as a Laboratory Chemist will now continue to work in our Operational Support Lab team in Marl, Germany. In addition, with the support of Synthomer, he will continue his education and work on attaining his Chemical Laboratory Technician qualification.

Commitment to safety, health and environmental (SHE) performance

Safety, health and accident performance

The Group's reportable lost time accident rate improved in 2015 to give Synthomer its best ever performance. There were eight over three day accidents during the year and as a consequence the frequency rate has dropped to 0.16 per 100,000 hours worked. This rate is more than five times better than we achieved in 2000 and better than the average for the UK Chemical Industries Association (CIA) member companies.

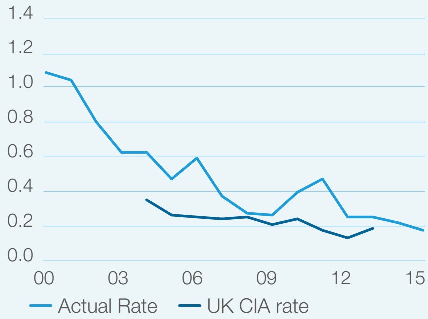
On a broader basis we also monitor and track a recordable accident rate for accidents involving more than first aid treatment. Regrettably performance here worsened during 2015, with our frequency rate for 2015 of 0.55 per 100,000 hours worked, a 7% increase over 2014.

In line with our commitment to a zero accident target, 2015 saw a range of activities undertaken to reverse this trend. This included roll-out of "Line of Fire" training for all employees to build awareness and share lessons learned, and a three day workshop involving all site managers to identify underlying and common issues, discuss safety culture, and agree corrective action plans for 2016 and beyond.

Employee health continued to be a focus during 2015, building on the work in 2014 using the CIA Sustainable Health Metrics Tool to provide a platform for the management review of occupational health. Work in this area resulted in the Group being shortlisted for the 2015 CIA Health Leadership Award.

The Group had a number of safety incidents which did not cause injury but which were either reportable to the local regulatory authorities, or would have been reportable under the newly developed International Council of Chemical Associations (ICCA) process safety event reporting metric. None of these incidents caused injury, significant plant damage or detectable environmental damage. They are discussed in our full CSR report.

Over Three Day Lost Time Accident Frequency Rates

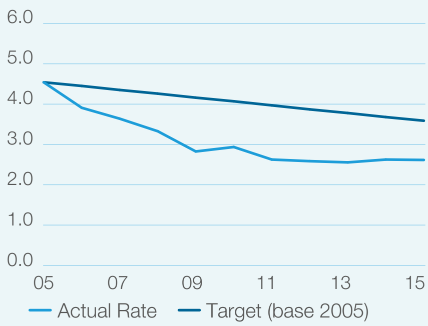


Rate = per 100,000 hours worked

All Recordable Accident Frequency Rates

Rate = per 100,000 hours worked

Total Net Primary Energy Use
(Giga Joules per production tonne)



Commitment to safety, health and environmental (SHE) performance continued

Environmental performance
We are proud of the fact that since 2000 we have reported significant reductions, year-on-year, in each of our main environmental targets: global warming burden; energy and water consumption per tonne of production.

The Group can report that, notwithstanding a 5% increase in sales volumes in the year, our total emissions of greenhouse gases (GHGs) reduced by 4.9% in 2015. However, despite significant progress being made on a number of sites in meeting sustainability targets, and at Group level a reduction being seen in specific energy and water consumption per tonne production, absolute usage increased slightly compared to 2014. The performance of each of the measures is discussed below. In 2014, we rebased our 10 year target to 2005 actual levels for reporting purposes.

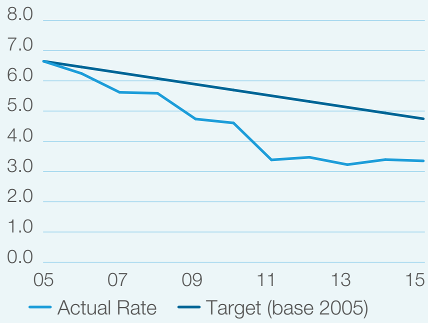
The Company has set new targets for 2020 covering reductions in energy, water, greenhouse gas emissions and waste to landfill.

Following a review of our assessment methodology some emissions data has been restated for 2013 and 2014 with a view to more accurately account for emissions associated with imported steam on several sites. Full details can be found on page 26.

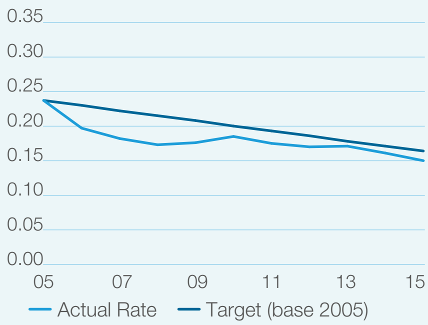
Energy
Total net specific energy consumption (SEC, i.e. energy use per tonne of production) improved in 2015 by 0.6% compared with 2014, although absolute energy consumption in GJ rose 1.2%, relative to an increase in sales volumes of 5%.

The increase in consumption at Group level was mostly driven by changes to the product mix at one of the production plants in Marl, Germany, where there was an increase in the manufacture of more energy intensive high solids SBR latex. Against this, there was significant improvement seen on a number of sites as the benefits of energy benchmarking and resulting operational improvements were realised. This included reductions of around 12% at our NBR latex plant in Kluang, Malaysia and a 27% reduction in SEC at our dispersions plant in Durban, South Africa.

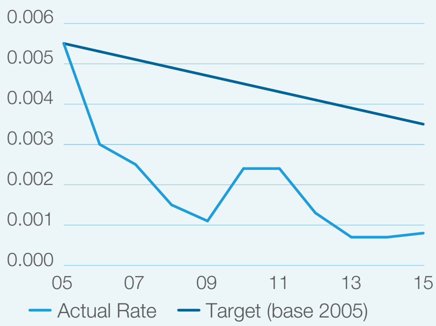
Total Water Consumption
(m^3 per production tonne)



Global Warning Burden
(Tonnes CO_2 equivalent released per production tonne)
(Includes CO_2 from energy generation/use)



Hazardous Waste Disposal to Land
(Tonnes waste per production tonne)



A number of longer term energy improvement projects have been identified across all operating sites for review and implementation in the next few years as we work towards our 2020 targets.

Water use

Total water consumption per tonne of production decreased by 1.3% in 2015, improving on the picture from 2014. Taking out river water (used for once through cooling on a number of sites), water usage per tonne reduced by 4.5%. Whilst our products contain a significant quantity of water, we have managed to halve our specific water consumption in the past 10 years and the strategy is to continue reducing usage of raw water as far as practicable. Benchmarking and operational improvements saw large reductions in consumption at all Malaysian sites, including 30% at Kluang. A focus for 2016 will be to see improvements at our European sites.

Waste disposal

The overall amount of waste generated in 2015 fell by 4.5%, and on a per tonne production basis by 6.1%. The amount sent to landfill rose slightly however, in part due to work by sites to clear legacy waste. Despite this, we have been able to maintain the amount of hazardous waste going to landfill substantially below 1kg per tonne of production.

Greenhouse gas emissions

The Company has reported environmental KPIs in the format recommended by the Department of Environment, Food and Rural Affairs (Defra) since the annual report for 2007. The suggested format includes: energy, water waste and greenhouse gas (GHG) emissions. This data is available for each year since 2005 on a three year rolling basis. In 2013 the format was revised to comply with Defra's guidance which took account of the greenhouse gas emission reporting requirements under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Internal data collection was also revised for the 2013 financial year to give improved compliance with the revised guidance.

Reporting parameters

The 2015 financial year reporting includes all manufacturing operations, all office locations co-located with manufacturing and those listed as contact locations in the annual report or on the Group's website. It does not include some very small locations such as home offices. These locations will have no material effect on the Group's overall GHG emissions, being estimated at considerably less than 0.1% of the Group total.

All known emissions from manufacturing processes have been included, specifically energy directly used and the indirect energy costs of heating, cooling and other site services where these are provided by a third party. They include estimates for the effects of the release of volatile organic compounds (VOCs) and refrigerant gases. The only known emissions which have not been included are direct emissions of CO_2 from on-site waste treatment that have not currently been quantified.

The Group has no known uses or releases of perfluorocarbons or sulphur hexafluoride. All releases of nitrous oxide or methane are associated with energy production and are not separately quantified. The Group continues to report scope 1 & 2 emissions. No estimate has been made of scope 3 emissions. The Group continues to use emissions per production tonne as its intensity ratio. The data source for all emissions factors (CO_2e) are those from Defra: 2015 data is based on v2 of the dataset for 2015 reporting published in June 2015.

Commitment to safety, health and environmental (SHE) performance continued

Calculation methods

All direct energy production from fossil fuels has been aggregated on a group wide basis and converted to CO_2e by using the appropriate Defra emissions factors. No allowance has been made for possible country to country variation in calorific value or CO_2 emission factors. Electricity has been converted to CO_2e on a country by country basis, using the conversion factors given by Defra for 2015 and previous years. (It should be noted that these generally refer to actual country performance two years earlier than the quoted date, i.e. 2015 factors relate to 2013 performance.)

A number of sites within the Group now purchase certified “Green” electricity. Electricity for these locations has been given a CO_2e emissions factor of 0.00 in calculating energy related emissions totals. Sites receiving green electricity for all of 2015 were Oss in the Netherlands, and Marl in Germany. The Ossett site in the UK received certified green energy as of March 2015. This proportion of the site’s energy use has also been given an emission factor of 0.00.

Synthomer’s site in Stallingborough, UK takes most of its electricity from an exclusive contract with an adjacent waste incinerator operated by Newlincs. This electricity is certified as “Green” by the UK government. As a consumer of a mixture of waste deemed both renewable and non-renewable, it does not have a zero emission factor. For 2015 the applied emission factor is based on that determined for the site’s Climate Change Agreement (CCA) reporting of around 0.50 kg CO_2e per kWh, and this figure has been used for the proportion of Stallingborough’s electricity which comes from the incinerator – note that work is ongoing to validate the factors applied. The site is also provided with indirect heating in the form of hot water from Newlincs.

VOCs have been aggregated on a Group basis and converted to CO_2e using a factor of 11. This figure has been used by UK CIA member companies since 2005 and is at the upper end of the range for VOCs. Information on the release of refrigerant gases has been collected for 2011-2015. The releases for each individual gas has been aggregated in each year to give a group release and then converted to CO_2e using the equivalence factors given by Defra for each gas. The emissions factors applicable to refrigerant release in 2015 have been updated in line with Defra’s adoption of the Global Warming Potential (GWP) factors from the IPCC 4th assessment report.

Performance in 2015

Although we saw only small reductions in our specific energy and water consumption, the Group reduced its overall emissions of greenhouse gases by 4.9% in 2015, and its emissions on a per tonne basis by 6.5%, to give the Group’s best ever performance. The inclusion of refrigerant gases and the calculation of CO_2e for electricity on a country-by-country basis from 2013 had a significant adverse impact on the Group’s calculated greenhouse gas emissions at that point. However, in 2015 the Group achieved a further significant reduction of 54% in the global warming impact of refrigerant gas losses through better plant management, and we look to continue this trend.

The changes in the emissions factors for electricity generation in different countries also have a significant adverse impact over which the Group has no control. This year, the emission factor for Malaysia increased by 11.4% compared to 2014, offsetting the reduction of 3.2% seen in Germany and 1.5% seen in the UK. Emissions factors in Malaysia are over 50% higher per unit of electricity than in Europe. Following significant reductions in VOC emissions in 2013 and 2014 as new recovery systems and waste gas boilers came on-line, 2015 saw a slight worsening owing to operational problems at the Harlow site where a cryogenic VOC recovery unit is in place. However, GHG equivalent losses related to VOCs are still over 80% lower than in 2012.

The combined effect of the Group’s efforts produced an absolute reduction of just over 10,000 tonnes (expressed as CO_2 equivalent) in the Group’s greenhouse gas emissions in 2015, again relative to an increase in volumes produced which were up 5%.

Environmental KPIs

The table present environmental KPIs for 2013-15, with a coverage and format in-line with Defra's 2013 guidance, to comply with the reporting required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

	2015	2014 (restated)[7,8]	2013 (restated)[7,8]	% change 2013-15[6]	% change 2014-15[6]
Energy consumption[1]					
GJ	**3,458,905**	3,418,716	3,359,870	2.9%	1.2%
Gas	**701,901**	737,416	720,161		
Light oil	**26,930**	27,340	30,716		
Heavy oil	**0**	0	4,778		
Steam (metered)	**746,797**	701,117	719,593		
Electricity (primary basis)	**1,969,619**	1,940,581	1,875,134		
GJ/tonne production	**2.618**	2.634	2.556	2.4%	-0.6%
Emissions to Air[2]					
Carbon Dioxide (CO_2) equivalent from energy tonnes[3]	**190,888**	195,058	191,912	-0.5%	-2.1%
Tonnes CO_2e/tonne production	**0.144**	0.150	0.146	-1.0%	-3.8%
Sulphur Dioxide (SO_2) tonnes	**22.8**	18.0	26.1	-12.8%	26.6%
Kilos SO_2/tonne production	**0.0172**	0.0139	0.0199	-13.2%	24.4%
Nitrous Oxides (NOx) tonnes[4]	**24.61**	24.56	38.47	-36.0%	0.2%
Kilos NOx/tonne production	**0.0186**	0.0189	0.0293	-36.3%	-1.5%
Volatile Organic Compounds (VOC) tonnes	**222**	185	1,550	-85.7%	20.0%
Kilos VOC/tonne production	**0.171**	0.143	1.179	-85.5%	20.0%
Refrigerant Releases (HCFC and others) kgs	**1,958**	4,277	4,741	-58.7%	-54.2%
Tonnes CO_2e	**5,383**	11,816	15,231	-64.7%	-54.4%
Kilos Refrigerant/tonne production	**0.0015**	0.0033	0.0036	-58.2%	-54.2%
Total CO_2e tonnes[5]	**198,716**	208,912	224,197	-11.4%	-4.9%
Tonnes CO_2/tonne production	**0.150**	0.161	0.171	-11.8%	-6.5%

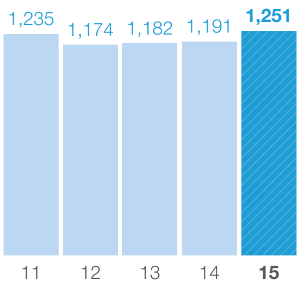
Notes

1. Data relates to site usage of all fuels, excluding transport of goods to and from site and the movement of these transport vehicles on site. Internal transport on site is included.
2. 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., with the exception of transmission and distribution losses for electricity (These losses are in Scope 3, this report is for Scope 1 & 2).
3. CO_2 equivalent emissions include contributions from CH_4 and N_2O associated with combustion.
4. NOx emissions are predominantly those from combustion processes. The CO_2 equivalent Global Warming Potential contribution from these releases is already included in the CO_2 from energy figure above.
5. The total CO_2e figure is the total of the CO_2 equivalent from energy + the VOC contribution (assuming an average factor of 11 kg CO_2e per kg VOC) + the refrigerant contribution.
6. Percentage changes are calculated from the base data and may differ slightly from changes calculated from the data in the tables because of rounding.
7. Gas consumption data has been restated to reflect previous incorrect inclusion of hot water in 2013 and 2014 – that energy is still included in the total consumption figures quoted.
8. CO_2e emissions for energy have been revised to more accurately reflect emissions linked to steam usage – heat and steam emissions factors from Defra have been used for imported steam at our German and Finnish sites.

Key performance indicators (KPIs)

Measuring our progress

Volume (wet ktes)



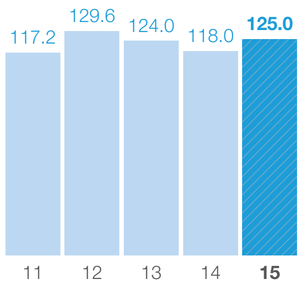
Definition

Volume of our products sold in thousands of tonnes. The volume is based on wet volumes – i.e. the volumes including water content.

Comment

- Good growth in overall volumes
- Increases due to demand in Asia and Rest of World
- More work to do in Europe and North America

Underlying EBITDA (£m)



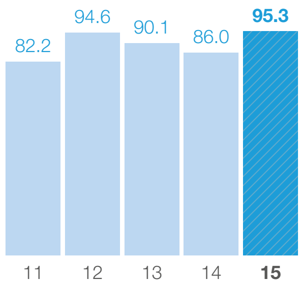
Definition

Underlying earnings before interest, tax, depreciation, amortisation and special items.

Comment

- Record year for EBITDA
- Innovation, capacity expansion and cost control critical to continuing improvement

Underlying profit before tax (£m)



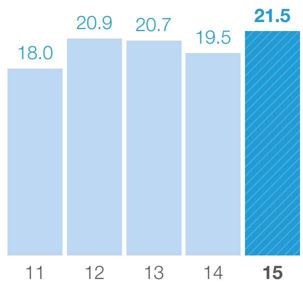
Definition

Underlying profit before tax.

Comment

- Record year for underlying profit before tax, not withstanding high employer bonus payments

Underlying earnings per share (pence/share)



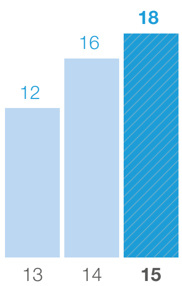
Definition

Basic underlying earnings per share before special items.

Comment

- 10% growth in EPS in the year
- EPS now above 2012 levels
- More work needed to drive consistent annual EPS growth

Revenue from new products (%)



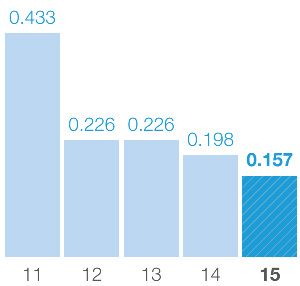
Definition

Percentage of revenue in the year that can be attributed to new products launched in the last 5 years.

Comment

- Continued success in our strategy to increase revenue contribution from new products
- Our target is for 20% of our revenue to come from new products

Over three day lost time accident rate (LTA)



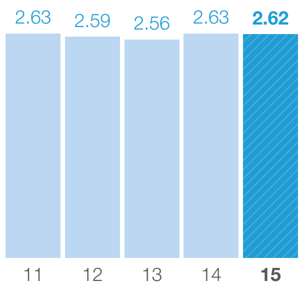
Definition

Rate of injuries that result in an absence from work of more than three days, divided by total number of hours worked per annum, multiplied by 100,000 hours.

Comment

- Record year for LTA rate
- Our rate is now lower than average of UK Chemical Industries Association (CIA) member companies
- Committed to zero accident rate

Energy consumption per tonne (GJ per tonne)



Definition

Energy (GJ) (including gas, electricity, steam and fuel oil) used at each of our plants divided by the number of tonnes of product made. The energy excludes transport of goods to and from site and the movement of these vehicles on site, but internal transport on site is included.

Comment

- Benchmarking and operational improvements in Asia have supported improvement
- European energy usage has increased in 2015 due to product mix
- 2016 will focus on energy savings in Europe

Risk objectives

The Board is responsible for determining the nature and extent of the risks it is willing to take in delivering Synthomer's strategic objectives. Synthomer undertakes risk management to improve the resilience, performance, sustainability and success of its business, whilst in turn facilitating decisions and providing useful information to shareholders.

Risk strategy

The Board is responsible for creating the framework for the Group's risk management to operate effectively. This risk management framework includes risk assessment, response, communication and governance. The Board is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities.

Our risk management framework

We have a structured risk management framework throughout the Group. This includes a standard set of risk categories, generic risk descriptions and a scoring methodology, together with a process to analyse and manage risk. All our locations use this framework to identify and document their specific risks.

We rank risks by combining their economic, operational or environmental impact and the likelihood that they may occur. We do this both before and after we identify the controls we have in place to mitigate each risk. Those risks that pose the greatest threat to our Business and score the highest, pre-mitigation, are identified as key risks. All our people are responsible for managing risk. By using a common framework, we are able to view risk from both a top-down and bottom-up perspective and so ensure it is considered and managed at every level of our Business. Our safety, health, and environmental (SHE) risks are reviewed and considered monthly by our Executive committee.

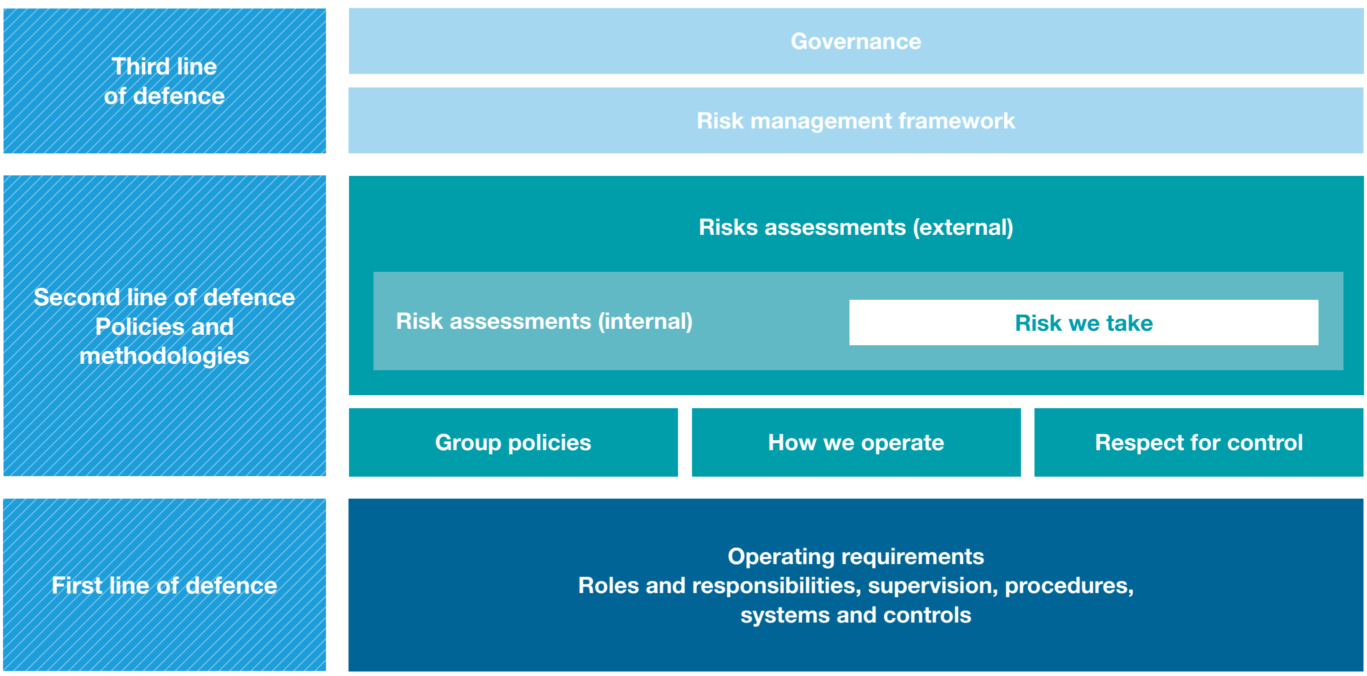
Our key risks

Risks affect every area of our business. Their nature and potential impact changes constantly but through our regular reviews we identify risks that could impact our strategy and allow us to set up controls to mitigate their effects. We categorise our risks into the following areas:

- Strategic risks that could prevent us from achieving our strategic objectives.
- Operational risks which, if not successfully managed, would threaten our viability. These relate to our ability to operate a sustainable and safe business.
- Financial risks relating to the funding and fiscal security of the Group.
- Compliance risks which could affect our compliance with regulations and law, and/or our 'licence to operate' in society.

The table on pages 30 to 33 shows the key risks identified in 2015. Our Board and management carry out a robust assessment of these principle risks including those that would impact our business model, future performance, solvancy and liquidity. We do, of course, face other risks and uncertainties, but these have been assessed as lower risk, and so are not included here, or are beyond the direct control of the Group. All risks (current and emerging) are reviewed regularly by the Board and the Executive Committee: if their possible impact or likelihood increases, they will be reclassified as a key risk. Our risk management programme can only provide reasonable, not absolute, assurance that key risks are managed to an acceptable level.

Our risk management framework



The Group's strategic objectives can only be achieved if certain risks are taken and managed effectively. We have listed below the key risks that may affect our business, although there are other risks that may occur and impact the Group's performance

Strategic risk

Strategic risks	Strategy for risk management
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 the Group.	The Group maintains a balanced portfolio of products serving a wide range of end markets around the globe. Segment performance at business unit level is closely monitored and corrective actions are taken as necessary.
The markets in which the Group operates are highly competitive and the Group may lose market share to other producers of speciality chemicals or to other products that can be substituted for the products of the Group.	The Group continues to invest in existing and new products through R&D. The Group continues to invest in new facilities to allow the Group to maintain its key market positions. All sites operate quality management systems, such as ISO, to ensure products meet customers' agreed standards.
The Group's strategic plan involves significant change management, including the identification and conversion of acquisition targets to enhance market positions and provide new technologies.	Strategic projects are managed in a structured framework which includes formal identification of risks. The Executive Committee has extensive experience of change management and making use of external specialist advice as required.
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.	The Group continues to invest in existing and new technologies through R&D. As part of the Group's strategic planning process it identifies and converts acquisition targets to enhance its market positions and provide new technologies. The Group protects its intellectual property through the use of patents.
The ongoing success of the Group is dependent on attracting and retaining high quality senior management and staff who can effectively manage the Group's operations.	The Group offers competitive compensation packages with annual bonus and long-term incentive arrangements for key employees. Appropriate notice periods and non-compete clauses are used to mitigate short-term risk for key positions. The Group maintains a succession plan for key positions.
As a substantial multi-national enterprise, the Group could suffer losses of intellectual property and other assets through theft or fraud which could be significant.	The Group maintains controls both to detect and prevent theft and fraud as appropriate to the nature of the risk.

Operational risk

Operational risks	Strategy for risk management
The failure of the Group to procure key raw materials may lead to production interruptions, and volatility in the prices of such raw materials and energy prices may adversely affect the profitability of the Group and its working capital position.	Sourcing strategies are in place Group-wide to access multiple sources for key raw materials and the Group works closely with key suppliers to ensure availability. The Group looks to identify alternative raw materials where possible. The Group actively manages margins and recovers input cost increases from customers.
The manufacture, storage and transportation of chemicals is inherently dangerous and any incidents relating to the hazards which the Group faces may adversely impact its financial condition, results of operations and reputation.	Robust maintenance programmes are undertaken in order to ensure that our facilities meet Group and local legal requirements. Synthomer operates a central internal audit function dedicated to SHE issues and programmes for continuous improvement across all major SHE areas Group-wide.
The failure or loss of a key production asset, process, information or communication system, whether temporarily or permanently could occur, directly or otherwise, through natural disasters, epidemic, industrial action, sabotage or the like, and would have an adverse impact on operations.	Crisis management procedures are in place for all sites. These are reviewed and updated regularly. The Group invests in its infrastructure to ensure appropriate levels of resilience in the event of temporary failures in IT systems. Backups and disaster recovery plans are in place for critical systems and processes.

Compliance risk

Compliance risks	Strategy for risk management
The Group may be liable for damages based on product liability claims brought against its customers in end-use markets.	Technically qualified personnel and control systems are in place around the Group to ensure products meet certification standards. Synthomer has Group-wide product liability insurance which provides £50 million of cover.
Compliance with extensive environmental, health and safety laws and regulations could require material expenditure, changes in the operations of the Group or site remediation.	Detailed safety, health and environmental processes are documented in operating guidance which is updated and communicated to staff on a regular basis.
The Group could suffer substantial penalties, damage to reputation and other sanctions for any failure to control anti-competitive behaviour, such as bribery and corruption, or ineffective compliance with local and national legislation.	All our key employees affirm their understanding of the code of business conduct covering corrupt and anti-competitive business practices. Malpractice reporting and whistleblowing protection are similarly covered in the Group policy on protecting our reputation. Training is provided regularly.

Financial risk

Financial risks	Strategy for risk management
As a significant proportion of the Group's turnover and assets are in currencies other than UK sterling and fluctuations in currency exchange rates may significantly impact the results of the Group and may significantly affect the comparability of financial results between financial periods.	The Group has a policy of hedging all significant foreign exchange transactional exposure at operating company level. The impact of translation on the results of the business is clearly explained to stakeholders through the use of constant currency reporting.
The Group's balance sheet and cash flow, and also 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.	The Group closely monitors its operating cash flow and capital expenditure on a monthly basis and regularly reviews covenant compliance. The Group has a policy on leverage limits and has adequate headroom on a twelve month forecast basis. Interest rate risk is managed through the use of interest rate hedging.

Financial risk continued

Financial risks	Strategy for risk management
The Group has funding risks relating to defined benefit pension schemes. Any deterioration in the value of assets in which the pension schemes have invested as against the financial obligations of the schemes could have an adverse impact on the Group.	The UK scheme was closed to future accrual during 2009. The funding risks are mitigated by paying appropriate contributions into the funds and through balanced investment strategies designed to avoid a material deterioration in the funding of the schemes. Overseas pension schemes are reviewed annually by an actuary to ensure appropriate contributions are made and that liabilities are recognised appropriately.
The Group is placing greater emphasis on its merger and acquisition strategy to drive the growth in the performance of the Group, including expanding the target search to adjacent speciality chemical businesses. M&A activity exposes the Group to specific transaction risks including paying too high a price, failure to complete a successful integration or to secure the synergies offered by the transaction, performance issues or funding issues.	The Group has recruited a number of senior executives with significant Chemicals M&A experience to lead the M&A and integration activity. The Group works with experienced M&A consultants and banks to perform appropriate due diligence on the target, and to coordinate appropriate financing facilities.

Viability statement

In accordance with the provision of section C.2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a five-year period to December 2020, being the period covered by the Group's approved strategic plan. The Group strategic plan, which is updated annually, includes analysis of product and profit performance, cash flow, investment programmes and returns to shareholders.

The Board considers five years to be an appropriate time horizon for our strategic plan, being the period over which the Group actively focuses on its product development and investment pipelines. Due to the nature of our business, a period greater than five years is considered too long given the inherent uncertainties involved.

In making their assessment, the Directors have considered the Group's current strong financial position and undertaken a comprehensive sensitivity analysis over the key trading assumptions combined with the potential impact of crystallisation of one or more of the principal risks (detailed on pages 30 to 33) over the five year period. The risks have been assessed for their potential impact on the Group's business model, future trading and funding structure. The range of scenarios tested was carefully considered by the Directors, balancing the potential impact with the probability of occurrence and the effectiveness of our business to take mitigating steps.

Whilst each of the principal risks has a potential impact, the sensitivity analysis has been focused on the critical economic, operational and financial risks where risk mitigation plans will have less impact in the shorter term. In addition to the risk mitigation plans, the Group's global footprint reduces the impact of specific regional economic issues.

In completing the viability assessment, the Directors considered the Group's ability to refinance our current debt, raise new finance and complete our investment plans during the review period.

Based on the results of this analysis, the Directors have a reasonable expectation, predicated on the assumption that an unforeseen event outside of the Group's control (for example, an event of nature or terror) does not inhibit the Group's ability to manufacture for a sustained period, that the Group will be able to continue in operation and meet its liabilities as they fall due over the five year period.

Robust operating performance in Europe and North America (ENA)

Volumes
820.7ktes
(2014: 794.3ktes)

Sales
£582.1m
(2014: £687.2m)

EBITDA
£85.5m
(2014: £97.5m)

Underlying performance	2015	2014	%	% constant currency
Volumes (ktes)	**820.7**	794.3	3.3	
Sales (£m)	**582.1**	687.2	(15.3)	(8.5)
EBITDA	**85.5**	97.5	(12.3)	(5.2)
Operating profit (£m)	**73.3**	85.7	(14.5)	(7.5)
Constant currency (£m)	**6.0**	–	–	
Constant bonus charge (£m)	**6.9**	–	–	
Operating profit like-for-like (£m)	**86.2**	85.7	0.6	

Highlights

- Resilient operating performance when taking into account adverse currency £6.0m and constant bonus charge £6.9m
- Volumes increased by 3% with underlying paper volumes down by 4% whilst other markets grew by 1%
- Synthomer 2015 programme delivered annualised cost savings of €7m per annum at December 2015

In overall terms, the operating profit of our Europe and North America segment at £73.3m (2014: £85.7m) has remained stable relative to 2014 taking into account the adverse translation impact caused by weakness in the Euro of £6.0m and the impact of higher group-wide employee bonuses which amounted to £6.9m in this record year for the Group.

Our ENA segment has continued to experience flat market conditions – broadly in-line with the European economy. Reported volumes increased from 794.3ktes to 820.7ktes, an increase of 3.3%. The increase in volumes reflects our acquisition of the remaining 50% shares in Synthomer Finland Oy in October 2014, which contributed additional volumes of circa 35ktes during 2015. With the exception of paper volumes which decreased by 4%, overall volumes in other markets have increased by 1%. We saw better volumes in the second half of the year relative to the weaker prior year period, which was impacted by the falling raw material price environment in Q4 2014.

Sales fell 15.3% in 2015 to £582.1m (2014: £687.2m). Whilst total volumes have increased year-on-year, the sterling selling price per unit has fallen mainly reflecting the weakness in the Euro and lower raw material prices due to the reduced price of Brent crude oil.

As reported during the year, falling raw material prices generally have a modest favourable impact on our margins as there is a lag effect in our formulae-based pricing on passing the benefits of falling prices on to our customers. Similarly, when raw material prices are rising, there is a modest adverse impact on our margins. Whilst Q1 margins benefited from rapid decline in raw material prices at the end of 2014, raw material prices softened gradually during 2015 with no pronounced benefit or cost in subsequent quarters. Overall unit margins have been generally higher throughout the year, with the average unit margin up circa 2% relative to 2014, albeit margins in our paper business remain under pressure and were lower year-on-year, with higher unit margins being achieved across most other businesses.

In 2015 we launched a cost review programme across our business in Europe. This initiative targeted the production costs in our main European plants with the aim of making our plants more efficient, and reducing raw material and energy usage. This resulted in annualised production cost savings in 2015 of €7m. We have a number of projects ongoing and we expect to achieve annualised savings of €13m by the end of 2016.

Segmental review: Asia and Rest of World

Strong performance in Asia and Rest of World (ARW)

Volumes
430.5ktes
(2014: 396.5ktes)

Sales
£311.9m
(2014: £303.3m)

EBITDA
£50.5m
(2014: £27.5m)

Underlying performance	2015	2014	%	% constant currency
Volumes (ktes)	**430.5**	396.5	8.6	
Sales (£m)	**311.9**	303.3	2.8	11.5
EBITDA	**50.3**	27.5	82.9	102.1
Operating profit (£m)	**40.5**	17.8	127.5	151.7
Constant currency (£m)	**4.3**	–	–	
Constant bonus charge (£m)	**4.3**	–	–	
Operating profit like-for-like (£m)	**49.1**	17.8	175.8	

Highlights

- Volumes increased by 8.6%, with strong growth in health and protection, and construction and coatings markets
- Exceptional operating performance up 127.5% at £40.5m, or up 175.8% at £49.1m when taking account of adverse currency £4.3m and constant bonus charge £4.3m

In overall terms, our ARW segment gained momentum during the course of the year, principally driven by our Malaysian nitrile butadiene rubber business. This business continued to benefit from the investment in innovation and capacity made in 2013 and 2014, enabling it to capture stronger margins as the supply demand balance tightened during the year, continuing the trend seen at the end of 2014. Our dispersions activities, which focus on the construction and coatings end markets, also had a good year in our geographical areas, Malaysia, Middle East and Africa. Underlying operating profit increased from £17.8m in 2014 to £40.5m, an increase of 128%, or 176% when adjusted for constant currency and the higher bonuses paid to our employees.

Total segment sales volumes have increased from 396.5ktes in 2014 to 430.5ktes in 2015, a rise of 9%. The rise in volumes was underpinned by a rise in our nitrile butadiene rubber volumes which increased by 11%, and a 5% rise in our dispersions volumes. These higher volumes underscore the importance to the Group in both investing in innovation and capacity in the emerging markets where global mega-trends are strongest. Demand remained high throughout the year and volumes in both businesses were ahead of the prior year in all quarters. The only exception was in our nitrile butadiene rubber business which was slightly down in Q4 as a result of an interruption in the gas supply to our Pasir Gudang site, causing a temporary production outage.

Margins in the ARW segment also strengthened, heavily influenced by the supply demand dynamics in our Malaysian nitrile butadiene rubber business supplying the health and protection markets. The tightness of the market supply demand balance, together with falling raw material prices, provided a positive business environment in which to grow our unit margins.

We launched the Synthomer 6330 and 6338 products in Malaysia in 2015. These new products are designed for the manufacture of ultra-thin protective gloves that provide maximum sensitivity and reduced nitrile butadiene rubber weight per glove. This gives Malaysian glove manufacturers – representing more than two-thirds of the global market in surgical gloves – access to the latest advances in our nitrile butadiene rubber technology and thus a competitive advantage. We are expecting continued growth in the health and protection market with demand for nitrile butadiene rubber therefore growing. Synthomer is investing further in innovation and capacity in this market to continue to maintain our position as a market leader. Our investment in innovation is looking to create the next generation of nitrile butadiene rubber through the introduction of enhanced medical properties into the latex mix. Our investment in capacity in Pasir Gudang will result in a further 2 world scale reactors being placed on the site, expanding the production capacity by approximately 40% whilst driving efficient capital expenditure through utilising the existing site infrastructure in steam, power and logistics.

In March 2015, we announced the expansion of our Kluang plant to produce a range of speciality polymer products for foam and construction applications. We began shipping products to customers during Q3 2015 and sales are in-line with expectations.

In our Saudi Arabian joint venture facility in Dammam, we made good progress during the first half of the year and started to fill the additional capacity created following the 2014 expansion of the plant to 100ktes. However, the continued fall in the oil price over 2015, together with war and political tensions in the region, has slowed the rate of economic growth and accordingly has caused a modest softening in demand during the last quarter of the year. We are expecting a lower level of economic activity in the region in the near term, but we remain confident of further opportunities for business development in the region and we are working with our Saudi Arabian partner to develop our Middle East specialist chemical market both organically and through acquisitions.

We took the opportunity during the year to strengthen our team and systems in Malaysia with the recruitment of an experienced Operations Director and a new Technical Director to support both our customer requirements and our continued R&D development in the region. Also, during 2015, we invested in our IT systems with the successful implementation of our Group SAP system across our Malaysian business.

Looking ahead, the ARW segment results will be influenced by our Malaysian nitrile butadiene rubber business. Whilst we are confident in our strategy to capture the strong growth in demand from the nitrile glove manufacturers in 2016 and beyond, we are aware of planned nitrile capacity expansion in 2016 and 2017, including the Synthomer expansion of 120ktes expected on line in Q2 2017. We expect this planned increase in capacity to impact the supply/demand balance during the second half of 2016, leading to similar overall volumes and margins in our nitrile butadiene rubber business to those achieved in 2015.

2015 financial performance

Stephen Bennett
Chief Financial Officer

"A record set of results, both in terms of profitability and cash flow, and a sound foundation from which to invest and grow our business."

Overview

Synthomer has delivered a record set of results in 2015, with underlying profit before tax at £95.3m the highest reported by the Group, and an increase of 10.8% on the prior year.

The increase over the prior year is higher still at constant currency. The depreciation of the Euro and Malaysian Ringgit, had the impact of reducing profit before tax by £10.3m. The significantly higher £12.5m employee bonus accruals in this record year also had an effect. Adjusting the reported underlying profit before tax of £95.3m for both constant currency and the differential in year-on-year employee bonus accruals, would result in a like-for-like profit before tax of £118.1m, an increase of 37.3% on the prior year.

Cash flow before financing at £84.4m (2014: £49.6m) was also a record high for Synthomer, mainly benefiting from higher earnings and lower working capital, partly as a result of lower raw material prices.

Income statement

Sales, operating profit and profit before tax – underlying performance

Sales volumes were 5.0% higher in the year rising from 1,191ktes in 2014 to 1,251ktes in 2015. The increase in volumes reflected growth across both the Europe and North America (ENA) and Asia and Rest of World (ARW) segments, and also across all strategic business units. The ENA segment (and the paper business unit) benefited from the inclusion of 100% of the volumes of Synthomer Finland Oy in 2015 (2014: 50% to September 2014), contributing circa 35ktes of growth year-on-year.

Total sales value reduced by 9.7% to £894.0m (2014: £990.5m), with the impact of the rise in sales volumes being offset by both the depreciation in the Euro during 2015 and a fall in raw material prices.

Group operating profit was 6.6% higher at £102.9m (2014: £96.5m). The rise in operating profit was underpinned by the excellent performance of our ARW segment, where both our nitrile butadiene rubber (NBR) and our dispersions business had very good results, more than offsetting the adverse impact of the weaker Euro on the translation of the performance of our ENA segment, and the higher employee bonus costs referred to above.

With finance costs lower at £7.6m (2014: £10.5m), benefiting from the strong cash generation and lower interest rate in the year, partly reflecting the repayment of $70m private placement borrowings in September 2014, the Group profit before tax was £95.3m (2014: £86.0m).

Tax and Earnings per Share – underlying performance

The Group's underlying tax rate of 22.0% (2014: 21.4%) remains low. The low rate relative to the blended statutory tax rates in our principal operating territories of the UK, Germany and Malaysia reflects the specific tax attributes of the Group in Malaysia, where the benefits of pioneer status (extended tax holiday) on one of our businesses mitigates the tax cost, and in the UK where our businesses benefit from a zero tax rate as a consequence of brought forward tax losses, and the ongoing cash contributions to the defined benefit pension scheme which are deductible for tax.

Underlying profit attributable to non-controlling interests, principally relating to minority interests in Malaysia, was £1.2m (2014: £1.4m).

The underlying earnings per share for the year was 21.5p an increase of 10.3% over 2014's figure of 19.5p per share.

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 Officer's Report and Segmental Reports of business performance.

For the purposes of defining underlying performance, the special items split out comprise:

- Restructuring costs of £5.4m (2014: £4.5m) are mainly associated with the 'Synthomer 2015' European Project. There will be some additional costs associated with this Project during 2016 with the total cost for the project expected to be £10m. The Malaysian land sales profit of £6.5m (2014: £nil) is also included in special items.
- Various cross-currency and interest rate swaps for hedging purposes. IFRS requires that where the strict requirements of IAS 39 are not met, changes in the market value should be recognised annually in the income statement. However, such financial instruments are maintained by the Group for the length of the contract and over their lifetime have a fair value of nil. Hence the notional annual adjustment, a loss of £0.2m (2014: £0.8m loss) has been segregated from the underlying performance.

- Amortisation of intangibles of £23.7m (2014: £27.0m). 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 treated until the associated intangible assets have been fully amortised.

After deducting special items from underlying performance, the IFRS profit before tax was £72.5m (2014: £53.8m) and earnings per share was 17.8p (2014: 13.3p).

Dividend

The Board has recommended an increased final ordinary dividend per share of 5.4p which, with the interim ordinary dividend per share of 3.2p, brings the total ordinary dividend per share to 8.6p. This is 2.5 times covered (2014: 2.5 times).

The Board is committed to supporting the investing for growth strategy and accordingly is not proposing a further return of capital to the shareholders at the current time (2014 special dividend: 7.8p per share).

Balance sheet

Goodwill decreased to £222.4m at the end of 2015 from £232.8m at the end of 2014 due to the foreign currency depreciation of both the Euro and Malaysian Ringgit and the consequent impact on the translation of the goodwill.

Acquired intangible assets decreased to £50.9m at 31 December 2015 compared to £80.7m at the prior year end. This reduction reflected the annual amortisation charge of £23.7m reported in special items, and also currency depreciation impact on translation referred to above.

The net book value of property, plant and equipment reduced to £186.4m at 31 December 2015 compared to £205.4m at 31 December 2014. The reduction, mainly reflected the net effect of capital additions and the depreciation charge during the year, amounting to £22.1m and £21.8m respectively, and the currency depreciation impact on the translation of the property, plant and equipment.

In relation to the Malaysian land sales, the Group received further payments during the year of £6.8m. The remaining net proceeds amounting to approximately MYR180m is expected during the first half of 2016. These proceeds have been hedged at rates varying between MYR6.06-6.25 resulting in expected sterling proceeds of approximately £30m. We continue to seek a buyer for the remaining 440 acres, approximately one quarter of the total land originally offered for sale.

The deferred tax liability has decreased to £30m at December 2015 from £35.5m at December 2014, mainly due to the amortisation of intangible assets and also as a result of currency depreciation.

Provisions for other liabilities and charges has increased to £10.7m (2014: £6.5m).

Pensions

The UK defined benefit pension scheme was closed to future accrual during 2009 and there are no active members in the scheme. At 31 December 2015, the scheme had assets and liabilities of £279.4m and £356.5m respectively resulting in an overall pension deficit of £77.1m (2014: £83.8m). There has been no substantive change in the investment strategy of the scheme assets with approximately 50% of the assets continuing to be held in equities. The reduction in the pension deficit is mainly driven by the cash contributions paid to the scheme during the year.

The Group agreed a UK defined benefit scheme deficit recovery plan with the Trustees at the time of the 2012 scheme valuation. The recovery plan, which required the Group to pay cash contributions to the scheme, was designed to eliminate the scheme deficit over a 10 year period. In accordance with the agreed deficit recovery plan, the Group paid cash contributions of £10.8m to the scheme during 2015 (2014: £9.2m), and under the current recovery plan is expected to pay a further £13.9m during 2016. The scheme triennial valuation effective 5 April 2015 is currently in progress and changes to the deficit recovery plan, if any, must be agreed with the scheme Trustees before July 2016.

Overseas net pension liabilities decreased to £62.1m (2014: £66.9m).

Cash flow

The cash flow statement is set out on page 79. The Group has had a record year generating a cash flow before financing of £84.4m (2014: £49.6m).

Cash generated from operations was £115.6m, some £26.5m higher than the prior year. The significant rise in cash from operations mainly reflected the higher operating profit up £15.5m and lower cash flows invested in working capital of £18.9m.

Although the net cash outflow from investing activities at £12.4m (2014: £14.6m) was relatively stable, there were a number of different and offsetting features in 2015 in comparison to 2014. In 2015, the level of cash invested in purchasing plant was £0.8m higher at £22.8m, but this was offset by £6.8m the Group received from the sale of the Malaysian land. Capital expenditure in 2016 is expected to rise by approximately £10m. In 2014, the Group purchased the remaining 50% of the shares of Synthomer Finland Oy, and paid £3.9m, but also received the £6.1m ($10m) final balance due from the sale of the Pharma Chemicals business.

The Group paid dividends totaling £53.7m during 2015 (2014: £22.4m) comprising the 2014 Final Ordinary Dividend of 4.8p per share (£16.3m), the 2014 Special Ordinary Dividend of 7.8p per share (£26.5m) and the 2015 Interim Ordinary Dividend of 3.2p per share (£10.9m).

Financing and liquidity

The underlying net borrowing position of the Group at 31 December 2015 was £77.4m and comprised net borrowing of £85.9m and net cash balances of £8.5m. The Group's £210m committed loan facility maturing July 2019 had £135m undrawn at the end of the year.

The US private placements £14.9m ($22.0m) is repayable on 2 September 2016. Net of derivatives associated with this, and maturing at the same time, this is equivalent to a repayment of £12.2m.

The Group's underlying net borrowings to EBITDA, the Group's key leverage metric, at 31 December 2015 was 0.6 times (2014: 1.0 times).

The Board remains committed to the Capital Policy introduced during 2014. In the event that the key leverage metric remains sustainably below 1.0 times, and there is no significant growth capital expenditure or acquisition to fund, the Board will look to maintain an efficient balance sheet and return surplus capital to shareholders. The Board is mindful of the ambitious growth strategy of the Group, and accordingly is not proposing a further return of capital to shareholders at the current time.

Stephen Bennett
Chief Financial Officer
1 March 2016

Our 2015 Strategic Report, from page 1 to page 41, has been reviewed and approved by the Board of Directors on 1 March 2016.

A strong and experienced Board

1 C G MacLean (52)
Chief Executive Officer
Joined the Group and was appointed to the Board in January 2015. Prior to appointment, Calum was a senior board executive of INEOS and was a founder member of the business in 1998. At INEOS he was most recently executive chairman of INEOS Olefins and Polymers Europe and chairman of Styrolution, INEOS's joint venture with BASF, and Petroineos Refining, INEOS's joint venture with PetroChina. Calum had been chief executive of a number of its principal business units and actively involved in merger and acquisitions, strategy and implementation. Prior to INEOS, he spent six years at Inspec (International Speciality Chemicals), a publicly listed company on the London Stock Exchange that was originally formed through a management buyout of BP Chemicals.

2 S G Bennett (51)
Chief Financial Officer
Joined the Group and was appointed to the Board in May 2015. Prior to appointment, Stephen was at INEOS where he had been chief financial officer at Petroineos Refining since 2006. In addition to this role, Stephen had acted as chief financial officer of INEOS Upstream Limited, a start-up oil and gas exploration business, and of INEOS Olefins and Polymers South and INEOS Phenol. He joined Coopers & Lybrand in 1986 and is a qualified chartered accountant. He was at Full Circle Industries plc as company secretary and group controller before moving to PricewaterhouseCoopers (PwC) in 1997 as a director in transaction services. At PwC, he specialised in public and private equity transactions across a variety of sectors including chemicals.

3 N A Johnson[2] (66)
Chairman of the Board and Nomination Committee
Joined the Board in September 2011 and was appointed Chairman in May 2012. Neil held senior executive positions at British Aerospace and in the UK motor manufacturing industry before becoming chief executive of RAC Holdings from 1995-1999. Neil is chairman of Motability Operations Group plc and e2v technologies plc and the senior independent non-executive director of the Business Growth Fund.

4 Dato' Lee Hau Hian (62)
Non-Executive Director
Joined the Board in 1993 and stood down in 2000 to become an alternate director. Hau Hian rejoined the Board in 2002. He is the managing director of Batu Kawan Bhd, a listed Malaysian investments holding company, with interests in plantations and chemicals manufacturing. Hau Hian is a director of Kuala Lumpur Kepong Bhd and is the president of the Perak Chinese Maternity Association. He also serves as a director of Yayasan De La Salle.

5 B W D Connolly[1,2,3] (59)
Senior Independent Director and Chairman of the Remuneration Committee
Joined the Board in January 2014 and is considered to be an independent Non-executive Director. Until June 2013, Brendan was a senior executive at Intertek Group PLC and had previously been chief executive officer of Moody International (which was acquired by Intertek in 2011). Prior to Moody, he was managing director of Atos Origin UK, and spent more than 25 years of his career with Schlumberger in senior international roles over

three continents. Brendan has previous experience as chairman of the remuneration committee of a UK listed company and is currently chairman of two private equity backed companies.

6 Dr J J C Jansz[1,3] (59)
Non-Executive Director
Joined the Board in April 2012 and is considered to be an independent Non-executive Director. Until July 2010, Just was president, technology business, and a member of the management team of LyondellBasell. He is founder and managing director of Expertise Beyond Borders BV, an independent business and technology management consultancy. Just also serves as independent non-executive director at Genomatica (US). He is a senior advisor at Natrium Capital (UK) and Siluria Technologies (US).

7 J Chen (63)
Non-Executive Director
Joined the Board in October 2012 and is considered to be an independent Non-executive Director. After practicing as a US attorney and then spending 12 years in a series of legal and operational roles at General Motors and Delphi Corporation in China, Jinya joined Alcoa Inc in 2007 where he is now a corporate vice president in Shanghai. He is also a board member of China Zhong Nan University.

8 C A Johnstone[1,2,3] (55)
Chair of the Audit Committee
Joined the Board in March 2015 and is considered to be an independent Non-executive Director. Caroline was a partner at PricewaterhouseCoopers until 2009 having worked extensively with large global organisations on turnaround strategy, mergers and acquisitions and cost reduction programmes. She is currently deputy chair, non-executive director and chair of the audit committee of Leeds Teaching Hospitals Trust, provides consulting services to a range of global chemical organisations and is a member of the governing council of the University of Leeds.

9 The Hon. A G Catto (63)
Non-Executive Director
Joined the Board in 1981. Alex 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. Prior to the establishment of CairnSea he was a director of Morgan Grenfell & Co and then Lazard Brothers & Co Ltd. His current other directorships include Neptune Investment Management Limited. Alex is a grandson of the first Lord Catto, the founder of the company that became Yule Catto & Co plc and has subsequently been renamed Synthomer plc.

10 R Atkinson (53)
Company Secretary
Joined in 1998 as Company Secretary and is also the Group's Chief Counsel. Richard qualified as a solicitor in 1988.

[1] Member of Audit Committee
[2] Member of Nomination Committee
[3] Member of Remuneration Committee

Letter from the Chairman

Neil Johnson
Chairman

"Our commitment to a focused and proportionate governance framework underpins the way the Board operates and is integral to the success of the Group."

Dear Shareholder

I am pleased to present the report on the corporate governance work undertaken by your Board and its Committees in 2015. As noted in my statement at the front of this Annual Report, your Board is committed to a focused and proportionate governance framework which underpins and is an integral part of the way we operate and grow the Group.

We started 2015 and continued throughout the year in full compliance with the September 2014 revision of the UK Corporate Governance Code. During the year we were pleased to expand the experience and diversity of your Board with the appointment of Caroline Johnstone as an independent non-executive director and Chair of the Audit Committee. Following the externally facilitated Board and Committee evaluation process carried out in 2014, I have overseen the implementation of improvements in boardroom dynamics and culture, the effectiveness of which has been confirmed by the internal evaluation carried out for 2015.

The work of the Nomination Committee, which I also chair, in successfully completing the recruitment required to fill the vacancies arising during the year from the retirement from the Board of David Blackwood as Chief Financial Officer and Jez Maiden as our Senior Independent director and Chairman of the Audit Committee, has been reported on in my Chairman's statement. The Nomination Committee has also overseen the significant strengthening of the Group's succession planning processes in recognition of their vital role in contributing to the long-term success of the Company.

Our full compliance report for 2015 which sets out in detail our corporate governance arrangements and how they operated during the year is set out on the following pages.

Neil Johnson
Chairman
1 March 2016

Statement of compliance

The Company considers that it has complied throughout the financial year ended 31 December 2015 with the provisions set out in the September 2014 UK Corporate Governance Code ('the Code')*.

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 2015, comprised two executive directors and seven non-executive directors. The roles of Chairman and Chief Executive Officer are clearly divided between Mr N A Johnson who heads the Board in his capacity as non-executive Chairman and Mr C G MacLean 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 2015 the Board held six scheduled meetings to review current and projected performance and to determine strategic issues with a half day dedicated to an annual strategy development review. 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 on page 46.

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 2015, the Board held a meeting in Worms, Germany at the offices of its business. In conjunction with that Board meeting, presentations were given by local senior management and the directors were given the opportunity to visit the Group's plant.

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 Counsel and Company Secretary, and the operational vice presidents for the Group) 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.

Board membership and balance

The Chairman, Chief Executive Officer and Senior Independent Director together with Chairmen and members of the Audit, Nomination and Remuneration Committees are identified on page 42 to 43. The Board considers Mrs C A Johnstone, Dr J J C Jansz, Mr J Chen and Mr B W D Connolly are independent in accordance with the provisions of the Code.

The Board held a total of six meetings in 2015. In addition the non-executive directors also met once without the Chairman to appraise his performance.

The table on page 46 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.

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.

* 2014 UK Corporate Governance Code – https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf

Performance evaluation

Performance evaluations of the Board, its committees and its directors were carried out in the last year by the following internal and external 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 against their personal objectives for 2015;
- a meeting of the non-executive directors (in the absence of the Chairman) chaired by the Senior Independent Director was held to evaluate the performance of the Chairman, taking into account the views of the executive directors; and
- the effectiveness of the Board and its Committees (Audit, Nomination, Remuneration) was evaluated by way of an internal self-assessment process.

Non-executive directors are appointed for one-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. All non-executive directors have a standing invitation to attend Committee meetings unless they are notified otherwise.

The Board Committee reports are set out at the end of this Corporate Governance report.

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. Alternatively, the Chairman is also available for meetings with major shareholders at their request.

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 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 Chairs 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 and also publishes interim and full year results, Company announcements, share price and corporate governance and other investor information there.

		Committees		
	Board	Audit	Remuneration	Nomination
Number of meetings held	**6**	**4**	**2**	**1**
Number of meetings attended				
S G Bennett	3/3	N/A	N/A	N/A
D C Blackwood	3/3	N/A	N/A	N/A
A G Catto	6/6	N/A	N/A	N/A
J Chen	6/6	N/A	N/A	N/A
B W D Connolly	6/6	4/4	2/2	2/2
J J C Jansz	6/6	4/4	2/2	N/A
N A Johnson	6/6	N/A	N/A	2/2
C A Johnstone	4/4	2/2	1/1	1/1
Lee Hau Hian	6/6	N/A	N/A	N/A
C G MacLean	5/5	N/A	N/A	N/A
J Maiden	2/3	2/2	1/1	0/1
A M Whitfield	1/1	N/A	N/A	N/A

Accountability

An explanation of the directors' responsibility for preparing the financial statements, their report that the business is a going concern, a viability statement, a responsibility statement and their statement as to disclosure of information to the auditor are set out on pages 68 to 69 and 70 respectively. Statements by the auditor about its reporting responsibilities are set out on pages 71 to 75 and 116 to 117 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.

Risk management and 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.

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 2015 and up to the date of approval of the Annual Report and accounts, and accords with the Financial Reporting Council Guidance on internal control.

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 February 2016. 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 2015 are reviewed in the Strategic report.

Risks associated with safety, health and the environment are, by the nature of the Group's business, always of the utmost concern and the Resources and Relationships report on pages 20 to 27 reviews the Group's performance in this connection in 2015.

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 internal and external 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 2015.

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 Resources and Relationships report on pages 20 to 27 includes a report on the initiatives the Company has adopted regarding sustainable development.

Social, community and human rights 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 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.

The Group's operating activities are highly regulated in all territories and largely carried out in countries that have established legislation on human rights issues. As such, information on human rights issues is not considered to be necessary for an understanding of the development, performance or position of the Group's business. The Group has nonetheless adopted a policy on equal opportunities, diversity and human rights which is available at **www.synthomer.com**.

The Company is a member of the FTSE4Good Index.

Audit Committee

Audit Committee membership
since 1 January 2015

Caroline Johnstone	Chair since 30 April 2015
Just Jansz	
Brendan Connolly	
Jez Maiden	Chairman until 30 April 2015

Dear Shareholder

I am pleased to present my first report as Chair of the Audit Committee. I was appointed on 30 April 2015 at which date Jez Maiden stood down from the Board and his role as Chair of the Committee. I would like to thank Jez for his support and for overseeing a solid base from which to continue the work of the Committee.

The Committee welcomed Stephen Bennett to Synthomer in May as Chief Financial Officer and we monitored the effective handover to him from the outgoing Chief Financial Officer, David Blackwood. Thanks also to David for his support during this process. Steve and I have worked together to review and refresh the work of finance and audit in Synthomer as well as the overview role of the Committee.

The Committee fulfilled its primary responsibilities during the year and in addition we have reviewed and agreed policies and procedures on external audit rotation and tendering; overseen the evaluation of the effectiveness of the internal and external audit processes; and overseen a review of our approach to hedging of foreign exchange exposures. Detailed reports were also received from the Chief Financial Officer and senior members of his department on the IT control environment and IT systems security.

The Committee has supported and advised the Board in relation to the processes and procedures required for the changes introduced by the 2014 UK Corporate Governance Code concerning a longer term viability statement and risk assessment and disclosure. In addition the Committee has ensured that the provisions of the Competition and Market Authority Audit Order relating to competitive tender processes and audit committee responsibilities were complied with throughout 2015. The current auditor was appointed following a competitive tender process held in 2012 and the Committee intends to carry out a competitive re-tendering process during 2016.

As noted last year, the Financial Reporting Council conducted a periodic routine review of the 2013 reported accounts and this was brought to a satisfactory conclusion in June 2015.

During 2016, your Committee will be paying particular attention to cyber security and the Company's risk management review processes as well as refreshing our training programme.

Caroline Johnstone
Audit Committee Chair
1 March 2016

The role of the Audit Committee

In 2015 the Audit Committee was chaired by Mr J K Maiden until 30 April when Mrs C A Johnstone was appointed in his place and throughout 2015 comprised three independent non-executive directors. Mrs Johnstone is considered by the Board to have 'recent and relevant financial experience' for the purposes of Provision C.3.1 of the Code as a chartered accountant and due to her previous position as a partner at PricewaterhouseCoopers.

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, particularly with regard to the interim and full year results, 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 selection and 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;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services;
- advising the Board, in connection with its obligation under Section C.1.1 of the Code, on whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance of the Group, along with its business model and strategy;
- ensuring that the external audit services contract is put out to tender at least once every ten years; and

Audit Committee continued

- reporting on the significant issues that it considered in relation to the financial statements and how these were addressed.

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 and as part of the internal audit process. 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 the auditor's engagement, effectiveness, independence and objectivity.

Activities during the year

The Committee met formally four times during 2015 and carried out the following main activities in addition to the items mentioned in the Chairman's overview:

- Reviewed the financial statements in the 2014 Annual Report and the 2015 interim statement in conjunction with papers prepared by the Chief Financial Officer regarding accounting policies and basis of preparation and a number of disclosure considerations;
- Advised the Board in connection with its obligation under Section C.1.1 of the Code;
- Reviewed the scope and effectiveness of the external audit;
- Reviewed and concluded the Financial Reporting Council's (FRC) periodic routine review of the 2013 report and accounts;
- Received reports from the external auditor on the major findings of its work;
- Approved the annual external audit plan and the basis on which the auditor assesses materiality;
- Reviewed the provision of non-audit services by the external auditor;
- Approved new policies on external audit rotation and tendering and the evaluation of the effectiveness of the internal and external audit processes;
- Reviewed the remit and effectiveness of the Committee;
- Reviewed the Group's whistleblowing arrangements and anti-bribery and corruption procedures;
- Reviewed the Group's risk register;
- Reviewed the IT control environment and IT systems' security;
- Monitored the effectiveness of internal controls and risk management;
- Reviewed the Group's internal audit plan; and
- Received reviews undertaken by the senior internal auditor. Reviewed reports relating to the implementation of recommendations from KPMG, the co-sourced internal auditor to enable the Committee to assess the improvements in the Group's controls and reporting and where further actions are required.

In addition the Chair of the Committee had regular dialogue with the external auditor, Chief Financial Officer and other senior members of the head office finance team and met with local finance and operations teams during site visits during the course of the year.

Auditor objectivity and independence

With regard to seeking to ensure the independence and objectivity of the auditor, the Audit Committee's policy is to ensure that the auditor's integrity is not compromised by restricting their involvement in the provision of non-audit services where a conflict of interest, real or perceived, may exist. The policy splits the approval of non-audit work into three categories:

- services which are prohibited;
- services which are pre-approved subject to limits; and
- services which require specific approval on a case-by-case basis.

Prohibited services include:

- maintaining or preparing accounting records and financial statements;
- the design and implementation of financial information systems or financial controls;
- secondments to the Group;
- recruitment and remuneration related services for key management positions;
- appraisal, valuation and actuarial services;
- tax services which require interpretation of tax law or reliance on accounting treatments;
- legal services unrelated to the audit.

A full copy of the policy on the provision of non-audit services by the external auditor is available on the Company website.

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 continued to provide during 2015 expatriate tax services to the Group's senior managers who are required to work outside their home country. The Committee does 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 2015 are set out in note 6 to the Group financial statements. Non-audit fees principally relate to financial, IT and pensions due diligence in connection with a potential acquisition, tax compliance and other tax advisory services and relate to services which were approved within the terms of the Committee's policy. PricewaterhouseCoopers were awarded the acquisition-related due diligence work following a competitive tender process.

Assessment of effectiveness of the external audit

During the year, the Committee evaluated the performance, independence and effectiveness of the external auditors. As part of this process, feedback was obtained from head office and operating company staff involved with the external audit and from the Committee's meetings with the external auditors. A review of performance against an evaluation checklist was also conducted by the Audit Committee Chair and the Chief Financial Officer. The Committee assessed the robustness of the audit, the quality of delivery of the audit against the agreed plan and the competence with which the auditors handled key accounting and audit adjustments. Considering all of these factors the Committee concluded that the external auditors were effective.

Re-appointment of the auditor

As a result of an external audit tender process in 2012, PricewaterhouseCoopers LLP was appointed in July that year. Following the assessment of the effectiveness of the external audit referred to above, the Committee is pleased to recommend the re-appointment of PricewaterhouseCoopers LLP at the 2016 Annual General Meeting. As noted above, however, a competitive tender process, the outcome of which will take effect for the 2016 audit, will be carried out during the first half of 2016.

Financial reporting and significant judgements

As part of their monitoring of the integrity of the financial statements, the Committee reviews whether suitable accounting policies have been adopted, and whether management has made appropriate estimates and judgements and also seeks support from the external auditors to assess these outcomes.

The main issues reviewed in the year ended 31 December 2015 are set out below:

- **Impairment of goodwill and intangibles**:
  The Group holds £273.3 million of goodwill and acquired intangible assets as set out in notes 13 and 14. Annually, management performs impairment assessments on these balances to ensure there is no evidence of impairment. The review is done using management's specialised knowledge of the underlying businesses and the markets in which they operate. As part of their audit the external auditor reviewed the impairment assessment calculation for reasonableness of the growth rate assumptions and discount rates used and compared the assumptions with related external market data. The Committee reviewed the assessments by management and the external auditors and considered the related disclosure.

- **Provisions for uncertain taxation positions**:
  Significant judgement is exercised by management, with advice from appropriate tax advisers, to arrive at the amounts provided for tax as the final tax outcome of several transactions is uncertain and may not be known for several years. As part of their audit, the external auditor reviewed the judgements that had been made, using tax specialists as appropriate, and provided the Committee with an assessment of the appropriateness of management judgements. The Committee reviewed the provisions and judgements taken by management and also the auditor's conclusions.

- **Defined benefit pension accounting:**
  The Group operates a number of defined benefit schemes which have significant liabilities as outlined in note 24 to the Group financial statements. Although the UK schemes are closed to future accrual, they are sensitive to changes in actuarial assumptions. During their audit, the external auditor evaluated the assumptions and methodologies used by the Group's actuarial advisers and management and assessed whether the assumptions made were appropriate and not materially different from external benchmarks. The external auditors reported to us that they were satisfied with the assumptions used and with the way that the schemes had been accounted for.

Nomination Committee

Nomination Committee membership
since 1 January 2015

Neil Johnson	Chairman
Brendan Connolly	
Caroline Johnstone	from 30 April 2015
Jez Maiden	until 30 April 2015

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 processes for nominating Stephen Bennett and Caroline Johnstone for appointment as Chief Financial Officer and as a non-executive director and chair of the Audit Committee respectively. These processes involved a thorough review of a range of candidates put forward by an independent recruitment consultancy, Russell Reynolds Associates, (with which the Company has no other connection), which conducted extensive search processes. The diversity (including gender) of the Board was taken into account by the Committee when making these 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 2015 and a number of informal meetings and telephone calls as well as several interviews in connection with the nomination processes 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.

A copy of the diversity policy is available at **www.synthomer.com**. Further details on the Company's approach to diversity are contained within the Strategic report.

Neil Johnson
Chairman
1 March 2016

Remuneration Committee

Remuneration Committee membership
since 1 January 2015

Brendan Connolly	Chairman
Just Jansz	
Jez Maiden	until 30 April 2015
Caroline Johnstone	since 30 April 2015

Dear Shareholder

I am pleased to present the Company Directors' Remuneration report for the financial year ended 31 December 2015, and take this opportunity to thank the Committee and Board members for their valuable input and debate.

Our Policy

Our current Remuneration Policy, in force since 1 May 2014, will remain in place until next year as the Committee considers that the policy remains relevant and fit for purpose for 2016. We will review the policy in its entirety during 2016, taking into account current guidance, trends and best practice from a number of sources, and put the policy to a shareholder vote at the AGM in 2017 in accordance with legislative requirements. In my statement last year, we highlighted that work had already begun on the policy review, and we re-confirm that we will be incorporating an additional two year holding period for vested awards under the Performance Share Plan following the three year performance period from 2017 onwards. For convenience, the policy principles and a table summarising the main elements of the current policy have been produced on pages 54 to 58.

Activities and outcomes in 2015

During 2015 the Committee worked closely with the Board in:

- setting the remuneration terms for Stephen Bennett who joined as Chief Financial Officer in May 2015;
- reviewing the Company-wide bonus plan, and aligning it within the Group and to the Group Strategy;
- reviewing the performance of the Executive Directors and the Chairman
- agreeing the participants for, and setting the targets for both the annual bonus plan and the Performance Share Plan (PSP); and
- reviewing the Terms of Reference and the Committee's own performance

During our Committee meetings we discussed a number of topics, including; the PSP structure and targets; participants in the PSP; the implementation of the Group bonus plan and the targets thereof; alignment of targets to the Group strategy; shareholding requirements for the executives; shorter notice periods; potential service contract changes; malus & clawback; market positioning of salaries and total remuneration; simplification of the remuneration structure; motivation and retention of the executives; and other administrative matters. I believe that there was sufficient debate and relevant input from our independent adviser on the different topics to ensure that our governance obligations were met and that issues were discussed in full.

The highlights from 2015 were:

- base salaries have been increased by 2% in line with the UK Group employee population.
- under the annual bonus plan the outcome for 2015 was well above expectations and budget, primarily due to successful growth in Asia, with Europe relatively stable as predicted. This meant that despite increasing the annual bonus target at the start of the year by an additional £2 million of PBT over and above the budgeted target, this target was met and exceeded, giving rise to full payout for the financial portion of the annual bonus. The SHE goals were set to deliver an improvement on the previous year in all three categories of personal safety, process safety and behavioural training. Two out of the three goals were met and exceeded, with the third falling just short, and as such two-thirds of bonuses linked to SHE were paid out. Lastly the personal objectives were broadly met as one would expect in such a successful year, with a detailed strategy now embedded, a restructuring of the Executive team completed and a current and ongoing focus on M&A evident. Both Executives therefore received a full pay out against these measurable non-financial objectives. In summary, it has been a very successful year and this sets a high bar for 2016 for this new Executive team.
- the 2013 PSP will pay out 28.8% based on partially achieving the Total Shareholder Return (TSR) target. The Earnings Per Share (EPS) three year growth target, which was a multiplier on the 2012 EPS result, was not achieved despite the growth in 2015.

Linkage to strategy

Linking performance to strategy is an important part of any Remuneration Committee's role, and again this year we have sought to ensure such alignment. The bonus plan focuses on in year profitability as a stepping stone to longer term growth. Safety and health and focused strategic goals make up the rest of the bonus plan. The strategic targets look at growth engines for the Group which reflect our geographic positioning. All of these targets are an integral part of the strategy to drive growth within a safe working environment. The PSP focuses on growth through innovation and acquisitions, as well as delivering a growing EPS and 'out performing' (TSR) against our peers in the market. We believe that the strategy and these goals also deliver value to our shareholders.

Remuneration Report

The Directors' Remuneration report will not require a binding vote for the policy at the 2016 Annual General Meeting; however the Annual Report on Remuneration will be subject to an advisory vote. We hope that we will have the support of our shareholders for the Annual Report on Remuneration.

Finally, we believe the remuneration of the executive directors to be balanced, appropriate and broadly in-line with best practice, and importantly, motivational for the executives and aligned with shareholders' interests without driving inappropriate risk taking. We continue to monitor current best practice and guidelines and remain open to review the output of various consultations and discuss the ideas and opinions of our shareholders as we review our policy in 2016.

Brendan Connolly
Chairman
1 March 2016

Directors' Remuneration – Policy principles

The key principles for executive directors' remuneration at Synthomer are as follows:

- Sufficient to attract and retain executive directors of the ability and expertise necessary to achieve the strategic goals of the Company.
- Incentivise executive directors by rewarding performance and driving the right behaviours.
- Align executive director reward with the experience of shareholders.

In setting executive directors' remuneration, the Committee takes account of pay and conditions throughout the Company. The Committee also considers corporate governance requirements and best practice in terms of remuneration structures and the process of setting executive remuneration.

The Committee reviews performance targets regularly to ensure that they do not encourage or motivate inappropriate risk taking. Furthermore, the Committee, when necessary, will take into account any environmental, social and governance (ESG) events and the Audit Committee's risk assessment when assessing performance.

The following diagram provides an overview of the key elements of reward for executive directors and the performance measures used.

Directors' Remuneration Policy Summary

Set out in the table below is a summary of our Directors' Remuneration Policy (the 'Policy') as it applies to executive directors. The Policy was put forward for, and received shareholder approval, at the Company's 2014 AGM in accordance with section 439A of the Companies Act 2006. The Policy has been effective from 1 May 2014 and is available in full at **www.synthomer.com**

Element	Operation
Base salary **Purpose and link to strategy** Supports the recruitment and retention of executive directors. Reflects the individual's skills, experience, performance and role within the Company.	Salary levels are generally reviewed annually by the Committee. When reviewing salary levels the Committee takes into account: – the individual's skills, experience and performance; – the size and scope of the individual's responsibilities; – pay and conditions elsewhere in the Group; – pay at companies of similar size; and – the complexity and international scope of the Group. For 2016, executive director salaries are: – Chief Executive Officer: £535,500 – Chief Financial Officer: £334,560
Benefits **Purpose and link to strategy** Provided to support the retention and recruitment of executive directors.	Benefits to executive directors may include private health insurance, life insurance and a fully expensed car. From time to time the Committee may review the benefits provided. The Remuneration Committee may remove benefits that executive directors receive or introduce other benefits if it considers it is appropriate to do so. Any other benefits will be proportionate with the current benefits provided. Where executive directors are required to relocate or complete an international assignment, the Remuneration Committee may offer additional benefits or vary benefits according to local practice.
Pension **Purpose and link to strategy** Provides a competitive level of retirement benefits to support both retention and recruitment of executive directors.	Executive directors are eligible to participate in the Group personal pension plan. Executive directors may receive payments as a cash allowance which they may use either in conjunction with that plan and/or to enable them to make their own arrangements.

Base salary / Pension and benefits	Annual bonus	Performance share plan
	At least 70% Profit before tax	**At least 40%** Relative TSR
	Up to 30% Strategic and operational objectives	**At least 40%** EPS growth
		Up to 20% Strategic measures

Maximum opportunity	Performance measures
There is no overall maximum for salary opportunity or increases. Salary increases will normally be in-line with the increases awarded to other employees within the Group. Larger increases may be made under certain circumstances, including, but not limited to: – an increase in the scope and/or responsibility of the individual's role; – the development of the individual within the role; – alignment to market levels; and – corporate events such as a significant acquisition or Group restructuring which impacts the scope of the role.	None, although individual and Company performance are factors taken into account when considering salary increases.
There is no overall maximum for benefits. The cost of insurance benefits may vary from year-to-year depending on individual circumstances. The level of any relocation benefits, allowances and expenses will depend on the specific circumstances.	None
Maximum of 25% of base salary.	None

Element	Operation
Annual bonus **Purpose and link to strategy** Incentivises the delivery of financial, strategic and operational objectives selected to support our business strategy within the year.	Performance targets will be determined by the Committee at the beginning of the annual performance period. The Committee will assess performance against these targets following the end of the performance period. The Committee may adjust awards upward or downward to reflect the overall performance of the Company or the individual. The Committee may reduce or defer the level of payment of an award to take into account exceptional business circumstances. The Committee may claw back awards up to three years after payment 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 over payment.
2011 Performance Share Plan Approved by shareholders at the 2011 EGM **Purpose and link to strategy** Incentivises executive directors to deliver sustained performance and sustainable returns for shareholders over the longer term.	Awards of shares or nil-cost options are made annually with vesting conditional on the Company's performance against long-term targets over a three year performance period. The Committee may reduce or defer the level of vesting of an award where an event has occurred, such as a material health or safety incident Awards may give rise to dividend equivalents. The Committee may claw back awards up to three years after vesting 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 overpayment. All vested awards (net of tax if applicable) must be retained by executive directors until share ownership guidelines are met.
Shareholding guidelines The Company operates shareholding guidelines for executive directors.	

Maximum opportunity	Performance measures
100% of salary.	At least 70% of awards are subject to underlying profit before tax (or other relevant financial measure) targets. Up to 30% of awards are subject to strategic and operational measures, including personal objectives. The award for threshold performance is normally 20% of maximum.
Under the plan rules approved by shareholders, the value of shares awarded to an individual in any one year may not normally exceed 150% of salary. Annual awards to executive directors are: – Chief Executive Officer: 125% of salary – Chief Financial Officer: 100% of salary Under the plan rules approved by shareholders there is the ability to make additional awards in exceptional circumstances. Additional awards may be made in the case of a transformative Company event. Any such awards would be subject to additional shareholding guidelines or holding periods to be determined by the Committee. Any additional award would be subject to the overall plan limit of 300% of salary.	– At least 40% based on relative TSR performance. – At least 40% based on EPS growth targets. – Up to 20% based on performance measures linked to the delivery of the business strategy. – No single measure will constitute more than 50% of an annual award. A maximum of 25% of each element will vest for threshold performance. The Committee may amend the final vesting level under the TSR element if it does not consider it to be reflective of the underlying performance of the Group. Any additional awards made in exceptional circumstances will be subject to performance conditions and vesting schedules as determined by the Committee at the time of award.
The current guidelines are detailed in the annual report on Remuneration (page 58).	

Provisions to withhold or recover sums paid under the annual bonus plan were introduced into that plan in 2015 and were already contained in the 2011 Performance Share Plan at the time the Policy came into force. No other elements of remuneration are subject to recovery provisions.

Annual Report on remuneration for the year ended 31 December 2015

Operation of the Executive Director Remuneration Policy for 2016

The Policy has been in force since 1 May 2014.

The specific remuneration arrangements for 2016 are described below. Adrian Whitfield stood down as Chief Executive Officer and as a director of the Company on 22 January 2015 and was succeeded by Calum MacLean. David Blackwood stood down as Chief Financial Officer and as a director of the Company on 1 May 2015 and was succeeded by Stephen Bennett.

Base salary

Salary increases of 2% were awarded with effect from 1 January 2016, in line with increases across the UK all employee population, giving 2016 salaries as follows:

- C G MacLean: £535,500.
- S G Bennett: £334,560.

Pension and benefits

No changes. Executives receive a cash allowance in lieu of pension contributions, a fully expensed car or car allowance and private health insurance.

2016 cash allowances in lieu of pension contributions:

- C G MacLean: 25% of salary
- S G Bennett: 20% of salary

Annual bonus

For 2016, performance under the annual bonus will be measured on the following basis:

- 80% subject to performance against underlying profit before tax targets.
- 10% subject to performance measures against key health and safety and environmental targets.
- 10% subject to performance against individual strategic and operational goals.
- Targets and objectives for 2016 are, by their financial and commercial nature, considered by the Board to be unsuitable for disclosure in advance. However, the Committee will provide information on targets and objectives retrospectively.

2016 maximum award opportunity:

- C G MacLean: 100% of salary
- S G Bennett: 100% of salary

Performance share plan

For awards made in 2016, performance will be measured on the same basis as for awards made in 2015 other than in relation to the business strategy target as follows:

- 40% based on relative TSR performance versus FTSE 250 excluding investment trusts and financial services companies:
  - 25% of this element will vest for median performance.
  - 100% vesting for upper quartile performance.
  - Vesting on a straight-line basis between these points.
- 40% based on underlying EPS growth:
  - 25% of this element will vest for EPS growth of 4.5% per annum.
  - 100% vesting for EPS growth of 10% per annum.
  - Vesting on a straight-line basis between these points.
  - This target range was set following consideration of the long-term strategy and the outlook for the markets in which we operate.
- 20% based on performance against two equally weighted measures directly linked to the delivery of the business strategy:
  - Proportion of sales from new products, measured over the five years to the end of the performance period – incentivising greater innovation through new product development.
  - Cumulative underlying profit before tax growth in respect of acquisitions in line with the strategic plan as approved by the Board – incentivising the delivery of profitable growth.
  - For each of these measures, 25% will vest for threshold performance.
  - The targets for these measures, and the level of performance achieved, will be disclosed following the end of the performance period.

2016 maximum award opportunity:

- C G MacLean: 125% of salary
- S G Bennett: 100% of salary

Shareholding guidelines

Executives are required to build unfettered interests in shares of at least 100% of salary. The Committee will keep the level under review.

Single figure of remuneration for Executive Directors

	Year	Base salary £	Benefits[1] £	Annual bonus £	Long-term incentives[2] £	Pension £	Total £
Executive Directors							
C G MacLean	**2015**	**500,943**	**135,845**	**484,412**	**-**	**125,234**	**1,246,434**
	2014	–	–	–	–	–	–
S G Bennett	**2015**	**223,594**	**93,717**	**216,214**	**321,100**	**44,719**	**898,269**
	2014	–	–	–	–	–	–
A M Whitfield[3,5]	**2015**	**30,309**	**2,273**	**-**	**18,715**	**7,577**	**58,874**
	2014	512,500	32,738	293,662	–	128,125	967,025
D C Blackwood[4,5]	**2015**	**109,377**	**12,457**	**105,768**	**45,880**	**21,875**	**295,357**
	2014	320,441	27,067	182,010	–	64,089	593,607

Notes
1. This is the total taxable value of benefits received by each Director during 2015. The table below provides details of the main component of the relevant benefits paid to executive directors.
2. For 2014 the long-term incentives are the value of the award (being nil) granted under the 2011 PSP awards and made in 2012 which lapsed in March 2015 due to the failure to meet the performance conditions. For 2015 the long-term incentives are the value of a portion of the 2011 PSP made in 2013 which relates to TSR growth and which will lapse in part in April 2016. For 2015 the value includes the 'buyout' award made following the appointment of Mr Bennett as detailed on page 62.
3. Stood down as a director on 22 January 2015 and left employment on 30 June 2015.
4. Stood down as a director on 1 May 2015 and left employment on 31 December 2015.
5. The single figure of remuneration for Messrs Whitfield and Blackwood are pro-rata for the period they acted as Director.

	Car expenses / benefit £	Relocation allowance £	Others £	Total £
C G MacLean	12,595	123,250	-	135,845
S G Bennett	11,039	82,000	678	93,717
A M Whitfield	1,926	–	347	2,273
D C Blackwood	11,597	–	860	12,457

Additional information for single figure remuneration

Base salary

The base salary for senior executives is reviewed with effect from 1 January each year. The Committee reviewed the positioning of executive director base salaries in late 2015 in the context of the prevailing economic circumstances and taking into account pay and employment conditions elsewhere in the Company. The base salary levels effective 1 January 2016 (or date of joining if later) are set out below.

Executive Directors	**2015 base salary**	2016 base salary	% change
C G MacLean[1]	**£525,000**	£535,500	2%
S G Bennett[2]	**£328,000**	£334,560	2%
A M Whitfield[3]	**£512,500**	–	–
D C Blackwood[4]	**£328,132**	–	–

Notes
1. Calum MacLean joined the Company on 19 January 2015 and was appointed Chief Executive Officer on 22 January 2015.
2. Stephen Bennett joined the Company on 27 April 2015 and was appointed as Chief Financial Officer on 1 May 2015.
3. Adrian Whitfield stood down as Chief Executive Officer and as a director of the Company on 22 January 2015 and received his salary until 30 June 2015.
4. David Blackwood stood down as Chief Financial Officer and as a director of the Company on 1 May 2015 and received his salary until 31 December 2015.

Annual bonus

2015 award

For 2015 the Company operated a cash bonus plan for the executive directors related to the achievement of profit before tax targets, health and safety targets and individual strategic and operational goals.

The achievement of the profit before tax target represented up to 80% of the maximum bonus opportunity achievable of 100% of annual basic salary other than for Mr Blackwood as noted below.

The health and safety targets were given a 10% weighting of the maximum achievable with the balance of 10% relating to individual strategic and operational goals.

As Mr Blackwood served notice of his intention to leave the Company in December 2014 he was not set any individual goals for 2015 and the profit before tax measure was therefore increased to 90% of his maximum bonus opportunity.

Overall bonuses for the year ended 31 December 2015.

Executive Directors	Maximum bonus as a % of salary	Total bonus as a % of maximum	Total bonus[1] £
C G MacLean	100	96.7	484,412
S G Bennett	100	96.7	216,214
D C Blackwood	100	96.7	317,304

Note
1. Bonus payments were pro rated from date of commencement of employment.

Further information of the three elements of the bonus are as follows:

1. Profit before tax

The profit before tax targets set and achivement are set out below:

	Threshold	Target	Maximum	**Achieved**
Level of vesting	20%	60%	100%	**100%**
Profit before tax[1]	£81.70m	£86.00m	£92.88m	**£106.20m**

Note
1. Targets are set by reference to the Board approved internal budget for the Group and measured on a constant currency basis.

2. Health & Safety

Targets with an aggregate weighting of 10% related to improvements in personal and process safety and as a result of the performance in these areas, with completion of the Group process safety plan and the number of behavioural audits exceeding target but the level of recordable accidents being adverse to target, 6.7% of the maximum bonus opportunity for this measure was achieved.

3. Individual strategic and operational goals

C G MacLean

Individual goals with an aggregate weighting of 10% included:

– identification of evaluated possible acquisition opportunities,
– restructuring of the senior leadership team and the corporate headquarters
– developing excellent Board relationships.
The maximum opportunity was awarded.

S G Bennett

Individual goals with an aggregate weighting of 10% included:

– improvement and development of financial reporting
– reorganisation of the finance team
– establishing investor relationships
The maximum opportunity was awarded.

2011 Performance Share Plan

2013 award included in single figure of remuneration for 2015

The awards made on 24 April 2013 under the 2011 PSP were subject to a relative shareholder return performance condition and an absolute earnings per share performance condition as follows:

Relative total shareholder return condition	EPS condition		
Company relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over 3 year period ended 31 December 2015	EPS for the 2015 financial year	Percentage of award that will vest	Performance achieved
Upper quartile	29.3 pence or more	50%	EPS of 21.5p pence gives nil vesting on that condition. TSR performance at the 39.1 per centile gives vesting of 28.8% of the award
Between median and upper quartile	Between 25.5 pence and 29.3 pence	On a straight-line basis between 12.5% and 50%	
Median	25.5 pence	12.5%	
Below median	Less than 25.5 pence	0%	

The 2013 awards will vest in April 2016 as follows:

	No of shares in original award	No of shares in award after pro rating[1]	No of shares that lapse	No of shares that vest
A M Whitfield	266,808	170,460	121,368	49,092
D C Blackwood	166,822	148,286	105,580	42,706

Note
1. Awards reduced on a time apportioned basis calculated to 31 March and 31 December 2015 for A M Whitfield and A C Blackwood respectively.

2015 award

The awards made on 27 February 2015 to C G MacLean and D C Blackwood and on 1 May 2015 to S G Bennett were as follows:

Executive Directors	Scheme	Basis of award	Number of shares	Face value	Percentage vesting at threshold performance	Performance period end date
C G MacLean	2011 PSP – nil-cost options	125% of salary	231,726	£656,250	25%	31/12/2017
D C Blackwood	2011 PSP – nil-cost options	110% of salary	127,452	£360,945	25%	31/12/2017
S G Bennett	2011 PSP – nil-cost options	100% of salary time apportioned from 1 May 2015	68,483	£218,667	25%	31/12/2017

The face value of the awards is calculated using the share price on the dealing day prior to the dates of grant (being 26 February 2015 and 30 April 2015), which was 283.2 pence and 319.3 pence per share respectively and 2015 salaries of £525,000, £328,132 and £328,000 for the Messrs MacLean, Blackwood and Bennett respectively.

The awards made on 27 February 2015 and 1 May 2015 under the 2011 PSP are subject to the following performance conditions:

Relative total shareholder return condition	EPS condition	
Company relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over 3 year period ending 31 December 2017	EPS for the 2017 financial year	Percentage of award that will vest
Upper quartile	25.95 pence or more	40%
Between median and upper quartile	Between 22.25 pence and 25.95 pence	On a straight-line basis between 10% and 40%
Median	22.25 pence	10%
Below median	Less than 22.25 pence	0%

A further 20% of the award is subject to strategic measures as referred to on page 54, the targets for which will be disclosed following the end of the performance period.

In addition, an award of 100,000 shares was made to S G Bennett on 1 May 2015, which is subject to continued employment until 31/12/2017. The award was made on recruitment in order to 'buy out' remuneration arrangements forfeited on leaving his previous employment. The awards which were forfeited were not subject to performance conditions but only to continued employment, and only a portion of the award was bought out. The Committee was satisfied that the award was substantially less valuable than the entitlement forfeited.

Pension entitlements

Both executive directors receive a cash allowance in lieu of pension contributions. No additional benefit is receivable in the event of a director retiring early.

	Cash allowance (% salary)
Chief Executive Officer	25
Chief Financial Officer	20

Single figure of remuneration for non-executive directors

Non-executive Directors		Base fee	Committee membership fee	Committee chair fee	Total
N A Johnson	**2015**	**160,000**	**–**	**–**	**160,000**
	2014	160,000	–	–	160,000
The Hon. A G Catto	**2015**	**40,000**	**–**	**–**	**40,000**
	2014	40,000	883	–	40,833
J Chen	**2015**	**40,000**	**–**	**–**	**40,000**
	2014	40,000	–	–	40,000
B W D Connolly[1]	**2015**	**43,354**	**5,000**	**5,000**	**53,354**
	2014	37,622	4,703	4,703	47,028
Dr J Jansz	**2015**	**40,000**	**5,000**	**–**	**45,000**
	2014	40,000	5,000	–	45,000
C A Johnstone[2]	**2015**	**32,333**	**3,333**	**3,334**	**39,000**
	2014	–	–	–	–
Dato' Lee Hau Hian	**2015**	**40,000**	**–**	**–**	**40,000**
	2014	40,000	–	–	40,000
J K Maiden[3]	**2015**	**15,000**	**1,667**	**1,666**	**18,333**
	2014	45,000	5,000	5,000	55,000

Note
1. Base fee includes an amount of £5,000 per annum for role as Senior Independent Director from 1 May 2015.
2. Appointed to the Board on 20 March 2015.
3. Base fee includes an amount of £5,000 for role as Senior Independent Director until 30 April 2015 at which date Mr Maiden resigned from the Board.

Directors’ shareholding and share interests (number of shares/options)

Directors	Interests in Company shares 31 December 2015	Vested unexercised performance related options 31 December 2015	Total unfettered interests in shares and vested options 31 December 2015	Unvested performance related options 31 December 2015[1]	Share options exercised during 2015	Share ownership requirements (% of salary)	Interests in shares at 31 December 2014 (% of salary)[2]
C G MacLean	**212,658**	**0**	**212,658**	**231,726**	**0**	**100%**	**129%**
S G Bennett	**0**	**0**	**0**	**68,483**	**0**	**100%**	**0%**
The Hon. A G Catto	**1,746,955**						
	7,741,950*						
J Chen	**–**						
B W D Connolly	**2,200**						
Dato’ Lee Hau Hian	**44,763**						
Dr J J C Jansz	**10,000**						
N A Johnson	**100,000**						
C A Johnstone	**0**						
J K Maiden	**2,523**						

Note
* Non-beneficial interest.
1. Unvested performance related options comprise the awards made under the 2011 PSP in 2015. Details of the performance conditions attaching to the 2015 awards are set out on page 61. In addition to his performance related award S G Bennett was given a ‘buyout’ award of 100,000 shares in 2015 the details of which are given on page 62.

   The performance conditions attaching to the awards made on 3 March 2014 are as follows and were calculated on the basis of 100% of 2014 salary (Chief Executive Officer £512,500 and Chief Financial Officer £320,441) and using a share price of 265.2 pence:

Relative total shareholder return condition	EPS condition	
Company relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over three year period ending 31 December 2016	EPS for the 2016 financial year	Percentage of award that vests
Upper quartile	27.55 pence or more	40%
Between median and upper quartile	Between 23.62 pence and 27.55 pence	On a straight-line basis between 10% and 40%
Median	23.62 pence	10%
Below median	Less than 23.62 pence	0%

   A further 20% of the award is subject to strategic measures as detailed on page 54 the target for which will be disclosed following the end of the performance period.

2. Executive directors are required to hold 100% of their annual salary in the Company’s shares. Until this requirement is met no sales of shares that vest under long-term incentive plans are permitted other than to satisfy tax liabilities that arise on the exercise of share awards under such plans. The Committee considers that unfettered unexercised vested nil-cost awards are economically equivalent to shares and as such that they should count (on a net of tax basis) toward compliance with the 100% salary guideline. The Committee will keep the guideline level of share interest under review.

Payments to past directors

A M Whitfield

On 1 July 2014, Adrian Whitfield announced his intention to step down from his role as Chief Executive Officer and director of the Company. He agreed to give 12 months' notice and to continue as Chief Executive Officer to allow sufficient time for a replacement to be found and an orderly transition to take place.

As a result of the appointment of Calum MacLean as Mr Whitfield's successor on 22 January 2015, Mr Whitfield agreed with the Board to step down as Chief Executive Officer, but to remain an employee of the Company until the end of his notice period on 30 June 2015. During his notice period, Mr Whitfield continued to be paid in line with the terms of his service agreement and was entitled to receive his normal salary, benefits and pension arrangements.

It was agreed, at the time of his giving notice, that he would receive neither a bonus nor an award under the Performance Share Plan in 2015. He remained eligible for a bonus in respect of performance in 2014 as detailed on page 59.

The Remuneration Committee determined that, taking into account the circumstances of the departure, the transition between the leadership of the Company and Mr Whitfield's contribution to the business during his tenure, his unvested awards under the Performance Share Plan would continue. In line with the approved policy, the awards will be reduced on a time-apportioned basis, which will be calculated to 31 March 2015 (i.e. prior to ceasing employment). Awards will be subject to the relevant performance conditions which will be measured at the normal time. Vesting of awards will also be subject to mitigation, to the extent that Mr Whitfield subsequently takes up employment with a competitor of the Company. Details of the vesting of the award made to Mr Whitfield in 2013 together with all other remuneration paid to Mr Whitfield in 2015 are contained in this report.

D C Blackwood

David Blackwood gave notice of his intention to retire from his role as Chief Financial Officer on 18 December 2014, and agreed to remain with the Company until 31 December 2015 in order for his successor to be recruited and a handover to take place. As a result of the appointment of Stephen Bennett as Mr Blackwood's successor on 1 May 2015, Mr Blackwood agreed with the Board to step down as Chief Financial Officer, but to remain an employee of the Company until 31 December 2015. During 2015, Mr Blackwood continued to be paid in line with the terms of his service agreement and was entitled to receive his normal salary, benefits and pension arrangements.

Mr Blackwood participated in the 2015 annual bonus scheme and received an award under the Performance Share Plan in 2015.

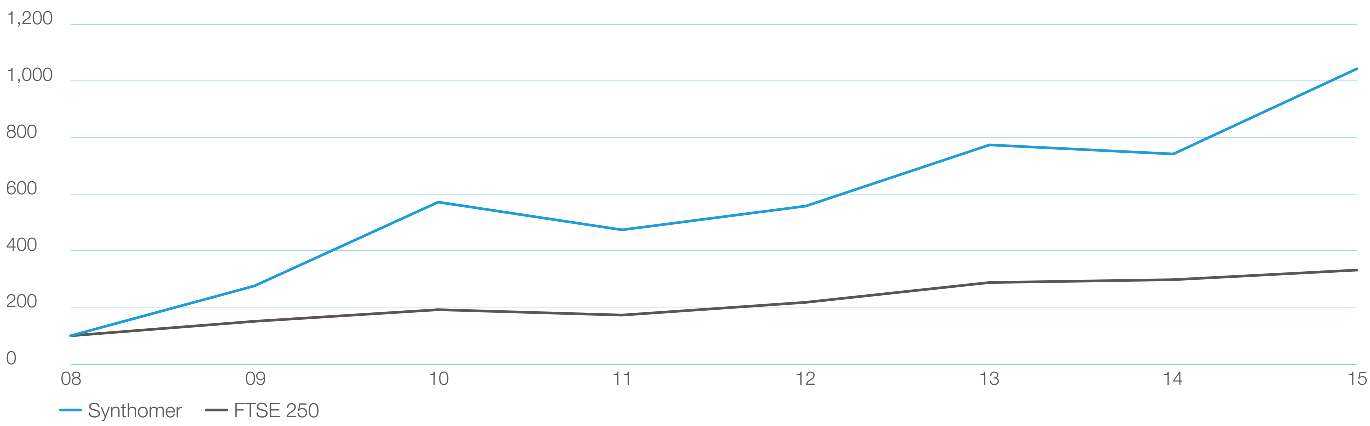
Following retirement, in line with the approved policy, Mr Blackwood's unvested awards under the Performance Share Plan will continue but will be reduced on a time-apportioned basis calculated to 31 December 2015. Awards will be subject to the relevant performance conditions which will be measured at the normal time. Details of the vesting of the award made to Mr Blackwood in 2013 together with all the remuneration paid to Mr Blackwood in 2015 is contained in this report.

Payments for loss of office

No payments for loss office were made during the year.

Performance graph and table

The graph and the table below allow comparison of the total shareholder return of the Company and the Chief Executive Officer remuneration outcomes over the last seven years.



The graph on page 64 compares the total shareholder return performance of the Company with that of the FTSE 250 which is considered to be the most appropriate index against which to make a comparison.

	2009	2010	2011	2012	2013	2014	**2015**
CEO total single figure of remuneration (£000)	786	1,484	3,934	1,487	923	967	**1,350**
Bonus (% of maximum awarded)	100	100	100	27	0	57.3	**100**
LTI (% of maximum vesting)	0	100	100	100	50	0	**0**

The CEO total single figure of remuneration includes salary, benefits and pension contributions paid in the year together with bonuses and long-term incentive awards which vested based on performance in the year.

Percentage change in remuneration of director undertaking the role of chief executive compared with UK Group employees

The table below sets out the increase in total remuneration of the Chief Executive Officer and that of the employees of the Group's main UK trading subsidiary. Total employee pay is based on the total salary, benefits and bonuses for employees of that company comprising some 335 employees. The directors consider that this employee population is the most relevant for comparison purposes taking into account geographical location and remuneration structure.

	Salary % increase	Taxable benefits % increase	Annual bonus % increase
C G MacLean	2.0	N/A	N/A
Total employee pay, benefits and bonuses	8.4	(3.6)	678.2

Relative importance of spend on pay

The table below shows the relative importance of the Group's all employee remuneration expense compared with returns to shareholders by way of dividends.

	2015 £m	2014 £m	% change
Dividends	**53.7**	22.4	139.7
Total employee remuneration	**76.2**	68.0	12.1

Dividends are the dividends paid in the year. Total employment remuneration is the consolidated salary cost for all Group employees.

Emoluments*	**2015 £000**	2014 £000
The total amounts for directors' remuneration and other benefits were:		
Emoluments	**2,351**	1,798

Note
*Emoluments are recognised on a pro-rata basis for the period they were directors.

External appointments

Executive directors are permitted to accept external appointments with the prior approval of the Board provided that there is no adverse impact to their role and duties to the Company. Any fees arising from such appointments may be retained by the executive directors where the appointment is unrelated to the Group's business. Neither Mr MacLean nor Mr Bennett currently hold any external appointments.

Remuneration Committee

Remuneration Committee membership since 1 January 2015:

Brendan Connolly	Chairman
Jez Maiden	until 30 April 2015
Just Jansz	
Caroline Johnstone	from 30 April 2015

Attendance at Committee meetings is set out on page 46.

Key duties of the Committee

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.

Advisers

The Chief Executive Officer, Chief Financial Officer, Company Secretary and the Group HR Director are invited to attend Committee meetings to contribute to the Committee in its deliberations. However, no individual is involved in discussions, or is part of any decisions, relating to their own remuneration.

The Committee received independent advice from Deloitte LLP (Deloitte) who were appointed as the Committee's independent remuneration advisers in April 2013.

During the year, Deloitte provided advice on governance and market trends and other remuneration matters that materially assisted the Committee. The fees paid to Deloitte in respect of this work were charged on a time and expenses basis and totalled £8,625 for advice in 2015. Deloitte also provided tax services to the Company in the year. The Committee was satisfied that this did not compromise the independence of the advice received.

Deloitte is a founding member of the Remuneration Consultants Group, and adheres to its code of conduct. Deloitte was appointed directly by the Committee, and the Committee is satisfied that the advice received was objective and independent.

Statement of voting at general meeting

The table below sets out the results of the vote on the Directors' remuneration report in 2015.

	Votes for		Votes against		Votes withheld
Member	Number	% of vote	Number	% of vote	Number
2015 Annual Report on Remuneration	240,720,354	>99	1,438,487	<1	29,652,926

By order of the Board
R Atkinson
Company Secretary
1 March 2016

The Directors submit their Annual Report and the audited consolidated financial statements for the year ended 31 December 2015. The Report of the Directors comprises pages 67 to 69 and the following sections of the Annual Report which are incorporated by reference:

Item	Location in Annual Report
Directors' responsibility statements	Page 70
Financial instruments and financial risk management	Financial Statements – note 21
Present membership of the Board	Page 42 to 43
Corporate Governance Report	Pages 44 to 48
Strategic Report (including principal activities and principal risks and uncertainties and Viability Statement)	Pages 4 to 41
Directors' Remuneration Report	Pages 53 to 66
Share capital	Financial Statements – note 26
Resources and Relationships Report	Pages 20 to 27

Results and dividends

The profit attributable to shareholders for the year was £60.4m. The interim dividend of 3.2 pence per share was paid on 5 November 2015. The Directors recommend a final ordinary dividend of 5.4 pence per share payable on 4 July 2016 to those shareholders registered at the close of business on 3 June 2016. A dividend reinvestment plan is available to shareholders and this alternative will continue to be offered until further notice.

Directors

All the Directors will retire and will be seeking election or re-election as appropriate at the forthcoming Annual General Meeting.

None of the Directors seeking election or re-election has a service contract other than Mr MacLean and Mr Bennett who each have a service contract which contains a twelve month notice period.

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

During 2015 no shares were issued or repurchased. A total of 141,795 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.

Major shareholdings

Other than the shareholdings disclosed as Directors' interests in the Directors' remuneration report as at 19 February 2016, 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
Royal London Asset Management Limited	10,556,794	3.11	Direct interest
Tameside MBC re Greater Manchester Pension Fund	13,612,405	4.01	Direct interest
UBS Asset Management	17,064,259	5.02	Indirect interest
FIL Limited	22,673,997	6.67	Indirect interest
Standard Life Investments (Holdings) Limited	30,596,643	8.89	Direct and indirect interest
Kuala Lumpur Kepong Berhad Group	66,879,401	19.68	Direct interest

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 2015 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 2015 Annual General Meeting. A resolution will be tabled at the 2016 Annual General Meeting to renew this authority.

Political donations

No political donations were made in the year.

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.

Subsidiaries

All the Group's subsidiaries, joint ventures and related undertakings are listed on page 127 to 128.

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 71 to 75 and 116 to 117.

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

Going concern

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

- the refinancing of the Group's main credit facility in July 2014 which involved the putting in place of a new committed £210 million multicurrency revolving loan for a term of five years.
- the final repayment under the 2004 series private placement notes of US$22 million due in September 2016.

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 financial statements.

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 the offices of Canaccord Genuity Limited, 88 Wood Street, London EC2V 7QR on 28 April 2016 at 10.00am.

By order of the Board
R Atkinson
Company Secretary
1 March 2016

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 Accounting Standards, comprising FRS 101: "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice). 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 Strategic 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.
- As required by the UK Corporate Governance Code: The Annual Report and financial statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable.

By order of the Board

C G MacLean
Chief Executive Officer

S G Bennett
Chief Financial Officer

Report on the Group financial statements

Our opinion

In our opinion, Synthomer plc's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated Balance Sheet and Analysis of Net Borrowings as at 31 December 2015;
- the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Context

Our 2015 audit was planned and executed having regard to the fact that the operations of Synthomer plc were largely unchanged from the prior year. In addition we had regard to the continued tough trading environment in Central Europe with stronger market conditions in Malaysia. In light of this our overall audit approach was largely unchanged, with the exception of the removal of the area of focus in relation to impairment of goodwill and intangibles, owing to a reduced level of risk as a result of the upturn in performance in the Asia and Rest of the World segment.

Overview

Materiality	– Overall Group materiality: £4.3 million which represents 4.5% of underlying profit before tax.
Audit scope	– Our Group audit focused on five key reporting units which were all subject to audits of their complete financial information. – The reporting units where we performed audit procedures accounted for 86% of the Group's revenue, 77% of the Group's operating profit and 79% of Group's underlying operating profit.
Areas of focus	– Provisions for uncertain tax positions – Defined benefit pension accounting

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Defined benefit pension accounting A set out in note 24 on page 108 the Group has significant defined benefit pension schemes. These primarily represent the Yule Catto Group retirement benefits scheme in the UK and an unfunded scheme in Germany, which account for £136.1 million of the net pension deficit of £139.2 million recorded on the Group balance sheet at the year end. We focused on the pension liabilities in particular, as the amounts reflected in the financial statements for defined benefits schemes are sensitive to relatively small changes in a few key assumptions such as the inflation rate, mortality tables and most notably, the discount rate applied The Group uses third party actuaries to calculate the amounts to reflect in the financial statements in respect of these schemes and it is accordingly important for us to assess the work they perform and their competency to undertake the work in order to conclude on the results of their work.	We obtained external actuarial reports of the UK and German schemes dated January 2016 which set out the detailed calculations and assumptions underpinning the year end pension scheme valuation. We read these reports and were satisfied that the scope of their work was such that we could use this work to provide evidence for the purpose of our audit. We assessed the competency and objectivity of the external actuaries commissioned by the Group to perform the year end calculations by considering their technical expertise and independence from the Group. We identified no concerns over their competency or objectivity. We used our own specialist actuarial knowledge to evaluate all the key assumptions used in each of the two schemes by comparing these assumptions to our expectations for similar schemes as at the year end. We found management's assumptions to be consistent with our expectations and within an acceptable range.
Provisions for uncertain tax positions The Group has a wide geographic footprint and is subject to a range of tax laws in a number of different tax jurisdictions. In determining the amount to record at the year-end for tax liabilities there is an element of judgement as to what amounts will ultimately be payable for assessed tax exposures. As set out in note 8 at 31 December 2015, the Group has recorded current tax liabilities totalling £30.6 million. A significant element of this tax liability relates to uncertain tax positions. We focused on this area due to the size of the amounts involved and level of judgement needed to determine the estimated provisions.	We used our specialised tax knowledge to assess the level of provisions held against various tax exposures and to consider the appropriateness of any provisions. In our assessment we had regard to the nature of the individual exposures, including their origin, and any developments in the year to assess the rationale for their continued validity at the current year end. As part of this work we inspected correspondence with tax authorities and the Group's tax advisors. We challenged the judgements made by assessing individual provisions against our expectations of potential exposures, having regard to the facts of each case and, where deemed necessary, we involved PwC component auditors in the relevant overseas territory. No significant issues arose from this work to suggest that the judgements made and amounts recorded were inappropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the Group operates.

As set out on page 3 the Group reports its results as two businesses: 'Europe and North America' and 'Asia and the Rest of the World'. The Group financial statements are a consolidation of reporting units, being holding companies, intermediate holding companies and nineteen operating companies, across thirteen countries. Three countries the UK, Germany and Malaysia account for the majority for the Group's results. We accordingly focused our work on the five key reporting units in these countries which were subject to audits of their complete financial information. These components accounted for 86% of the Group's revenue, 77% of the Group's operating profit and 79% of the Group's underlying operating profit. In addition to the work at the five key reporting units we performed local statutory audit work in relation to the year ended 31 December 2015 at a number of other operating companies accounting for a further 13% of the Group's underlying profit with these teams reporting to the Group team any issues of note from their work which was substantially completed as at the date of this opinion.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. The Group team also attended the closing audit meeting in the largest of the overseas territories.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£4.3 million (2014: £3.8 million).
How we determined it	4.5% of underlying profit before tax.
Rationale for benchmark applied	We have used underlying profit, being profit before tax adjusted for special items, because it is the principal metric against which the Group's financial performance is measured in the Chairman's and CEO's statements within the financial statements.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £200,000 (2014: £200,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page page 70, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

– information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
– the statement given by the directors on page 70, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.	We have no exceptions to report.
– the section of the Annual Report on page 49, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

– the directors' confirmation on page 29 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
– the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
– the directors' explanation on page 69 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

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. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and ISAs (UK & 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 parent 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.

What an audit of financial statements involves

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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matters

We have reported separately on the parent company financial statements of Synthomer plc for the year ended 31 December 2015 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
1 March 2016

The maintenance and integrity of the Synthomer plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement
for the year ended 31 December 2015

	Note	2015 Underlying performance £m	2015 Special items £m	2015 IFRS £m	2014 Underlying performance £m	2014 Special items £m	2014 IFRS £m
Continuing operations							
Group revenue	4,5	870.1	–	870.1	936.4	–	936.4
Share of joint ventures' revenue	4,5	23.9	–	23.9	54.1	–	54.1
Total sales		894.0	–	894.0	990.5	–	990.5
Group revenue		870.1	–	870.1	936.4	–	936.4
Company and subsidiaries before special items		99.1	–	99.1	91.2	–	91.2
Restructuring and site closure	3	–	(5.4)	(5.4)	–	(4.5)	(4.5)
Sale of land	3	–	6.5	6.5	–	–	–
Acquisition	3	–	–	–	–	0.1	0.1
Amortisation of acquired intangibles	3	–	(23.7)	(23.7)	–	(25.8)	(25.8)
Company and subsidiaries		99.1	(22.6)	76.5	91.2	(30.2)	61.0
Share of joint ventures	4,5	3.8	–	3.8	5.3	(1.2)	4.1
Operating profit/(loss)	5	102.9	(22.6)	80.3	96.5	(31.4)	65.1
Interest payable	7	(3.8)	–	(3.8)	(6.7)	–	(6.7)
Interest receivable	7	0.5	–	0.5	0.8	–	0.8
		(3.3)	–	(3.3)	(5.9)	–	(5.9)
IAS 19 interest charge		(4.3)	–	(4.3)	(4.6)	–	(4.6)
Fair value adjustment	3,7	–	(0.2)	(0.2)	–	(0.8)	(0.8)
Finance costs		(7.6)	(0.2)	(7.8)	(10.5)	(0.8)	(11.3)
Profit/(loss) before taxation		95.3	(22.8)	72.5	86.0	(32.2)	53.8
Taxation	8	(21.0)	11.6	(9.4)	(18.4)	10.9	(7.5)
Profit/(loss) for the year		74.3	(11.2)	63.1	67.6	(21.3)	46.3
Profit/(loss) attributable to non-controlling interests		1.2	1.5	2.7	1.4	(0.4)	1.0
Profit/(loss) attributable to equity holders of the parent		73.1	(12.7)	60.4	66.2	(20.9)	45.3
		74.3	(11.2)	63.1	67.6	(21.3)	46.3
Earnings/(loss) per share							
– Basic	11	21.5p	(3.7)p	17.8p	19.5p	(6.2)p	13.3p
– Diluted	11	21.3p	(3.7)p	17.6p	19.3p	(6.1)p	13.2p

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

Consolidated statement of comprehensive income
for the year ended 31 December 2015

	2015 Equity holders of the parent £m	2015 Non-controlling interests £m	2015 Total £m	2014 Equity holders of the parent £m	2014 Non-controlling interests £m	2014 Total £m
Profit for the year	60.4	2.7	63.1	45.3	1.0	46.3
Actuarial gains and losses	1.6	–	1.6	(47.8)	–	(47.8)
Tax relating to components of other comprehensive income (see note 8)	(0.7)	–	(0.7)	5.9	–	5.9
Total items that will not be reclassified to profit or loss	0.9	–	0.9	(41.9)	–	(41.9)
Exchange differences on translation of foreign operations	(35.7)	(1.4)	(37.1)	(15.3)	–	(15.3)
Exchange differences recycled on deemed disposal of joint venture	–	–	–	1.0	–	1.0
Gains on a hedge of a net investment taken to equity	10.6	–	10.6	11.1	–	11.1
Total items that may be reclassified subsequently to profit or loss	(25.1)	(1.4)	(26.5)	(3.2)	–	(3.2)
Other comprehensive expense for the year	(24.2)	(1.4)	(25.6)	(45.1)	–	(45.1)
Total comprehensive income for the year	36.2	1.3	37.5	0.2	1.0	1.2

Consolidated statement of changes in equity
for the year ended 31 December 2015

	Share Capital £m	Share premium £m	Capital redemption reserve £m	Hedging and translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total Equity £m
At 1 January 2015	**34.0**	**230.5**	**0.9**	**(23.2)**	**24.1**	**266.3**	**10.8**	**277.1**
Profit for the year	**–**	**–**	**–**	**–**	**60.4**	**60.4**	**2.7**	**63.1**
Actuarial gains and losses	**–**	**–**	**–**	**–**	**1.6**	**1.6**	**–**	**1.6**
Exchanges differences on translation of foreign operations	**–**	**–**	**–**	**(35.7)**	**–**	**(35.7)**	**(1.4)**	**(37.1)**
Gains on a hedge of a net investment taken to equity	**–**	**–**	**–**	**10.6**	**–**	**10.6**	**–**	**10.6**
Tax relating to components of other comprehensive income (see note 8)	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**	**–**	**(0.7)**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(25.1)**	**61.3**	**36.2**	**1.3**	**37.5**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**(53.7)**	**(53.7)**	**–**	**(53.7)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(3.0)**	**(3.0)**
Share-based payments	**–**	**–**	**–**	**–**	**0.6**	**0.6**	**–**	**0.6**
At 31 December 2015	**34.0**	**230.5**	**0.9**	**(48.3)**	**32.3**	**249.4**	**9.1**	**258.5**
At 1 January 2014	34.0	230.5	0.9	(20.0)	45.1	290.5	12.0	302.5
Profit for the year	–	–	–	–	45.3	45.3	1.0	46.3
Actuarial gains and losses	–	–	–	–	(47.8)	(47.8)	–	(47.8)
Exchange differences on translation of foreign operations	–	–	–	(15.3)	–	(15.3)	–	(15.3)
Exchange differences recycled on disposal of non-controlling interest	–	–	–	1.0	–	1.0	–	1.0
Gains on a hedge of a net investment taken to equity	–	–	–	11.1	–	11.1	–	11.1
Tax relating to components of other comprehensive income (see note 8)	–	–	–	–	5.9	5.9	–	5.9
Total comprehensive (expense)/ income for the year	–	–	–	(3.2)	3.4	0.2	1.0	1.2
Dividends paid to shareholders	–	–	–	–	(22.4)	(22.4)	–	(22.4)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(2.2)	(2.2)
Share-based payments	–	–	–	–	(2.0)	(2.0)	–	(2.0)
At 31 December 2014	34.0	230.5	0.9	(23.2)	24.1	266.3	10.8	277.1

Consolidated balance sheet
as at 31 December 2015

	Note	2015 £m	2014 £m
Non-current assets			
Goodwill	13	**222.4**	232.8
Acquired intangible assets	14	**50.9**	80.7
Other intangible assets	15	**0.3**	0.5
Property, plant and equipment	16	**186.4**	205.4
Deferred tax assets	9	**15.4**	14.4
Investment in joint ventures	17	**8.0**	7.5
Total non-current assets		**483.4**	541.3
Current assets			
Inventories	18	**63.6**	75.4
Trade and other receivables	19	**122.9**	137.8
Cash and cash equivalents	20	**19.9**	24.9
Derivatives at fair value	21	**2.9**	2.3
Total current assets		**209.3**	240.4
Assets classified as held for sale	22	**1.0**	1.1
Current liabilities			
Borrowings	20	**(26.3)**	(1.9)
Trade and other payables	23	**(124.7)**	(141.3)
Current tax liability	8	**(30.6)**	(32.7)
Provisions for other liabilities and charges	25	**(3.2)**	(1.2)
Total current liabilities		**(184.8)**	(177.1)
Non-current liabilities			
Borrowings	20	**(73.7)**	(137.1)
Deferred tax liability	9	**(30.0)**	(35.5)
Post retirement benefit obligations	24	**(139.2)**	(150.7)
Provisions for other liabilities and charges	25	**(7.5)**	(5.3)
Total non-current liabilities		**(250.4)**	(328.6)
Net assets		**258.5**	277.1
Equity			
Called up share capital	26	**34.0**	34.0
Share premium		**230.5**	230.5
Capital redemption reserve		**0.9**	0.9
Hedging and translation reserve		**(48.3)**	(23.2)
Retained earnings		**32.3**	24.1
Equity attributable to equity holders of the parent		**249.4**	266.3
Non-controlling interests		**9.1**	10.8
Total equity		**258.5**	277.1

The financial statements on pages 76 to 115 were approved by the Board of Directors and authorised for issue on 1 March 2016. They are signed on its behalf by:

C G MacLean
Director

S G Bennett
Director

Analysis of net borrowings

	Note	2015 £m	2014 £m
Cash and cash equivalents	20	**19.9**	24.9
Current borrowings	20	**(26.3)**	(1.9)
Non-current borrowings	20	**(73.7)**	(137.1)
Net borrowings		**(80.1)**	(114.1)
Special item: deduct fair value adjustment	20	**2.7**	2.0
Net borrowings (underlying performance)		**(77.4)**	(112.1)

Consolidated cash flow statement
for the year ended 31 December 2015

	Note	2015 £m	2015 £m	2014 £m	2014 £m
Operating					
Cash generated from operations	27		115.6		89.1
Interest received		0.5		0.8	
Interest paid		(3.9)		(7.6)	
Net interest paid			(3.4)		(6.8)
UK corporation tax paid		–		–	
Overseas corporate tax paid		(15.4)		(18.1)	
Total tax paid			(15.4)		(18.1)
Net cash inflow from operating activities			96.8		64.2
Investing					
Dividends received from joint ventures	17		3.6		4.7
Purchase of property, plant and equipment		(22.8)		(22.0)	
Sale of property, plant and equipment		6.8		0.5	
Net capital expenditure			(16.0)		(21.5)
Purchase of businesses			–		(3.9)
Proceeds from financial asset			–		6.1
Net cash outflow from investing activities			(12.4)		(14.6)
Financing					
Ordinary dividends paid	10		(53.7)		(22.4)
Dividends paid to non-controlling interests			(3.0)		(2.2)
Settlement of equity-settled share based payments			–		(2.6)
Repayment of borrowings	28		(48.5)		(59.9)
Net cash outflow from financing activities			(105.2)		(87.1)
Decrease in cash, cash equivalents and bank overdrafts during the year			(20.8)		(37.5)
Cash, cash equivalents and bank overdrafts at 1 January 2015	28		24.9		59.0
Cash outflows					
Cash and cash equivalents	28	(15.2)		(37.5)	
Bank overdrafts	28	(5.6)		–	
			(20.8)		(37.5)
Exchange and other movements	28		4.4		3.4
Cash, cash equivalents and bank overdrafts at 31 December 2015	28		8.5		24.9

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

	Note	2015 £m	2014 £m
Net cash inflow from operating activities		96.8	64.2
Add back: dividends received from joint ventures	17	3.6	4.7
Less: net capital expenditure		(16.0)	(21.5)
Less: Purchase of businesses		–	(8.6)
		84.4	38.8
Ordinary dividends paid	10	(53.7)	(22.4)
Dividends paid to non-controlling interests		(3.0)	(2.2)
Settlement of equity–settled share based payments		–	(2.6)
Exchange movements	28	7.0	9.9
Movement in net borrowings (underlying performance)	28	34.7	21.5

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 132.

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
No new standards have been adopted by the Group for the first time for the financial year beginning 1 January 2015.

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 2016, 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 for the following:

IFRS 15 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. This new standard is not expected to impact on the accounting of revenue in the Group, however increased disclosure requirements are expected. It is effective for accounting periods starting 1 January 2018.

IFRS 9 'Financial instruments', this standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. This new standard is not expected to impact on the accounting, however an increase in disclosure is expected. It is effective for accounting periods starting 1 January 2018.

IFRS 16 'Leases', this standard replaces IAS 17. It removes the distinction between finance leases and operating leases and requires all leases to be capitalised by recognising the present value of the lease payments. This new standard is expected to have an impact on both the Group's Income Statement and Balance Sheet. It is effective for accounting periods starting 1 January 2019.

2 Significant accounting policies
Basis of accounting
These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. 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 69, 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 is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (page 81) and the non-controlling interest'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 joint venture at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually at the cash generating unit level. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

Should the fair value of the identifiable assets exceed the cost of acquisition, a 'Bargain purchase', the excess is credited to the income statement immediately on acquisition.

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 joint venture, 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 IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- 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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held investment is re-measured to fair value at the acquisition date; any gains or losses from such re-measurement are recognised in the income statement.

Acquired intangible assets

Intangible assets acquired through acquisition are measured at their fair value and are amortised 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.

2 Significant accounting policies continued

Other intangible assets

Software development 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 of between 3-5 years.

An internally-generated intangible asset arising from the Group's product development is recognised only if all of the following conditions in IAS 38 are met:

- an asset is created that can be separately identified (such as software and new processes);
- it is technically feasible to complete the asset;
- management intends to complete the development;
- there is an ability to use or sell the asset once development has been completed;
- it is probable that the asset created will generate future economic benefits;
- adequate technical, financial and other resources to complete the development are available; and
- the development cost of the asset can be measured reliably.

No research or development costs met the criteria required for capitalisation under IAS 38 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 accumulated depreciation and any provision for impairment. Except for freehold land, which is not depreciated, the cost of property, plant and equipment is depreciated on a straight-line basis over its expected useful life as follows:

Freehold buildings	– 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

Joint ventures

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

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 income statement 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.

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 IAS 23.

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.

2 Significant accounting policies continued

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 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 21.

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 the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement 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.

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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. 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 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 2010.

2 Significant accounting policies continued

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. The Group will on occasion, at its own discretion, settle the share-based payments in cash rather than equity.

Definitions

Total sales

Total sales represents 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;
- Re-structuring and site closure costs;
- Fair value adjustment – mark to market adjustments in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied;
- Other non-recurring and non-operating items; and
- Tax impact of the above items.

Underlying performance

Underlying performance represents the 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.

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.

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 growth rates used within the forecast future cash flows are developed with reference to external sources but are subject to estimation uncertainty. See note 13 for more details.

Post retirement benefit obligations

Included in the actuaries' calculation of the post retirement benefit obligations are a number of assumptions. Any changes in these assumption will impact the carrying value of the obligations. 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:

	2015 £m	2014 £m
Continuing operations		
Acquisition of controlling interest in Synthomer Finland Oy		
Excess of net assets acquired over consideration paid – 'Bargain Purchase'	–	1.2
Recycling of foreign exchange on deemed disposal of non-controlling interest	–	(1.0)
Acquisition costs	–	(0.1)
	–	0.1
Restructuring and site closure	(5.4)	(4.5)
Sale of Malaysian land (see note 22)	6.5	–
Amortisation of acquired intangibles (see note 14)		
Subsidiaries	(23.7)	(25.8)
Share of Joint Ventures	–	(1.2)
Operating loss	(22.6)	(31.4)
Finance costs		
Fair value adjustment (see note 7)	(0.2)	(0.8)
Loss before taxation from continuing operations	(22.8)	(32.2)
Taxation (see note 8)	11.6	10.9
Loss for the year from continuing operations	(11.2)	(21.3)

The restructuring and site closure costs charged to the consolidated income statement above are in respect of the European cost reduction programmes.

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, the chief operating decision maker, concerning interest revenues, interest expense, depreciation or amortisation, income taxes or other material non-cash items.

2015	Total sales			Operating profit		
	Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
Analysis by activity						
Continuing activity						
Europe & North America						
Subsidiaries	582.1	–	582.1	73.3	(23.4)	49.9
Share of joint ventures	–	–	–	–	–	–
	582.1	–	582.1	73.3	(23.4)	49.9
Asia & Rest of World						
Subsidiaries	288.0	–	288.0	36.7	1.0	37.7
Share of joint ventures	23.9	–	23.9	3.8	–	3.8
	311.9	–	311.9	40.5	1.0	41.5
Total sales	894.0	–	894.0			
Reported segment operating profit				113.8	(22.4)	91.4
Unallocated corporate expenses				(10.9)	(0.2)	(11.1)
Operating profit/(loss)				102.9	(22.6)	80.3
Total share of joint ventures						
Europe & North America	–	–	–	–	–	–
Asia & Rest of World	23.9	–	23.9	3.8	–	3.8
	23.9	–	23.9	3.8	–	3.8

2014	Total sales			Operating profit		
	Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
Analysis by activity						
Continuing activity						
Europe & North America						
Subsidiaries	661.4	–	661.4	84.0	(24.5)	59.5
Share of joint ventures	25.8	–	25.8	1.7	(1.2)	0.5
	687.2	–	687.2	85.7	(25.7)	60.0
Asia & Rest of World						
Subsidiaries	275.0	–	275.0	14.2	(5.7)	8.5
Share of joint ventures	28.3	–	28.3	3.6	–	3.6
	303.3	–	303.3	17.8	(5.7)	12.1
Total sales	990.5	–	990.5			
Reported segment operating profit				103.5	(31.4)	72.1
Unallocated corporate expenses				(7.0)	–	(7.0)
Operating profit				96.5	(31.4)	65.1
Total share of joint ventures						
Europe & North America	25.8	–	25.8	1.7	(1.2)	0.5
Asia & Rest of World	28.3	–	28.3	3.6	–	3.6
	54.1	–	54.1	5.3	(1.2)	4.1

2015	Europe and North America £m	Asia and Rest of World £m	Unallocated corporate expenses £m	Total £m
Restructuring & site closure – cash costs	(4.8)	(0.4)	(0.2)	(5.4)
Sale of Malaysian land	–	6.5	–	6.5
Amortisation of acquired intangibles	(18.6)	(5.1)	–	(23.7)
	(23.4)	1.0	(0.2)	(22.6)

2014	Europe and North America £m	Asia and Rest of World £m	Unallocated corporate expenses £m	Total £m
Acquisition of controlling interest in Synthomer Finland Oy	0.1	–	–	0.1
Restructuring & site closure – cash costs	(4.5)	–	–	(4.5)
Amortisation of acquired intangibles	(20.1)	(5.7)	–	(25.8)
Share of Joint Ventures special items	(1.2)	–	–	(1.2)
	(25.7)	(5.7)	–	(31.4)

2015	Total assets £m	Total liabilities £m	Capital expenditure £m	Depreciation and amortisation £m
Analysis by activity				
Continuing activity				
Subsidiaries				
Europe & North America	209.6	(74.0)	13.5	12.2
Asia & Rest of World	159.4	(46.6)	7.6	9.8
	369.0	(120.6)	21.1	22.0
Unallocated assets and liabilities	8.2	(14.7)	1.1	0.1
	377.2	(135.3)	22.2	22.1
Share of joint ventures (see note 17)	11.6	(3.6)		
Goodwill (see note 13)	222.4	–		
Acquired intangibles and related deferred tax	50.9	(15.4)		
Current and deferred taxation	15.4	(45.4)		
Post retirement benefit obligations	–	(139.2)		
Net borrowings (see note 20)	–	(80.1)		
	677.5	(419.0)		
Net assets		258.5		

2014	Total assets £m	Total liabilities £m	Capital expenditure £m	Depreciation and amortisation £m
Analysis by activity				
Continuing activity				
Subsidiaries				
Europe & North America	231.6	(85.4)	12.7	11.8
Asia & Rest of World	184.3	(51.2)	9.3	9.7
	415.9	(136.6)	22.0	21.5
Unallocated assets and liabilities	6.6	(11.2)	–	–
	422.5	(147.8)	22.0	21.5
Share of joint ventures (see note 17)	13.0	(5.5)		
Goodwill (see note 13)	232.8	–		
Acquired intangibles and related deferred tax	80.7	(24.1)		
Current and deferred taxation	–	(29.7)		
Post retirement benefit obligations	–	(150.7)		
Net borrowings (see note 20)	–	(114.1)		
	749.0	(471.9)		
Net assets		277.1		

4 Segmental analysis continued

Analysis of total sales by destination

	2015 £m	2014 £m
Western Europe	**431.4**	527.4
Eastern Europe	**49.0**	56.0
North America	**37.2**	39.0
Asia	**297.6**	273.9
Africa and Middle East	**75.9**	91.9
Rest of World	**2.9**	2.3
	894.0	990.5

Of the total sales to Western Europe, **£59.3 million** (2014: £76.9 million) were made to the UK and **£134.2 million** (2014: £169.2 million) were made to Germany. Of the total sales to Asia, **£162.5 million** (2014: £144.1 million) were made to Malaysia.

Inter-segmental sales

In addition to the amounts included above, inter-segmental sales of **£21.5 million** (2014: £11.9 million) were made as set out below. These sales were eliminated on consolidation.

2015	**Europe and North America £m**	**Asia and Rest of World £m**	**Total £m**
Europe & North America	**–**	**20.3**	**20.3**
Asia & Rest of World	**1.2**	**–**	**1.2**
Total	**1.2**	**20.3**	**21.5**

2014	Europe and North America £m	Asia and Rest of World £m	Total £m
Europe & North America	–	9.4	9.4
Asia & Rest of World	2.5	–	2.5
Total	2.5	9.4	11.9

5 Operating profit

	2015 £m	2014 £m
Group revenue	**870.1**	936.4
Share of joint ventures revenue	**23.9**	54.1
Total sales	**894.0**	990.5
Group revenue	**870.1**	936.4
Cost of sales	**(676.8)**	(772.4)
Gross profit	**193.3**	164.0
Sales and marketing costs	**(23.5)**	(21.9)
Administrative expenses	**(48.6)**	(29.4)
Share of joint ventures	**3.8**	5.3
EBITDA	**125.0**	118.0
Depreciation and amortisation	**(22.1)**	(21.5)
Operating profit – underlying performance	**102.9**	96.5
Special items	**(22.6)**	(31.4)
Operating profit – IFRS	**80.3**	65.1

Operating profit is stated after charging the following:	2015 £m	2014 £m
Amortisation: acquired intangibles (see note 14)	**23.7**	25.8
Amortisation: other intangibles (see note 15)	**0.3**	0.3
Depreciation (see note 16)	**21.8**	21.2
Hire of plant and equipment	**2.2**	3.0
Other lease rentals	**3.3**	3.4
Research and development expenditure	**12.0**	12.8

6 Auditors' remuneration

	2015 £000	2014 £000
Fees payable to the Company's auditor for:		
audit of the Company's annual accounts and the consolidated annual accounts	**137**	87
Fees payable to the Company's auditor and their associates for other services to the Group:		
audit of the Company's subsidiaries' annual accounts	**407**	386
Total audit fees	**544**	473
Audit related assurance services	**10**	1
Tax compliance services	**26**	79
Other taxation advisory services	**66**	20
Other services	**209**	57
Total non-audit fees	**311**	157

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 pages 49 to 51. No services were provided pursuant to contingent fee arrangements.

7 Finance costs

	2015 £m	2014 £m
Interest payable on bank loans and overdrafts	**3.2**	5.1
Interest payable on other loans	**0.6**	1.6
	3.8	6.7
Less: interest receivable	**(0.5)**	(0.8)
	3.3	5.9
IAS 19 interest charge	**4.3**	4.6
Net interest payable	**7.6**	10.5
Fair value adjustment	**0.2**	0.8
Total finance costs	**7.8**	11.3

The fair value adjustment is the mark-to-market adjustment in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied.

8 Taxation

	2015 £m	2014 £m
Current tax		
UK corporation tax	**–**	–
Overseas taxation	**18.5**	16.2
	18.5	16.2
Deferred tax		
Origination and reversal of temporary differences	**2.5**	2.2
	21.0	18.4
Special items		
Current tax:		
Historic issues	**(3.1)**	–
Restructuring and site closure costs	**(1.3)**	(3.2)
Deferred tax:		
Amortisation of acquired intangibles	**(7.2)**	(7.7)
	(11.6)	(10.9)
Total tax on profit before taxation	**9.4**	7.5

UK corporation tax is calculated at **20.25%** (2014: 21.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions

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.

	2015 £m	2014 £m
Profit before taxation – continuing operations	**72.5**	53.8
Tax on profit before taxation (continuing operations) at standard UK corporation tax rate of 20.25% (2014: 21.5%)	**14.7**	11.5
Effects of:		
Expenses not deductible for tax purposes	**2.7**	2.0
Tax incentives and items not subject to tax	**(9.3)**	(5.0)
Higher tax rates on overseas earnings	**2.0**	1.4
Other deferred tax asset not recognised less amounts now recognised	**(1.4)**	(2.5)
Adjustments to tax charge in respect of prior periods	**0.1**	(0.2)
Effect of change of rate on deferred tax	**0.6**	0.3
Tax charge for year	**9.4**	7.5

Tax charges to other comprehensive income

	2015 £m	2014 £m
Deferred tax credit in respect of actuarial losses	(0.7)	5.9

Current tax liabilities

	2015 £m	2014 £m
Current tax liabilities	(30.6)	(32.7)

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 no tax is expected to be payable on them in the foreseeable future.

The movements in deferred tax assets and liabilities are shown below.

Deferred tax liabilities

2015	Accelerated tax depreciation £m	Acquired intangibles £m	Other £m	Total £m
At 1 January	(11.4)	(24.1)	–	(35.5)
(Charged)/credited to income statement	(3.5)	7.2	(0.8)	2.9
Exchange adjustment	1.1	1.5	–	2.6
At 31 December	(13.8)	(15.4)	(0.8)	(30.0)

Deferred tax assets

2015	Pension £m	Other £m	Total £m
At 1 January	14.4	–	14.4
Credited to income statement	0.5	1.3	1.8
Charged to statement of comprehensive income	(0.7)	–	(0.7)
Exchange adjustment	(0.1)	–	(0.1)
At 31 December	14.1	1.3	15.4

Deferred tax asset not recognised

Deferred tax assets are recognised when it is 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:

	2015 £m	2014 £m
UK pension liability	10.1	12.4
Tax losses	8.6	7.9
Accelerated capital allowances	3.5	2.0
Other timing differences	0.1	(0.6)
	22.3	21.7

10 Ordinary dividends

	2015 pence per share	2014 pence per share	2015 £m	2014 £m
Interim dividend	**3.2**	3.0	**10.9**	10.2
Proposed final dividend	**5.4**	4.8	**18.4**	16.3
	8.6	7.8	**29.3**	26.5
Special dividend	**–**	7.8	**–**	26.5

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

Dividends paid

	2015 £m	2014 £m
Interim dividend	**10.9**	10.2
Prior year final dividend	**16.3**	12.2
Prior year special dividend	**26.5**	–
	53.7	22.4

11 Earnings per share

Number of shares

	2015 Number 000	2014 Number 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**339,798**	339,764
Effect of dilutive potential ordinary shares:		
Share options	**2,615**	2,724
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**342,413**	342,488

Earnings per share

		2015			2014		
		Underlying performance £m	Special items £m	IFRS £m	Underlying performance	Special items	IFRS
From Continuing operations							
Earnings (Profit attributable to equity holders of the parent)	£m	**73.1**	**(12.7)**	**60.4**	66.2	(20.9)	45.3
Basic earnings per share	p	**21.5**	**(3.7)**	**17.8**	19.5	(6.2)	13.3
Diluted earnings per share	p	**21.3**	**(3.7)**	**17.6**	19.3	(6.1)	13.2

12 Employees

	2015 Number	2014 Number
The average monthly number of employees during the year by segment was:		
Europe & North America	**1,227**	1,238
Asia & Rest of World	**749**	836
Holding companies	**19**	17
	1,995	2,091
Share of joint ventures	**43**	47
	2,038	2,138

The share of joint ventures is calculated by applying the Group's effective interest to the average number of employees for each joint venture.

	2015 £m	2014 £m
The aggregate remuneration of all Group employees comprised:		
Wages and salaries	**76.2**	68.0
Social security costs	**9.4**	9.3
Pension costs	**10.2**	9.8
Share based payments	**0.6**	0.3
	96.4	87.4

Directors' emoluments are disclosed in the Remuneration Report on pages 54 to 66.

13 Goodwill

	2015 £m	2014 £m
Cost		
At 1 January	**342.7**	351.0
Exchange adjustments	**(10.4)**	(8.3)
At 31 December	**332.3**	342.7
Accumulated impairment losses		
At 1 January and at 31 December	**109.9**	109.9
Net book value		
At 31 December	**222.4**	232.8

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 book value at 1 January 2014 £m	Exchange adjustments £m	Net book value at 31 December 2014 £m	**Exchange adjustments £m**	**Net book value at 31 December 2015 £m**
Europe & North America	211.4	(8.3)	203.1	**(6.3)**	**196.8**
Asia & Rest of World	29.7	–	29.7	**(4.1)**	**25.6**
Total	241.1	(8.3)	232.8	**(10.4)**	**222.4**

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 CGU's 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%** (2014: 11%) and **12%** (2014: 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 **2%** (2014: 2%) and **5%** (2014: 5%) have been used for Europe & North America and Asia & Rest of World respectively, representing management's best estimate of each CGU's circumstances, and these do not exceed the long-term growth rates for the markets concerned.

There is no reasonably possible change in key assumptions that would lead to an impairment.

Of the net book value of goodwill at 31 December 2015, **£70.5 million** (2014: £70.5 million) is located in the UK.

14 Acquired intangible assets

	Customer relationships £m	Technology £m	Total £m
Cost			
At 1 January 2015	169.2	2.8	172.0
Exchange adjustments	(12.5)	(0.2)	(12.7)
At 31 December 2015	**156.7**	**2.6**	**159.3**
Accumulated amortisation and impairment			
At 1 January 2015	90.2	1.1	91.3
Exchange adjustments	(6.5)	(0.1)	(6.6)
Amortisation charge for the year	23.5	0.2	23.7
At 31 December 2015	**107.2**	**1.2**	**108.4**
Net book value			
At 31 December 2015	49.5	1.4	50.9

	Customer relationships £m	Technology £m	Total £m
Cost			
At 1 January 2014	176.3	3.0	179.3
Acquisition of subsidiary undertaking	2.1	–	2.1
Exchange adjustments	(9.2)	(0.2)	(9.4)
At 31 December 2014	169.2	2.8	172.0
Accumulated amortisation and impairment			
At 1 January 2014	69.0	0.8	69.8
Exchange adjustments	(4.3)	–	(4.3)
Amortisation charge for the year	25.5	0.3	25.8
At 31 December 2014	90.2	1.1	91.3
Net book value			
At 31 December 2014	79.0	1.7	80.7

Analysis of net book value by segment:

	2015 £m	2014 £m
Europe & North America	**39.3**	61.7
Asia & Rest of World	**11.6**	19.0
	50.9	80.7

15 Other intangible assets

	Software £m
Cost	
At 1 January 2015	**5.0**
Exchange adjustments	**(0.4)**
Additions	**0.1**
Disposals	**(2.8)**
At 31 December 2015	**1.9**
Accumulated amortisation and impairment	
At 1 January 2015	**4.5**
Exchange adjustments	**(0.4)**
Amortisation charge for the year	**0.3**
Disposals	**(2.8)**
At 31 December 2015	**1.6**
Net book value	
At 31 December 2015	**0.3**

	Software £m
Cost	
At 1 January 2014	6.0
Exchange adjustments	(0.2)
Additions	0.4
Disposals	(1.2)
At 31 December 2014	5.0
Accumulated amortisation and impairment	
At 1 January 2014	5.5
Exchange adjustments	(0.1)
Amortisation charge for the year	0.3
Disposals	(1.2)
At 31 December 2014	4.5
Net book value	
At 31 December 2014	0.5

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.

16 Property, plant and equipment

	Land and buildings				
		Leaseholds			
	Freeholds £m	Long £m	Short £m	Plant and equipment £m	Total £m
Cost					
At 1 January 2015	39.5	6.9	19.7	402.3	468.4
Exchange adjustments	(2.1)	(0.1)	(2.7)	(27.9)	(32.8)
Additions	0.2	–	1.0	20.9	22.1
Disposals	(0.3)	–	–	(1.4)	(1.7)
At 31 December 2015	**37.3**	**6.8**	**18.0**	**393.9**	**456.0**
Accumulated depreciation and impairment					
At 1 January 2015	18.8	3.0	2.7	238.5	263.0
Exchange adjustments	(0.8)	(0.1)	(0.4)	(13.1)	(14.4)
Depreciation charge for the year	1.9	0.2	(0.1)	19.8	21.8
Assets written down	–	–	–	0.6	0.6
Disposals	–	–	–	(1.4)	(1.4)
At 31 December 2015	**19.9**	**3.1**	**2.2**	**244.4**	**269.6**
Net book value					
At 31 December 2015	**17.4**	**3.7**	**15.8**	**149.5**	**186.4**

	Land and buildings				
		Leaseholds			
	Freeholds £m	Long £m	Short £m	Plant and equipment £m	Total £m
Cost					
At 1 January 2014	39.3	5.2	18.9	393.7	457.1
Exchange adjustments	(1.5)	–	(0.1)	(8.3)	(9.9)
Additions	1.2	1.6	0.9	17.9	21.6
Acquisition of subsidiary undertakings	1.0	0.1	–	5.4	6.5
Disposals	(0.5)	–	–	(6.4)	(6.9)
At 31 December 2014	39.5	6.9	19.7	402.3	468.4
Accumulated depreciation and impairment					
At 1 January 2014	18.1	2.8	2.0	231.1	254.0
Exchange adjustments	(0.7)	–	–	(4.6)	(5.3)
Depreciation charge for the year	1.9	0.2	0.7	18.4	21.2
Disposals	(0.5)	–	–	(6.4)	(6.9)
At 31 December 2014	18.8	3.0	2.7	238.5	263.0
Net book value					
At 31 December 2014	20.7	3.9	17.0	163.8	205.4

Freehold land amounting to **£3.4 million** (2014: £4.0 million) has not been depreciated.

Analysis of net book value by location:

	2015 £m	2014 £m
UK	**32.7**	29.4
Germany	**50.9**	54.3
Malaysia	**88.1**	106.0
Other	**14.7**	15.7
	186.4	205.4

Analysis of net book value by segment:

	2015 £m	2014 £m
Europe & North America	**95.4**	96.9
Asia & Rest of the World	**91.0**	108.5
	186.4	205.4

17 Investment in joint ventures

Details of the Group's joint ventures are as follows:

Name of entity	Place of incorporation	% of ownership 2015	% of ownership 2014	Principal activity
Synthomer Middle East Company	Saudi Arabia	49%	49%	Manufacturer and sale of acrylic and vinyl resin emulsions
Arkem (Pty) Ltd	South Africa	50%	50%	Distributor of speciality chemicals and allied products
Super Sky Ltd	United Kingdom	50%	50%	Non-trading

These joint ventures are accounted for using the equity method in these financial statements.

Summarised financial information in respect of the joint ventures is set out below. This information represents amounts in the joint ventures' financial statements adjusted for differences in accounting policies between the Group and the joint venture (and not the Group's share of those amounts).

Summarised balance sheet (100%)

	Synthomer Middle East Company		Other	
	2015 £m	2014 £m	2015 £m	2014 £m
Non-current assets	**4.0**	3.4	**–**	–
Cash and cash equivalents	**2.4**	2.0	**0.2**	0.2
Other current assets	**14.9**	19.1	**1.8**	1.8
Total current assets	**17.3**	21.1	**2.0**	2.0
Financial liabilities (excluding trade payables)	**–**	–	**–**	–
Other current liabilities	**(7.0)**	(11.2)	**(0.1)**	(0.1)
Total current liabilities	**(7.0)**	(11.2)	**(0.1)**	(0.1)
Net assets	**14.3**	13.3	**1.9**	1.9
Net assets (Group share)	**7.0**	6.5	**1.0**	1.0

17 Investment in joint ventures continued

Summarised statement of comprehensive income (100%)

	Synthomer Middle East Company		Other	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Revenue	**44.9**	54.5	**3.5**	3.0
Operating profit from continuing operations	**7.3**	7.0	**0.4**	0.3
Interest	**–**	–	**–**	–
Taxation	**–**	–	**(0.1)**	–
Amortisation of intangibles	**–**	–	**–**	–
Profit from continuing operations	**7.3**	7.0	**0.3**	0.3
Exchange differences on translation	**1.0**	1.2	**(0.3)**	–
Total comprehensive income	**8.3**	8.2	**–**	0.3
Dividends paid	**(7.3)**	(6.8)	**–**	(0.4)
Movement in retained earnings	**1.0**	1.4	**–**	(0.1)
Profit for the year (Group share)	**3.6**	3.4	**0.2**	0.2
Exchange differences on translation (Group share)	**0.5**	0.6	**(0.2)**	–
Dividends paid (Group share)*	**(3.6)**	(3.3)	**–**	(0.2)

Note
* Synthomer Finland Oy (formerly Eka Synthomer Oy) was a 50% joint venture until 22 October 2014.
Whilst it was a joint venture in 2014, the Group share of profit for the year, exchange difference and dividend were £0.5 million, £0.4 million and £1.2 million respectively.

The following table reconciles the summary information above to the carrying amount of the Group's interest in the joint ventures:

Investment in joint venture

	Synthomer Middle East Company £m	**Other £m**	**Total £m**
At 1 January 2015	6.5	1.0	7.5
Profit from continuing operations	3.6	0.2	3.8
Exchange differences on translation	0.5	(0.2)	0.3
Dividend paid	(3.6)	–	(3.6)
At 31 December 2015	7.0	1.0	8.0

18 Inventories

	2015 £m	2014 £m
Raw materials and consumables	**27.2**	32.6
Finished goods	**36.4**	42.8
	63.6	75.4

The value of stock written off during the year was **£0.2 million** (2014: £0.1 million).

The cost of inventory recognised as an expense and included in cost of sales amounted to **£590.2 million** (2014: £712.0 million).

There is no material difference between the balance sheet value of inventories and their net realisable value.

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.

19 Trade and other receivables

	2015 £m	2014 £m
Trade receivables	**112.0**	125.0
Amounts owed by joint ventures	**–**	0.1
Other receivables	**10.2**	9.7
Prepayments and accrued income	**0.7**	3.0
	122.9	137.8

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

	2015 £m	2014 £m
Not yet due	**95.0**	102.3
0 – 60 days overdue	**18.6**	23.6
61 – 120 days overdue	**1.0**	1.1
Over 120 days due	**1.9**	2.8
	116.5	129.8
Less: provision for impairment	**(4.5)**	(4.8)
	112.0	125.0

Provision for impairment of receivables

	2015 £m	2014 £m
At 1 January	**4.8**	5.2
Exchange adjustments	**(0.6)**	(0.2)
(Credit)/charge for the year	**0.9**	–
Amounts written (back)/off as uncollectible	**(0.6)**	(0.2)
At 31 December	**4.5**	4.8

The provision is predominantly against overdue trade receivables.

20 Cash and borrowings

	2015 £m	2014 £m
Current borrowings		
Bank loans		
Bank overdrafts	11.4	–
Other loans		
$22.0 million 5.98% Guaranteed Senior Unsecured Notes due 2 September 2016*	14.9	–
Factoring with recourse	–	1.9
	26.3	1.9
Non-current borrowings		
Bank loans		
Unsecured £210.0 million multi currency Revolving Credit Facility expiring 30 July 2019	75.0	124.7
Other loans		
$22.0 million 5.98% Guaranteed Senior Unsecured Notes due 2 September 2016*	–	14.1
	75.0	138.8
Less: capitalised costs	(1.3)	(1.7)
	73.7	137.1

Note
*In aggregate **£14.9 million** (2014: £14.1 million), associated with which is the currency impact of derivatives of **£2.7 million** (2014: £2.0 million), net **£12.2 million** (2014: £12.1 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 2015, the Group had available **£135.0 million** (2014: £85.3 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 2015					
Bank overdrafts	11.2	–	–	0.2	11.4
Factoring with recourse	–	–	–	–	–
Bank loans	75.0	–	–	–	75.0
Loan notes	–	14.9	–	–	14.9
Capitalised costs	(1.3)	–	–	–	(1.3)
	84.9	14.9	–	0.2	100.0
Cash and cash equivalents					(19.9)
Net borrowings					80.1
Deduct: special item fair value adjustment					(2.7)
Net borrowings (underlying performance)					77.4

	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
31 December 2014					
Bank overdrafts	–	–	–	–	–
Factoring with recourse	–	–	1.9	–	1.9
Bank loans	–	–	124.7	–	124.7
Loan notes	–	14.1	–	–	14.1
Capitalised costs	(1.7)	–	–	–	(1.7)
	(1.7)	14.1	126.6	–	139.0
Cash and cash equivalents					(24.9)
Net borrowings					114.1
Deduct: special item fair value adjustment					(2.0)
Net borrowings (underlying performance)					112.1

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 to the extent that these constituted effective hedges prior to the adoption of IFRS.

Cash and cash equivalents are deposited with financial institutions rated as investment grade.

21 Financial instruments

The Group 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 20, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

	2015 £m	2014 £m
Net borrowings – Underlying performance	**77.4**	112.1
EBITDA (see note 5)	**125.0**	118.0
Underlying net borrowings: EBITDA	**0.6**	1.0

	2015		2014	
Financial assets	**Loans and receivables £m**	**Fair value through profit or loss £m**	Loans and receivables £m	Fair value through profit or loss £m
Trade and other receivables excluding prepayments	**122.2**	**–**	134.8	–
Cash and cash equivalents	**19.9**	**–**	24.9	–
Derivatives at fair value	**–**	**2.9**	–	2.3
	142.1	**2.9**	159.7	2.3

	2015		2014	
Financial liabilities	**Amortised cost £m**	**Derivative instruments in designated hedge accounting £m**	Amortised cost £m	Derivative instruments in designated hedge accounting £m
Loan notes	**14.9**	**–**	14.1	–
Bank loans and overdrafts	**86.4**	**–**	124.7	–
Trade and other payables	**124.7**	**–**	141.3	–
	226.0	**–**	280.1	–

21 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		Fair values at 31 December	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Fair value of financial assets				
Trade and other receivables excluding prepayments	**122.2**	134.8	**122.2**	134.8
Cash and cash equivalents	**19.9**	24.9	**19.9**	24.9
Derivatives at fair value	**2.9**	2.3	**2.9**	2.3
	145.0	162.0	**145.0**	162.0
Fair value of financial liabilities				
Loan notes	**14.9**	14.1	**15.0**	14.4
Bank loans and overdrafts	**86.4**	124.7	**86.4**	124.7
Trade and other payables	**124.7**	141.3	**124.7**	141.3
	226.0	280.1	**226.1**	280.4

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, Level 2 as defined by IFRS 13.

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 and Malaysian Ringgitt. 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 (2014 none).

Impact on income statement

Changes in the fair value of derivative contracts amounting to **£0.2 million** have been debited to the income statement in the year (2014 debit of £0.8 million). These changes are shown separately as a special item in the consolidated income statement.

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 IAS 39. It has concluded that the costs involved in meeting these requirements cannot be justified and therefore IAS 39 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.

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 Malaysian Ringgit functional currency. These contracts have been accounted for as net investment hedges as permitted by IAS 39.

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 2015 was:

	2015			2014		
	Floating rate borrowings £m	**Fixed rate borrowings £m**	**Total borrowings £m**	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m
Sterling	**87.3**	**10.0**	**97.3**	2.3	10.0	12.3
Euro	**–**	**–**	**–**	124.7	–	124.7
	87.3	**10.0**	**97.3**	127.0	10.0	137.0
Cash and cash equivalents			**(19.9)**			(24.9)
Net borrowings (underlying performance)			**77.4**			112.1

The effective interest rate for the year was **1.9%** (2014: 2.5%)

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.

	2015			2014		
	Income statement		**Equity**	Income statement		Equity
	Underlying –/+ £m	**IFRS –/+ £m**	**IFRS –/+ £m**	Underlying –/+ £m	IFRS –/+ £m	IFRS –/+ £m
Interest rate sensitivity analysis						
UK interest rate +/– 1.0%	**0.9**	**0.8**	**–**	–	(0.2)	–
Euro interest rate +/– 1.0%	**–**	**–**	**–**	1.2	1.2	–
US interest rate +/– 1.0%	**–**	**0.1**	**–**	–	0.2	–
Foreign currency sensitivity analysis						
Malaysian Ringitt exchange rate –/+ 10%	**–**	**–**	**1.6**	–	–	–
Euro exchange rate –/+ 10%	**–**	**–**	**2.6**	–	–	2.8
US dollar exchange rate –/+ 10%	**–**	**0.2**	**–**	–	0.3	–

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 5 year, £210 million committed revolving credit facility.
- Unsecured loan notes totalling approximately £14.9 million raised from the US private placement market in 2004 with a maturity date of September 2016. Please see note 20 for further details.

21 Financial instruments continued

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

	2015					2014				
	Amount due				Total	Amount due				Total
	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	£m	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	£m
Non-interest bearing										
Trade and other receivables excluding prepayments	**122.2**	**–**	**–**	**–**	**122.2**	134.8	–	–	–	134.8
Financial asset	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Variable interest rate instruments										
Cash and cash equivalents	**19.9**	**–**	**–**	**–**	**19.9**	24.9	–	–	–	24.9
	142.1	**–**	**–**	**–**	**142.1**	159.7	–	–	–	159.7

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

	2015					2014				
	Amount due				Total	Amount due				Total
	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	£m	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	£m
Non-interest bearing										
Trade and other payables	**124.7**	**–**	**–**	**–**	**124.7**	141.3	–	–	–	141.3
Variable interest rate instruments										
Bank loans and overdrafts	**1.1**	**1.1**	**76.8**	**–**	**79.0**	1.5	1.5	128.7	–	131.7
Fixed interest rate instruments										
Loan notes	**15.5**	**–**	**–**	**–**	**15.5**	0.8	15.0	–	–	15.8
	141.3	**1.1**	**76.8**	**–**	**219.2**	143.6	16.5	128.7	–	288.8

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

	2015					2014				
	Amount due				Total	Amount due				Total
	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	£m	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	£m
Cross currency swaps	**2.9**	**–**	**–**	**–**	**2.9**	(0.2)	(0.1)	–	–	(0.3)
Foreign exchange forward contracts	**(0.3)**	**–**	**–**	**–**	**(0.3)**	–	–	–	–	–
	2.6	**–**	**–**	**–**	**2.6**	(0.2)	(0.1)	–	–	(0.3)

In accordance with IFRS 7, the above table shows undiscounted cash flows. In contrast IAS 39 requires these items to be carried in the balance sheet at fair value, which is based on discounted cash flows.

22 Asset classified as held for sale

	2015 £m	2014 £m
Freehold Land	**1.0**	1.1

The Group owns agricultural land in Malaysia, which is operated as a palm oil and natural rubber plantation.

The land is owned by Kind Action Sdn Bhd, which is a wholly owned subsidiary of Revertex Malaysia Sdn Bhd, which has a 30% non-controlling interest.

The directors decided in 2013 to dispose of this land, excluding the 300 acres immediately surrounding the manufacturing facilities, on the open market.

At 31 December 2015, the status of the disposal programme was as follows:

	Acres	Consideration £m
Sale completed	200	6.8
Contracts exchanged	900	30.3
To be sold	400	

The consideration is shown before deduction of disposal costs, taxation and the non-controlling interest share.

These disposals are subject to regulatory approval which may take up to 2 years. The disposal is only recognised in the accounts and the profit taken when this process has been completed and the consideration received

During the year, the Group sold 200 acres of land for a consideration of £6.8m and a profit on sale, included in special items, of £6.5m

23 Trade and other payables

	2015 £m	2014 £m
Amount due within one year		
Trade payables	**77.5**	102.1
Other payables	**24.8**	18.5
Accruals	**22.4**	20.7
	124.7	141.3

Average trade payable days in 2015 was **50** (2014: 58). This figure represents trade payable 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, other payables and accruals approximates to their fair value.

24 Post retirement benefit obligations

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

	2015			2014		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Defined benefit	3.4	2.1	5.5	3.3	1.4	4.7
Defined contribution	1.6	3.1	4.7	1.7	3.4	5.1
	5.0	5.2	10.2	5.0	4.8	9.8

Amounts recognised in the statement of comprehensive income:

	2015			2014		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Actuarial gains and losses	(0.7)	2.3	1.6	(29.4)	(18.4)	(47.8)

Amount included in the balance sheet arising from the Group's defined benefit scheme obligation:

	2015			2014		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Present value of funded defined benefit obligation	(356.5)	(69.3)	(425.8)	(361.0)	(74.6)	(435.6)
Fair value of scheme assets	279.4	7.2	286.6	277.2	7.7	284.9
Net liability arising from defined benefit obligation	(77.1)	(62.1)	(139.2)	(83.8)	(66.9)	(150.7)

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 schemes are held separately from those of the companies concerned.

Defined benefit scheme

The defined benefit scheme is administered by a separate fund that is legally separated from the Company.

The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension are responsible for the investment policy with regard to the assets of the fund.

A full actuarial valuation was carried out as at 6 April 2012 and updated to 31 December 2015 by a qualified actuary.

The Group is committed to a funding deficit recovery plan entered into following the 2012 valuation. The triennial valuation of the scheme has been performed during 2015. The company and trustees are in the process of agreeing a new deficit recovery plan.

The scheme is exposed to a number of risks the most significant of which are detailed below:

Asset return risk	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the deficit. The scheme holds a significant proportion of equities which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.
Interest rate risk	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Longevity risk	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The risk relating to benefits to be paid to the dependants of scheme members (widow and orphan benefits) is reinsured by an external insurance company.

The major assumptions used for the purposes of the actuarial valuations were as follows:

	2015	2014
Rate of increase in pensions in payment	2.10%	3.00%
Rate of increase in pensions in deferment	2.00%	2.00%
Discount rate	3.80%	3.65%
Inflation assumption	3.00%	3.00%

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics. These assumptions translate into an average life expectancy in years for a pensioner retiring at 65 as follows:

	2015	2014
Retiring today:		
Males	87.6	87.5
Females	90.1	90.0
Retiring in 20 years:		
Males	89.4	89.3
Females	92.1	92.0

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 1%	Decrease/increase by £54 million
Rate of mortality	Increase by 1 year	Increase by £12 million

The above sensitivities are based on a change of assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may have some correlation. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The movements in the net liability arising from defined benefit obligation over the year is as follows:

	2015			2014		
	Present value of funded defined benefit obligation £m	Fair value of scheme assets £m	Net liability arising from defined benefit obligation £m	Present value of funded defined benefit obligation £m	Fair value of scheme assets £m	Net liability arising from defined benefit obligation £m
At 1 January	(361.0)	277.2	(83.8)	(315.9)	255.6	(60.3)
Current service cost	(0.6)	–	(0.6)	(0.5)	–	(0.5)
Interest (expense)/income	(13.0)	10.2	(2.8)	(14.4)	11.6	(2.8)
Amounts recognised in income in respect of defined benefit schemes	(13.6)	10.2	(3.4)	(14.9)	11.6	(3.3)
Remeasurement:						
Return on plan assets excluding amounts included in interest expense/(income)	–	(5.7)	(5.7)	–	13.0	13.0
Gains/(losses) from changes in financial assumptions	5.0	–	5.0	(42.4)	–	(42.4)
Amounts recognised in the statement of comprehensive income	5.0	(5.7)	(0.7)	(42.4)	13.0	(29.4)
Contributions:						
Employers	0.6	10.2	10.8	0.5	8.7	9.2
Payments from plans						
Benefit payments	12.5	(12.5)	–	11.7	(11.7)	–
At 31 December	(356.5)	279.4	(77.1)	(361.0)	277.2	(83.8)

24 Post retirement benefit obligations continued

Plan assets are comprised as follows:

	2015 £m	2014 £m
Equities	**127.3**	124.4
Bonds	**123.4**	123.4
Property	**26.3**	24.4
Cash	**2.4**	5.0
Total fair value of assets	**279.4**	277.2

All investments in Equities, Bonds and Property are quoted.

The weighted average duration of the benefit obligation at the end of the reporting period is **15.6 years** (2014: 16.3 years).

Contributions from the sponsoring companies are expected to be £14 million in 2016.

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 **£61.5 million**, 2014: £66.2 million) were 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 2015.

The largest of these schemes accounts for **£59.0 million** (2014: £45.4 million) of the deficit at 31 December 2015. The major assumption used in the actuarial valuation of this scheme are:

	2015	2014
Rate of increase in salaries	**3.00%**	3.00%
Rate of increase in pensions	**2.00%**	2.00%
Discount rate	**2.35%**	2.20%

Mortality assumptions

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2015	2014
Retiring today:		
Males	**84.0**	83.9
Females	**88.1**	87.9
Retiring in 20 years:		
Males	**86.6**	86.5
Females	**90.6**	90.5

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

The movements in the net liability arising from defined benefit obligation over the year is as follows:

	2015			2014		
	Present value of funded defined benefit obligation £m	**Fair value of scheme assets £m**	**Net liability arising from defined benefit obligation £m**	Present value of funded defined benefit obligation £m	Fair value of scheme assets £m	Net liability arising from defined benefit obligation £m
At 1 January	**(74.6)**	**7.7**	**(66.9)**	(59.6)	7.0	(52.6)
Current service cost	**(0.6)**	**–**	**(0.6)**	(0.7)	–	(0.7)
Gains on settlements and curtailments	**–**	**–**	**–**	0.3	–	0.3
Past service credit	**–**	**–**	**–**	0.8	–	0.8
Interest (expense)/income	**(1.6)**	**0.1**	**(1.5)**	(2.0)	0.2	(1.8)
Amounts recognised in income in respect of defined benefit schemes	**(2.2)**	**0.1**	**(2.1)**	(1.6)	0.2	(1.4)
Remeasurement:						
Return on plan assets excluding amounts included in interest expense/(income)	**–**	**(0.2)**	**(0.2)**	–	0.9	0.9
Gains/(losses) from changes in financial assumptions	**2.5**	**–**	**2.5**	(19.3)	–	(19.3)
Amounts recognised in the statement of comprehensive income	**2.5**	**(0.2)**	**2.3**	(19.3)	0.9	(18.4)
Contributions less payments from plans	**1.4**	**–**	**1.4**	1.5	–	1.5
Exchange adjustments	**3.6**	**(0.4)**	**3.2**	4.4	(0.4)	4.0
At 31 December	**(69.3)**	**7.2**	**(62.1)**	(74.6)	7.7	(66.9)

25 Provisions for other liabilities and charges

	Environmental restoration £m	Legal and customer claims £m	Fundamental restructuring £m	Liability arising on a business combination £m	**Total £m**
At 1 January 2015	1.5	3.4	0.8	0.8	**6.5**
Charged/(Credited) to the income statement	–	0.2	4.3	–	**4.5**
Utilised during the year	–	–	(0.1)	(0.2)	**(0.3)**
At 31 December 2015	1.5	3.6	5.0	0.6	**10.7**

Analysis of provisions

	31 December 2015 £m	31 December 2014 £m
Non-current	**7.5**	5.3
Current	**3.2**	1.2
	10.7	6.5

Analysis of charge/(credit) to the income statement

	2015 £m	2014 £m
Underlying performance	**0.2**	0.8
Special items	**4.3**	–
	4.5	0.8

Environmental restoration

A provision is recognised for the costs to be incurred in the restoration of land which is no longer being used as a manufacturing site.

25 Provisions for other liabilities and charges continued

Legal and customer claims

This amount represents a provision for certain legal and customer claims brought against the Group. In the directors' opinion, after taking appropriate legal advice, the outcome of these claims will not give rise to any significant loss beyond the amounts provided at 31 December 2015.

Fundamental restructuring

The Group underwent a significant restructuring following the acquisition of PolymerLatex in 2011. A further restructuring exercise was commenced in 2014. The cost of these restructuring programmes is charged to special items in the income statement when permitted by IAS37. The provision reflects the amount that has been charged but not yet spent.

Liability arising on a business combination

As part of the acquisition of PolymerLatex in 2011, the Group acquired a leasehold interest in an empty property. The provision reflects this onerous contract.

The provisions are expected to be fully utilised over the next five years.

26 Share capital

	2015 £m	2014 £m
Issued and fully paid		
339,880,769 (2014: 339,880,769) ordinary shares of 10 pence each	**34.0**	34.0

Ordinary shares carry no right to fixed income.

Share options (see note 32)

As at 31 December 2015 the following options were outstanding:

	Number
Executive share options	
Exercisable between 2016 – 2023	911,712
Exercisable between 2017 – 2024	613,254
Exercisable between 2018 – 2025	1,090,226
	2,615,192

The total exercise price for all the above grants is £nil.

27 Reconciliation of operating profit to cash generated from operations

	2015 £m	2014 £m
Operating profit – continuing operations	**80.3**	65.1
Less: share of profits of joint ventures	**(3.8)**	(4.1)
	76.5	61.0
Adjustments for:		
Depreciation	**21.8**	21.2
Amortisation	**0.3**	0.3
Amortisation – special items	**23.7**	25.8
Restructuring and site closure – special items	**5.4**	4.5
Share-based payments	**0.6**	0.3
Profit on sale of land – special items	**(6.5)**	–
Profit on sale of other fixed assets	**–**	(0.4)
Cash impact of restructuring and site closure	**(5.4)**	(3.8)
IAS 19 interest charge	**(4.3)**	(4.6)
Pension funding in excess of IAS 19 charge	**(6.3)**	(6.1)
Decrease/increase in inventories	**7.1**	6.0
Decrease in trade and other receivables	**4.9**	2.5
Decrease in trade and other payables	**(2.2)**	(17.6)
Cash generated from operations	**115.6**	89.1

Reconciliation of movement in working capital		
Decrease/(increase) in inventories	**7.1**	6.0
Decrease in trade and other receivables	**4.9**	2.5
Decrease in trade and other payables	**(2.2)**	(17.6)
Movement in working capital	**9.8**	(9.1)

28 Analysis of changes in net borrowings

	1 January 2015 £m	Cash inflows/ (outflows) £m	Exchange and other movements £m	31 December 2015 £m
Cash and cash equivalents	24.9	(15.2)	10.2	**19.9**
Current borrowing – Bank overdrafts	–	(5.6)	(5.8)	**(11.4)**
	24.9	(20.8)	4.4	**8.5**
Current borrowings – Other	(1.9)	(12.6)	(0.4)	**(14.9)**
Non-current borrowings	(137.1)	61.1	2.3	**(73.7)**
Net borrowings	(114.1)	27.7	6.3	**(80.1)**
Deduct: special item fair value adjustment	2.0	–	0.7	**2.7**
Net borrowings (underlying performance)	(112.1)	27.7	7.0	**(77.4)**

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 to the extent that these constituted effective economic hedges.

29 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	2015 £m	2014 £m
Short-term employee benefits	**5.2**	3.9
Post retirement benefit obligations	**0.3**	0.3
Share-based payments	**0.6**	0.2
	6.1	4.4

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

30 Commitments

	2015 £m	2014 £m
Capital expenditure authorised but not provided for in the financial statements		
Contracted	**3.9**	2.6

	2015 £m	2014 £m
Commitments under operating leases are as follows		
Payments under operating leases which fall due:		
Within 1 year	**3.2**	3.2
Between 2 and 5 years	**8.8**	6.0
After 5 years	**14.2**	11.7
	26.2	20.9

Operating leases relates largely to property leases.

31 Contingent assets, contingent liabilities and guarantees

Other guarantees and contingent liabilities of the Group amount to **£0.3 million** (2014: £0.3 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.

32 Share-based payments

Executive share option schemes

The Group's share option scheme is described in the Directors' Remuneration Report on pages 54 to 66. In addition to the two executive directors, it is available to other senior management. The movement in the options held under the scheme are defined as follows:

	Options 2015	Weighted av. exercise price (£) 2015	Options 2014	Weighted av. exercise price (£) 2014
Outstanding at 1 January	**2,724,092**	**–**	4,010,166	–
Granted during the period	**1,182,275**	**–**	884,817	–
Exercised during the period	**–**	**–**	(1,124,390)	–
Lapsed during the period	**(1,291,175)**	**–**	(1,046,501)	–
Outstanding at 31 December	**2,615,192**	**–**	2,724,092	–
Exercisable at 31 December	**–**		–	

For options outstanding as at 31 December 2015, the exercise price was £nil the weighted average remaining contractual life was **5.1 years** (2014: 5.0 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 2015, the Trust held **82,425** (2014: 82,425) ordinary shares in the Company with a market value of **£0.3 million** (2014: £0.2 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.

There were no exercises in 2015. In 2014, the weighted average share price at the date of exercise was £2.62.

The weighted average fair value of the options at the measurement date granted during the year was **£1.36** (2014: £0.32). The valuation was based on the following inputs and assumptions:

	2015	2014
Weighted average share price (£)	**2.89**	2.65
Option price (£)	**–**	–
Value of optionality	**nil**	nil
Vesting assumption	**47%**	12%

Given the option price is £nil, the only circumstance in which a vested option will not be exercised is if the current share price is £nil. There is some value associated with the timing of when the exercise would be made but this is considered to be minimal and therefore this has not been modelled.

The vesting assumption is the estimate at the measurement date of the percentage of the options that will ultimately vest and is based on management's assessment of the likelihood of achievement of the performance criteria.

33 Share price information

The middle market value of the listed ordinary shares at 31 December 2015 was 318.1 pence. During the year, the market price ranged between 230.1 pence and 361.3 pence. The latest ordinary share price is available on the Financial Times Cityline service, telephone 09058 171690.

Report on the parent company financial statements

Our opinion

In our opinion, Synthomer plc's parent company financial statements (the 'financial statements'):

– give a true and fair view of the state of the parent company's affairs as at 31 December 2015;
– 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

– the Company balance sheet as at 31 December 2015; and
– the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)') we are required to report to you if, in our opinion, information in the Annual Report is:

– materially inconsistent with the information in the audited financial statements; or
– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent company acquired in the course of performing our audit; or
– otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

– we have not received all the information and explanations we require for our audit; or
– 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 financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

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. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and ISAs (UK & 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 parent 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of Synthomer plc for the year ended 31 December 2015.

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
1 March 2016

The maintenance and integrity of the Synthomer plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company statement of financial position
31 December 2015

	Note	2015 £m	2014 £m
Fixed assets			
Property, plant and equipment	5	**2.2**	2.2
Investments in subsidiaries	6	**282.3**	292.1
		284.5	294.3
Current assets			
Trade and other receivables	7	**664.3**	714.2
Cash and cash equivalents		**3.6**	11.2
Derivatives at fair value	9	**3.0**	2.3
		670.9	727.7
Creditors – amounts falling due within one year			
Borrowings	8	**(51.0)**	(37.2)
Other creditors	10	**(165.7)**	(145.7)
		(216.7)	(182.9)
Net current assets		**454.2**	544.8
Total assets less current liabilities		**738.7**	839.1
Creditors – amounts falling due after more than one year			
Borrowings	8	**(73.7)**	(137.1)
Net assets		**665.0**	702.0
Equity			
Ordinary shares	11	**34.0**	34.0
Share premium		**230.5**	230.5
Revaluation reserve		**0.8**	0.8
Capital redemption reserve		**0.9**	0.9
Retained earnings		**398.8**	435.8
Total shareholders funds		**665.0**	702.0
Analysis of net borrowings			
Cash and cash equivalents		**3.6**	11.2
Borrowings due in less than one year		**(51.0)**	(37.2)
Borrowings due after more than one year		**(73.7)**	(137.1)
Net borrowings		**(121.1)**	(163.1)
Deduct: special item		**2.8**	1.9
Net borrowings (underlying performance)	8	**(118.3)**	(161.2)

The notes on pages 120 to 126 are an integral part of these financial statements.

The financial statements of Synthomer plc (registered number 98381) on pages 118 to 126 were authorised for issue by the Board of directors on 25 February 2016.

C G MacLean
Director

S G Bennett
Director

Company statement of changes in equity
31 December 2015

	Note	Share Capital £m	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
Balance as at 1 January 2014		34.0	230.5	0.8	0.9	443.5	709.7
Profit for the year		–	–	–	–	16.7	16.7
Total comprehensive income for the year		–	–	–	–	16.7	16.7
Dividends		–	–	–	–	(22.4)	(22.4)
Share based payments		–	–	–	–	(2.0)	(2.0)
Total transactions with owners, recognised directly in equity		–	–	–	–	(24.4)	(24.4)
Balance as at 31 December 2014		34.0	230.5	0.8	0.9	435.8	702.0
At 1 January 2015		34.0	230.5	0.8	0.9	435.8	702.0
Profit for the year		–	–	–	–	16.1	16.1
Total comprehensive income for the year		–	–	–	–	16.1	16.1
Dividends		–	–	–	–	(53.7)	(53.7)
Share based payments		–	–	–	–	0.6	0.6
Total transactions with owners, recognised directly in equity		–	–	–	–	(53.1)	(53.1)
Balance as at 31 December 2015		**34.0**	**230.5**	**0.8**	**0.9**	**398.8**	**665.0**

1 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

The financial statements of Synthomer plc have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through the income statement, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The estimates and associated assumptions are based on industry experience and various other factors that are believed to be reasonable under the circumstances.

The directors have reviewed the estimates and assumptions used in the preparation of the financial statements. The directors do not believe that there is a significant risk which would lead to material adjustments to the carrying value of any assets and liabilities in the next financial year due to changes on estimates or assumptions.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7, 'Statement of cash flows'
- The requirements in IAS24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- IFRS 7, 'Financial instruments: Disclosures'.
- IFRS 13, Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inouts used for fair value measurement of assets and liabilites).
- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).

Going concern

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. After making enquiries and taking account of reasonably possible changes in trading performance the Directors have concluded that the company should be able to operate within the level of its current cash reserves and borrowings and continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income'.

Property, plant and equipment

Properties are shown at professional valuation from 1985. All other plant and equipment are stated at cost. 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.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as Revaluation reserve in shareholders' funds. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against Revaluation reserve; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'Revaluation reserve' to 'Retained earnings'.

Except for freehold land, which is not depreciated, the cost or valuation of property, plant and equipment is depreciated on a straight-line basis over their expected useful lives as follows:

Freehold buildings	– 50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investments in subsidiaries and joint ventures
Investments in subsidiaries and joint ventures are shown at cost less provision for impairment.

Intercompany
Intercompany balances are shown gross unless a right of set off exists. Balances are valued at fair value at inception and are repayable on demand.

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

Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation
Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Financial instruments
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the income statement, which are initially measured at fair value. Financial assets and financial liabilities (including derivative instruments) are recognised on the Company statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company. despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

1 Accounting policies continued

Trade and other receivables

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 income statement 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 and other payables

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.

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 statement of financial position 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 income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement 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 income statement, 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 income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash held at banks and cash in hand.

Borrowings

Borrowings represents short-and long-term borrowings, as adjusted for the effect of related derivative instruments irrespective of whether they qualify for hedge accounting.

Fees paid on the establishment of loan facilities are capitalised as pre-payment for liquidity service and amortised over the term of the facility.

Share capital

Ordinary shares are classified as equity.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Financial guarantees

The Company issues guarantees in respect of bank and other facilities of subsidiaries and joint ventures.

2 Auditors' remuneration

The audit fee of Synthomer plc amounted to **£10,000** (2014: £4,000).

3 Profit attributable to equity shareholders

	2015 £m	2014 £m
Attributable to Synthomer plc	**16.1**	16.7

As permitted by Section 408 of the Companies Act 2006 no profit and loss account is presented for Synthomer plc.

4 Ordinary dividends

	2015 Pence per share	2014 Pence per share	2015 £m	2014 £m
Interim dividend	**3.2**	3.0	**10.9**	10.2
Proposed final dividend	**5.4**	4.8	**18.4**	16.3

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.

5 Property, plant and equipment

	Land and buildings Freeholds £m
Cost or valuation	
At 1 January 2015	2.8
Disposals	–
At 31 December 2015	**2.8**
At cost	–
At professional valuation in 1985	2.8
	2.8
Accumulated Depreciation	
At 1 January 2015	0.6
Eliminated on disposals	–
At 31 December 2015	**0.6**
Net book value	
At 31 December 2015	**2.2**
Cost or valuation	
At 1 January 2014	2.8
Disposals	–
At 31 December 2014	2.8
At cost	–
At professional valuation in 1985	2.8
	2.8
Accumulated Depreciation	
At 1 January 2014	0.6
Eliminated on disposals	–
At 31 December 2014	0.6
Net book value	
At 31 December 2014	2.2

Properties included at valuation would have been stated on a historical cost basis at cost of **£1.9m** (2014: £1.9m) and depreciation of **£0.5m** (2014: £0.5m).

Freehold land amounting to **£1.8m** (2014: £1.8m) has not been depreciated.

6 Investments

	Subsidiaries £m	Joint ventures £m	Total £m
Cost			
At 1 January 2015	291.8	0.5	292.3
Additions	–	–	–
Disposals	–	–	–
Hedge adjustment (see below)	(9.8)	–	(9.8)
At 31 December 2015	**282.0**	**0.5**	**282.5**
Provisions			
At 1 January 2015	–	0.2	0.2
Released on disposals		–	–
At 31 December 2015	–	**0.2**	**0.2**
Net book value			
At 31 December 2015	**282.0**	**0.3**	**282.3**
Net book value			
At 31 December 2014	291.8	0.3	292.1

Details of the subsidiaries and joint ventures are given on pages 127 to 128.

At the start of the year the Company had designated its Euro denominated multi currency Revolving Credit Facility and a forward contract totalling **Euro 200.0m** (2014: Euro 200.0m) as a FRS 101 fair value hedge against the designated Euro portion of its investment in Ennismore Limited of **Euro 200.0m** (2014: Euro 200.0m).

On 24th March 2015 the Company paid back it's Euro denominated multi currency Revolving Credit Facility of **Euro 147.0m** (2014: Euro 160.0m), closed out it's forward contract of **Euro 53.0m** (2014: 40.0m) and drew down on the Revolving Credit Facility in Sterling **£90.0m** (2014: £0.0m). On the same day the Company closed out the FRS 101 fair value hedge against the designated Euro portion of its investment in Ennismore Limited of **Euro 200.0m** (2014: Euro 200.0m) with the resulting loss being taken to the income statement, where it is fully offset by the exchange gain resulting from the re-translation of the Revolving Credit Facility and the forward contract at the same date.

Directors consider the value of investments to be supported by underlying assets.

7 Debtors

	2015 £m	2014 £m
Amounts owed by group undertakings	**664.2**	713.6
Other receivables	**0.1**	0.6
	664.3	714.2

Amounts owed by group undertakings are valued at fair value at inception and are repayable on demand.

8 Borrowings

	2015 £m	2014 £m
Current borrowings		
Bank loans		
Overdrafts	**36.1**	37.2
Other loans		
$22.0m 5.98% Guaranteed Senior Unsecured Notes due 2 September 2016*	**14.9**	–
	51.0	37.2
Non-current borrowings		
Bank loans		
Unsecured £210.0 million multi currency Revolving Credit Facility expiring 30 July 2019	**75.0**	124.7
Other loans		
$22.0m 5.98% Guaranteed Senior Unsecured Notes due 2 September 2016*	**–**	14.1
	75.0	138.8
Less: capitalised costs	**(1.3)**	(1.7)
	73.7	137.1

Note
*In aggregate **£14.9m** (2014: £14.1m), associated with which is the currency impact of derivatives of **£2.8m** (2014: £1.9m), net **£12.1m** (2014: £12.2m).

Bank loans are denominated in Sterling (2014: Euro) and bear interest based on LIBOR (2014: EURIBOR).

At 31 December 2015, the Company had available **£135.0m** (2014: £85.3m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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 2015				
Bank loans and overdrafts	**96.7**	**3.7**	**10.7**	**111.1**
Loan notes	**–**	**14.9**	**–**	**14.9**
Capitalised costs	**(1.3)**	**–**	**–**	**(1.3)**
	95.4	**18.6**	**10.7**	**124.7**
Cash and cash equivalents				**(3.6)**
Net borrowings				**121.1**
Deduct: special item*				**(2.8)**
Net borrowings (underlying performance)				**118.3**
31 December 2014				
Bank loans and overdrafts	32.0	1.5	128.4	161.9
Loan notes	–	14.1	–	14.1
Capitalised costs	(1.7)	–	–	(1.7)
	30.3	15.6	128.4	174.3
Cash and cash equivalents				(11.2)
Net borrowings				163.1
Deduct: special item*				(1.9)
Net borrowings (underlying performance)				161.2

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

Note
*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.

9 Financial instruments

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

	2015			2014		
Fair value of financial assets	**Loans and receivables £m**	**Fair value through Income Statement £m**	**Total carrying value £m**	Loans and receivables £m	Fair value through Income Statement £m	Total carrying value £m
Trade and other receivables excluding prepayments	**664.3**	**–**	**664.3**	714.2	–	714.2
Cash and cash equivalents	**3.6**	**–**	**3.6**	11.2	–	11.2
Derivatives at fair value	**–**	**3.0**	**3.0**	–	2.3	2.3
	667.9	**3.0**	**670.9**	725.4	2.3	727.7

	2015			2014		
Fair value of financial liabilities	**Loans and payables at amortised cost £m**	**Fair value through Income Statement £m**	**Total carrying value £m**	Loans and payables at amortised cost £m	Fair value through Income Statement £m	Total carrying value £m
Loan notes	**14.9**	**–**	**14.9**	14.1	–	14.1
Bank loans and overdrafts	**109.8**	**–**	**109.8**	160.2	–	160.2
Trade and other payables	**165.7**	**–**	**165.7**	145.7	–	145.7
	290.4	**–**	**290.4**	320.0	–	320.0

A fuller description of financial instruments is included in note 21 of the consolidated financial statements on page 104.

10 Other creditors

	2015 £m	2014 £m
Amount due within one year		
Amounts owed to group undertakings	**163.5**	143.8
Other creditors	**1.3**	0.8
Accruals and deferred income	**0.9**	1.1
	165.7	145.7

Amounts owed to group undertakings are valued at fair value at inception and are repayable on demand.

11 Called up share capital

Details of the Company's share capital and outstanding share options are shown in note 26 of the consolidated financial statements on page 112.

12 Related party transactions

The company has elected to take the allowable exemption in terms of FRS 101 to not disclose transactions with wholly-owned subsidiaries.

13 Guarantees and other financial commitments

The Company has given guarantees amounting to **£15.0m** (2014: £14.0m) in respect of bank and other facilities of subsidiaries and joint ventures.

14 Share-based payments

For details of share-based payments please refer to note 33 to the consolidated financial statements on page 115.

15 Transition to FRS 101

This is the first year that the company has presented its results under FRS 101. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 101 was 1 January 2014. There was no material impact of transition to FRS 101 and hence reconciliations from UK GAAP to FRS 101 have not been presented.

Subsidiaries and joint ventures

Operating companies	Country of incorporation and operation	Effective Group interest in equity %
Arkem (Pty) Ltd Distributor of speciality chemicals and allied products	South Africa	50[1]
Kind Action (Malaysia) Sdn Bhd Plantation owner	Malaysia	70
Quality Polymer Sdn Bhd Acrylic and vinyl polymer dispersions	Malaysia	70
Revertex (Malaysia) Sdn Bhd Synthetic resin and emulsions, natural rubber latices, plasticers and allied products	Malaysia	70
Shanghai Synthomer Chemical Co Ltd Sales agent	China	100
Synthomer FZE Sales agent	United Arab Emirates	100
Synthomer LLC Sales agent	United States	100
Synthomer (Pty) Ltd Synthetic resin and emulsions and allied products	South Africa	100
Synthomer (UK) Ltd Synthetic emulsions, latex based compounds, polyvinyl alcohol/acetate and liquid polybutadine	England	100
Synthomer BV Latex based compounds	Netherlands	100
Synthomer Deutschland GmbH Synthetic rubber latices and emulsions	Germany	100
Synthomer Finland Oy Styrene-butadiene latex products	Finland	100
Synthomer Middle East Company Acrylic and vinyl resin emulsions	Saudi Arabia	49[1]
Synthomer SAE Latex based compounds	Egypt	88
Synthomer Sdn Bhd Synthetic rubber latices	Malaysia	100
Synthomer S.r.l Synthetic rubber latices and acrylic polymer dispersions	Italy	100
Synthomer Vietnam Co. Ltd Acrylic and vinyl emulsions	Vietnam	60
William Blythe Ltd Inorganic chemicals	England	100

Holding and Non-trading companies		
Desa Baiduri Sdn Bhd	Malaysia	70
Dimex Ltd	England	100
Ecatto Ltd	England	100[3]
Ennismore Ltd	Jersey	100[3]
Fine Chemicals Sdn Bhd	Malaysia	70
Gayco Trustee Ltd	England	100[3]
Harlow Chemical Co Ltd	Netherlands	100[2]
Holiday Pigments Ltd	England	100
PolymerLatex Ltd	England	100
PolymerLatex Sdn Bhd	Malaysia	100
Revertex (South Africa) (Pty) Ltd	South Africa	100
Revertex Ltd	England	100[3]
SA (300) Ltd	England	100[3]
Star Pharma Ltd	England	100
Super Sky Ltd	England	50[1,3]
Synthomer Holdings Ltd	England	100[3]
Synthomer Overseas Ltd	England	100[3]
Synthomer SA	Belgium	100

Holding and Non-trading companies	Country of incorporation and operation	Effective Group interest in equity %
Temple Fields 510	England	100
Temple Fields 512 Ltd	England	100[3]
Temple Fields 514 Ltd	England	100[3]
Temple Fields 515 Ltd	England	100
Temple Fields 522 Ltd	England	100[3]
Temple Fields 523 Ltd	England	100
Temple Fields 530 Ltd	England	100[3]
Temple Fields 534 Ltd	England	100
Temple Fields GmbH	Germany	100
Temple Fields GmbH & Co Chemie Ohg	Germany	100
Temple Fields Verwaltungs GmbH	Germany	100
Terra Simfoni Sdn Bhd	Malaysia	100
Uquifa Italia S.r.l	Italy	100
Yule Catto BV	Netherlands	100
Yule Catto France SA	France	100
Yule Catto Holdings GmbH	Germany	100
Yule Catto Inc	United States	100
Yule Catto International SA	France	100
Yule Catto Nederland BV	Netherlands	100
Yule Catto Overseas	England	100[3]
Yule Catto Spain SL	Spain	100
Yule Catto Western Europe Ltd	England	100
Dormant companies		
Rexplas Sdn Bhd	Malaysia	70

Notes
1. Joint ventures.
2. Harlow Chemical Co Ltd was incorporated in UK but is resident in the Netherlands.
3. Shares directly held by Synthomer plc.

Five-year financial summary

Underlying performance[a]		2015 £m	2014 £m	2013 (restated[g]) £m	2012 (restated[g]) £m	2011 (restated[g]) £m
Total sales	(b)	**894.0**	990.5	1,054.9	1,111.8	1,116.8
EBITDA	(c)	**125.0**	118.0	124.0	129.6	117.2
Operating profit	(d)	**102.9**	96.5	104.8	111.2	98.4
Finance costs		**(7.6)**	(10.5)	(14.7)	(16.6)	(16.2)
Profit before taxation		**95.3**	86.0	90.1	94.6	82.2
Basic earnings per share		**21.5p**	19.5p	20.7p	20.9p	18.0p
Dividends per share		**8.6p**	7.8p	6.0p	5.5p	3.5p
Dividend cover		**2.5**	2.5	3.5	3.8	5.1
Net borrowings	(e)	**(77.4)**	(112.1)	(133.6)	(155.8)	(164.3)
Capital expenditure	(f)	**22.8**	22.0	39.1	39.2	24.2

IFRS – continuing operations[b]		2015 £m	2014 £m	2013 (restated[g]) £m	2012 (restated[g]) £m	2011 (restated[g]) £m
Total sales	(b)	**894.0**	990.5	1,054.9	1,111.8	1,116.8
EBITDA	(c)	**125.0**	118.0	124.0	129.6	117.2
Operating profit	(d)	**80.3**	65.1	75.0	77.1	56.3
Finance costs		**(7.8)**	(11.3)	(15.9)	(18.3)	(19.5)
Profit before taxation		**72.5**	53.8	59.1	58.8	36.8
Basic earnings per share		**17.8p**	13.3p	14.2p	15.6p	9.0p
Dividends per share		**8.6p**	7.8p	6.0p	5.5p	3.5p
Dividend cover		**2.1**	1.7	2.4	2.8	2.6
Net borrowings	(e)	**(80.1)**	(114.1)	(138.5)	(141.5)	(156.1)
Capital expenditure	(f)	**22.8**	22.0	39.1	39.2	24.2

(a) As presented in the consolidated income statement on page 76.
(b) Total sales includes Group revenue and share of joint venture revenue.
(c) As defined in the accounting policies at note 2 and reconciled in note 5.
(d) As defined in note 2 to the financial statements on page 86.
(e) As defined in note 2 to the Financial Statements and reconciled in note 20.
(f) As shown with the consolidated cash flow statement.
(g) Restated for impact of IAS19 revised.

Glossary of Terms

AGM	Annual General Meeting
AIMS	Accident and Incident Management System
ARW	Asia and Rest of World
C&C	Construction and Coatings
C&F	Carpet and Foam
CGU	Cash Generating Units
CH_4	Methane
CIA	Chemical Industries Association
CO_2	Carbon Dioxide
CO_2e	Carbon Dioxide equivalent
Constant currency	Current year results in local currency translated to Sterling at the prior year average foreign exchange rate
CSR	Corporate Social Responsibility
Defra	Department of Environment, Food and Rural Affairs
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
EGM	Extraordinary General Meeting
ENA	Europe and North America
EPS	Earnings Per Share
ESG	Environmental, Social and Governance
FP	Functional Polymers
FRC	Financial Reporting Council
Free cash flow	Net cash flow from operating activities, after net interest paid and purchases and proceeds from sale of non-current assets and investments
FRS	Financial Reporting Standard
GHGs	Greenhouse Gases
GJ	Gigajoule
GWP	Global Warming Potential
H&P	Health and Protection
HR	Human Resources
HSSBR	High Solids Styrene Butadiene Rubber
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
ISA	International Standards of Auditing
KPIs	Key Performance Indicators
Ktes	Kilotonne or 1,000 tonnes (metric)
LTA	Lost Time Accident
M&A	Mergers and Acquisitions
MYR	Malaysian Ringgits
N_2O	Nitrous Oxide
NBR	Nitrile Butadiene Rubber

Net borrowings	Net borrowings represent cash and cash equivalents together with short and long-term borrowings, as adjusted for the effect of related derivative instruments irrespective of whether they qualify for hedge accounting, non-recourse factoring arrangements, and the inclusion of financial assets
Net debt	Borrowings and other financial liabilities less cash and cash equivalents
NOx	Nitrogen Oxide
Operating profit	Operating profit represents profit from continuing activities before finance costs and taxation
PBT	Profit Before Tax
PSP	Performance Share Plan
PVC	Polyvinyl Chloride
R&D	Research and Development
SBR	Styrene Butadiene Rubber
SEC	Specific Energy Consumption
SHE	Safety, Health and Environment
SHEMS	Safety, Health and Environment Management System
The Code	The UK Corporate Governance Code
Total sales	Total sales represent the total of revenue from the Company, its subsidiaries, and its share of the revenue of joint ventures
TSR	Total Shareholder Return
UK GAAP	UK Generally Accepted Accounting Practice
Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding special items
VOCs	Volatile Organic Compounds

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