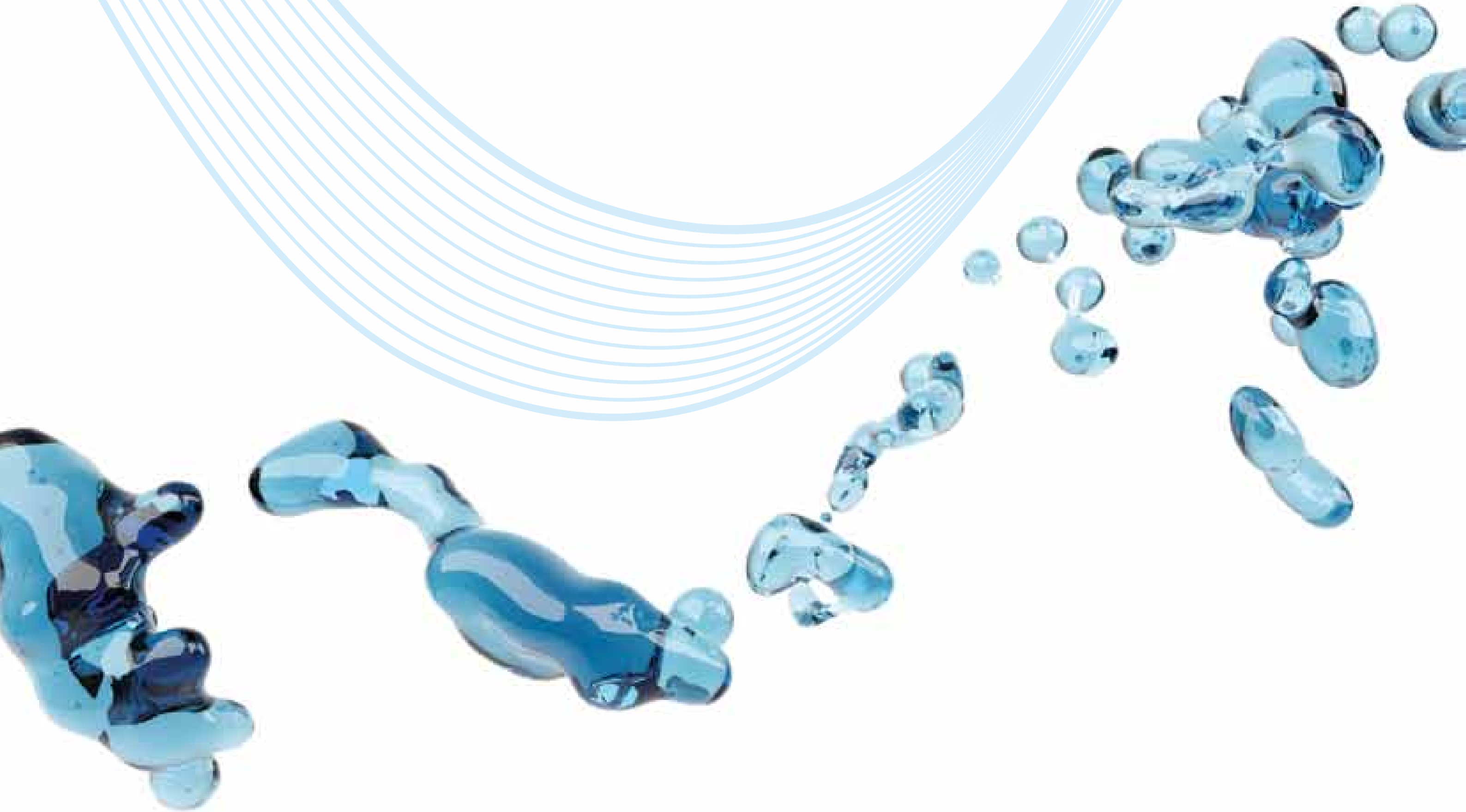
Synthomer plc Annual Report 2014

Leading innovation in aqueous polymers



Innovation, Growth, Excellence

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

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

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

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

Contents

Financial and commercial highlights

19.5p
Earnings per share*

15.6p
Dividend per share (ordinary and special)

+30%
Change in ordinary dividend per share

£112.1m
Net debt*

£990.5m
Total sales*

£86.0m
Profit before taxation*

* Based on underlying performance.

Financial highlights

As reported	Underlying performance[a] 2014 £m	Underlying performance[a] 2013 £m	IFRS 2014 £m	IFRS 2013 £m
Continuing operations				
Total sales[b]	**990.5**	1,054.9	**990.5**	1,054.8
EBITDA (note 5)	**118.0**	124.0	**118.0**	124.0
Operating profit	**96.5**	104.8	**65.1**	75.0
Profit before taxation	**86.0**	90.1	**53.8**	59.1
Earnings per share	**19.5p**	20.7p	**13.3p**	14.2p
Ordinary dividend per share (note 10)	**7.8p**	6.0p	**7.8p**	6.0p
Special dividend per share (note 10)	**7.8p**	–	**7.8p**	–
Net borrowings[c]	**112.1**	133.6	**114.1**	138.5

(a) Underlying performance excludes special items as shown in the consolidated income statement. This is primarily amortisation of acquired intangibles of £27.0 million (2013 £28.4 million).
(b) Total sales includes Group revenue and share of joint venture revenue.
(c) See page 58.

Commercial highlights

- £86.0 million PBT.
- Successfully refinanced five year £210 million committed bank facility.
- Successfully completed purchase of final 50% of Synthomer Finland Oy.
- Commissioned new 28 kte production line in Saudi Arabia.
- 16 new product launches achieved during the year and seven patent applications made.

Chairman's statement

Overview
After a positive start to the year, the European economy faltered causing demand to weaken during the second half. In Asia, we saw the opposite, with a more intense competitive environment putting pressure on nitrile margins during the first half of the year, but an improving position during the second half. In the final two months, we saw a substantial decline in our raw material costs as the price of oil fell and these movements are expected to have some benefit on the performance of the Group in 2015.

In the context of this challenging macro-economic environment, the Group's underlying volumes in 2014 remained in line with 2013. As I wrote last year, Synthomer has continued to demonstrate its resilience, and focus on cost control, product innovation, research and development and capacity expansions in emerging markets.

Full year performance
Underlying Group total sales declined 6.1% to £990.5 million (2013 £1,054.9 million), although, on a constant currency basis, sales reduced by 2.0%, on underlying volume in line with the prior year.

Underlying Group operating profit for the year was £96.5 million, down 7.9% (2013 £104.8 million). This was partly due to the weakening of the Euro that impacted operating profits in our European and North American (ENA) business by £3.4 million. On a constant currency basis, profit was down by 3.4%, mainly due to the lower margin issues we had in nitrile in our Asia and ROW business (ARW) in the first half.

Underlying Group profit before tax was £86.0 million (2013 £90.1 million), a decline of 4.6%, whilst earnings per share at 19.5p (2013 20.7p) were down by 5.8%. After deducting special items, IFRS profit before tax was £53.8 million (2013 £59.1 million).

Strategy
Our strategy remains unchanged and we continue to focus on delivering growth through geographic expansion in emerging markets, where mega-trends, such as population growth, urbanisation and increasing wealth, are driving demand for our products. In these high-growth regions, we are able to leverage our European 'Centres of Excellence' in leading technology, R&D and manufacturing capability to give us a strong competitive advantage. We have started to see the results of the operational efficiency programme we began during 2014 in Europe, and we anticipate this will be rolled out into key facilities in Asia later in 2015.

Additionally, as part of this strategy, we continue to look for further investment opportunities to expand our footprint in Asia.

Investment
Synthomer continues to be a highly cash generative business, giving us the means to invest in future growth. During the year, we commissioned a new 28 kte dispersion line in our Saudi Arabian plant, and we completed the upgrade of one of our German plants to allow us to produce our bio-latex products for the paper industry. Our investment in R&D continues to benefit the business, with 16% of 2014 sales coming from products developed in the last five years, and a further seven patent application filings during the year.

Balance sheet
Net debt, at £112.1 million, was £21.5 million lower than the start of the year. This represents a net borrowing to EBITDA ratio of less than one times, which the Board considers to be at the lower end of our target leverage position.

Dividend
The Board has recommended an increased final ordinary dividend of 4.8p per share, making a total ordinary dividend for the year of 7.8p. The full year ordinary dividend represents an increase of 30% over the previous year, and a dividend cover of 2.5 times, in line with the policy we announced with our interim results.

In the interim results, we also set out our new framework for balance sheet management, and consistent with that, I am also pleased to announce that the Board recommends a special dividend of 7.8p per share, bringing the total dividend for the year to 15.6p.

Safety, health and environment
The Group is committed to the continuous improvement of its performance in respect of safety, health and the environment. I am pleased that we have been able to improve our safety record yet again and reduce our greenhouse gas emissions. Continuous improvement of our safety, health and environmental performance remains a key priority for the Group going forward.

Our people
One of the keys to our continuing success is our people. This year the Group introduced a 'Core Values' programme that defines the qualities and characteristics that we would like to see in ourselves, our colleagues and our business. These core values have at their foundation safety, health and environment and will be an important element in defining the Group and its ongoing success. I would like to thank our people for the positive way they have embraced this programme and for their support and hard work during 2014.

Board composition
I am delighted that Calum MacLean has joined as CEO just after the year end. He was previously at INEOS where he held a number of senior roles since 1998, most recently as Board Director INEOS Group and Chairman Styrolution & Petroineos. He has succeeded Adrian Whitfield who has, over the last eight years transformed the Group from a diverse chemical conglomerate into the focused aqueous polymer business that you see today. I would like to thank Adrian for his enormous contribution to the Group, and, on behalf of the Board and the Group, wish him every success for the future.

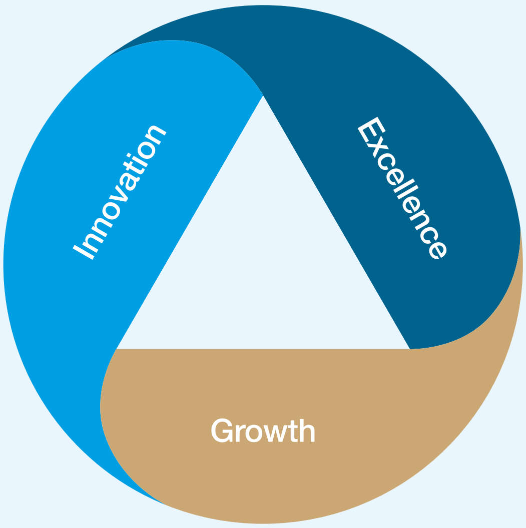
As previously announced, David Blackwood, Chief Financial Officer for the past seven years, advised the Board in December of his intention to retire from the Company during 2015. Similarly, after eight years as a non-executive Director, Chairing the Audit Committee and more recently fulfilling the role of Senior Independent Director, Jez Maiden has indicated that he will not be standing for re-election at the 2015 AGM. Searches for suitable successors for both positions are well advanced. There will be other opportunities to thank both David and Jez for their outstanding contributions to Synthomer but I would like to record my personal thanks to all three departing Board colleagues, Adrian, David and Jez, for their support and hard work over many years.

Outlook
We remain cautious on the European economy and its impact on demand, but some benefit from lower raw material prices may help offset any volume weakness. However, the weakness of the Euro, will affect the translation of our European business results. In Asia, we expect to see an improved performance from nitrile given the continuing tightening in the supply demand position and improving margins. Overall, the Board is confident the Group is well positioned for future growth.

Neil Johnson
Chairman
25 February 2014

Our business model

How we create value



Innovation

- Close to customers, understanding their needs
- Added value formulations created, not chemicals
- Highly skilled and experienced people
- Global R&D capabilities close to customers
- Development and protection of intellectual property
- Challenging manufacturing processes for efficiency

Excellence

- Commitment to excellence in our safety, health and environmental performance
- Global view with local market expertise
- Highly cost effective flexible production capabilities
- World class people
- Flexible logistics operations
- Commercial model

Growth

- Leveraging global mega-trends
- Focus on development in high growth markets
- Over 4,000 customers across the world
- Broad product range
- European manufacturing engine room and centre of excellence
- Expand global footprint, sharing Group technology and knowledge
- Local production sites are close to customers and keep high water content polymers economic

Our strategy

Driving our business forward

Investing in innovation and knowledge

- Continue to develop a strong pipeline on new and innovate products
- Develop a portfolio of commercial patents
- Share best practice and knowledge across the Group

Actions in 2014

- Successfully launched 16 new products, including innovative wood coating products (see page 15)
- More than doubled the patent applications in 2014 compared with 2013 with seven patents applications filed
- Completed the restructuring in our R&D department to create three 'Centres of Excellence' across the world

Creating excellence in our business

- Embedding safety, health and environmental performance in all our operations
- 'Centres of Excellence' in Europe in innovation manufacturing and engineering to provide a strong base to grow the rest of the business
- Investing in our people

Actions in 2014

- Reviewing and challenging our operational performance through our 'Synthomer 2015' programme in Europe (see page 11)
- Introduced Synthomer 'Core Values' for our people (see page 10)
- Continuing the development of our skills through the use of the 'Cogent Gold Standard' programme in the UK (see page 11)
- Increased R&D capability in Asia to provide 24 hour a day services in our polymerisation laboratory

Driving growth

- Growing our new product sales contribution
- Aligns Synthomer and market needs
- Develop supply chain excellence

Actions in 2014

- Products issued in the last five years have grown to 16% of revenue (2013 12%)
- Design of new latex products for the glove market have not only improved properties but freed up capacity in our manufacturing facilities
- Invested in Butadiene gas storage facility that protects our raw material supply

Our products

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

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

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

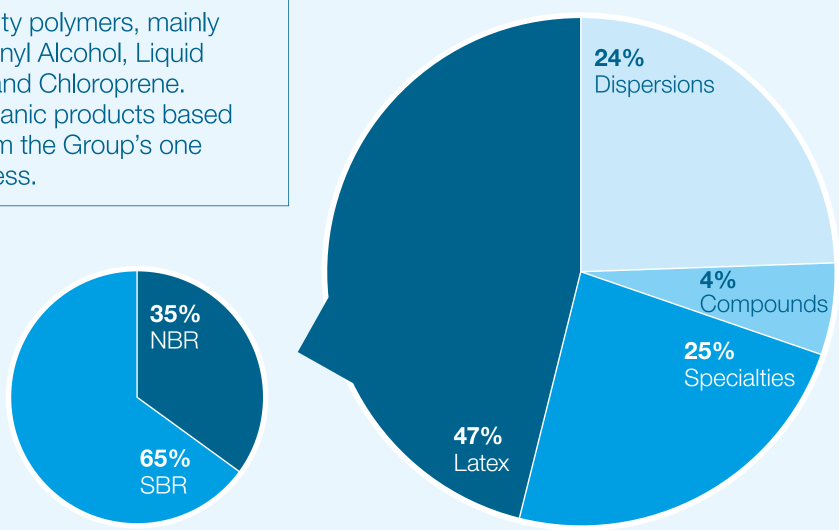
Specialties
Comprise a number of specialty polymers, mainly non-aqueous including, Polyvinyl Alcohol, Liquid Polybutadiene, HSSBR latex and Chloroprene. Specialties also includes inorganic products based on Copper, Tin and Iodine from the Group's one remaining non-polymer business.

No. 1
NBR latex producer globally

No. 1
High Solids SBR latex producer globally

No. 1
SBR latex producer in Europe

Sales by product



Our markets

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

Paper
Coated paper and board, graphic paper, packaging and specialty paper.

Construction and Coatings
Construction
Cement and mortar modification, bitumen modification, concrete repair systems, primers, flooring and construction adhesives, liquid applied membranes, two-pack membranes, flexible roof coatings, sealants and primers.

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

Carpet, Compounds and Foam
Binding and backing of tufted and other carpets, foam backed carpets, automotive and artificial turf. Foams for mattresses, pillows and shoes.

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

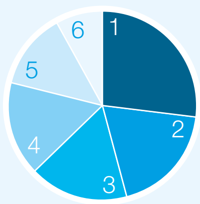
Performance Polymers
Lithene ultra® – low VOC liquid polymers for automotive sound damping. Alcotex – Polyvinyl alcohol used as a suspending agent in the PVC polymerisation process. Polyvinyl Acetate – for solvent adhesives, Polyester resins and composites. Inorganic (non-polymer) Specialties – for catalysts, flame retardants and other niche applications.

No. 1
Dispersions producer in Malaysia

37%
of total sales to emerging markets

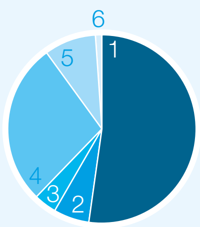
No. 1
Acrylic and vinylic producer in the Middle East

Sales by market



1 Construction and Coatings – 27%
2 Health and Protection – 19%
3 Carpet, Compounds and Foam – 17%
4 Paper – 16%
5 Functional Polymers – 13%
6 Performance Polymers – 8%

Sales by destination



1 Western Europe – 53%
2 Eastern Europe – 6%
3 North America – 4%
4 Asia – 28%
5 Africa and Middle East – 9%
6 Rest of World – <1%

Our locations

Global focus

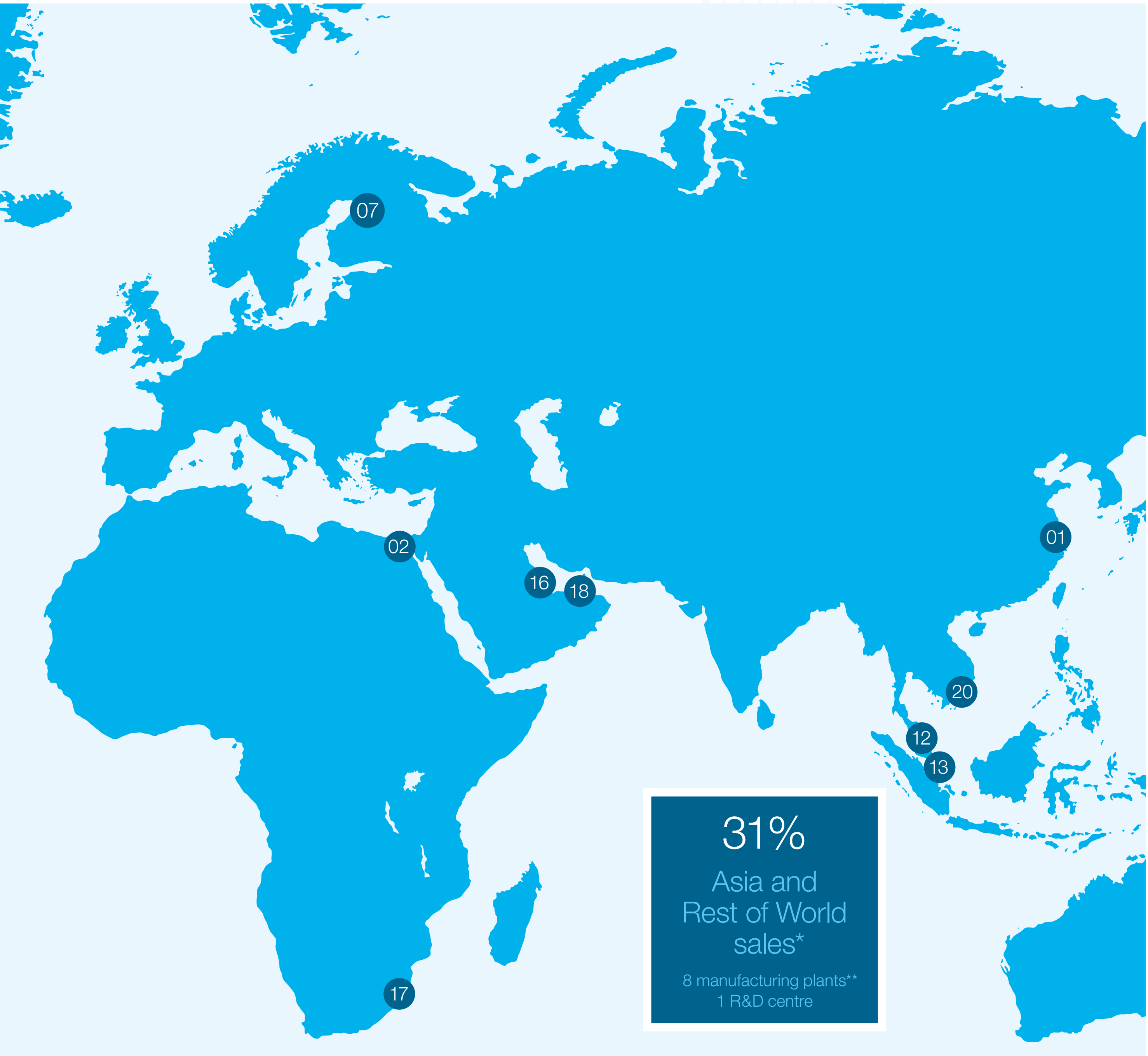
Locations

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

Key Manufacturing site Sales office R&D centre Head office

* Sales by destination.
** Several sites have more than one manufacturing plant.

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



31%

Asia and Rest of World sales*

8 manufacturing plants**
1 R&D centre

Our people

Empowering our employees

Our people are at the heart of everything we do, from R&D and manufacturing to sales and logistics. We rely on every employee to help create our culture and drive the business forward.

The organisation has almost doubled in size over the past five years and we understand that it is important to maintain consistency in our approach and goals to ensure the continued success of our business and people. In 2014, we implemented our 'Core Values' programme which defines the qualities and characteristics that we would like to see in ourselves, our colleagues and our business. The values were created through consultation with staff from across the Group. A range of aspects and topics which were deemed important to a successful business were discussed and formulated into six values: leadership, decision making, communication, diversity, teamwork and performance. These values were seen as all contributing to and enforcing our commitment to Safety, Health and Environment (SHE).

These values, when fully embedded, will create focus and empower our employees to develop their own skills and work together towards common goals across the business.

Diversity

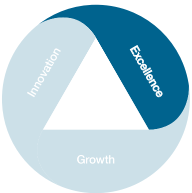
	Total	Male	Female
Board	9	9	–
Senior management	23	19	4
Employees	2,138	1,746	392

37%
Employees in emerging markets

2,138
Total Group employees

240
Employees working in innovation

Excellence



Sharing operational excellence

In 2014, Synthomer began a review of operational performance through the ‘Synthomer 2015’ programme across Europe. The aim was to challenge areas of reduced efficiency and share operational best practice throughout the European facilities.

A team of Synthomer staff worked extensively with an external consultant visiting each of the European businesses to find areas where efficiency or production improvements could be made. The review highlighted a number of areas at each site where improvements could be made. The recommendations included streamlining procedures and workplace standards as well as defining competency models and training schemes to ensure our people have the right knowledge to manage our operations effectively.

Although ‘quick-win’ changes have already been made, the Synthomer ‘Operational Excellence’ team is continuing to support local management teams in transforming their operations and implementing further improvements. The team has already spent time at our three sites in Germany and will be working with the management of the other European sites over 2015. In addition, the programme is now planned to be rolled out in Malaysia in 2015 and 2016.

Elsewhere in Europe, we are continuing the development of our staff with great successes through the Cogent Gold Standard programme in the UK at our Harlow and Stallingborough sites. The Cogent Gold Standard is a framework of continuous professional development which sets out the skills and competencies required for top level performance in key roles within the manufacturing and chemical industry. Within Synthomer, the framework is now used to ensure all manufacturing staff possess the level of skill and knowledge to carry out their roles to the high standards we expect in our business.

Chief Executive Officer's report

Having joined Synthomer as your Chief Executive Officer in January 2015, I have not led the business through the year under review. However, whilst the broader trading environment in both Europe and Asia has undoubtedly made it a difficult year, I believe that the Group's robust performance in the current environment demonstrates its ongoing potential for future growth.

In my first few weeks, I have enjoyed exploring the business and listening to the views of my colleagues. I look forward to working closely with my new colleagues in the year ahead and taking Synthomer forward.

Overview

2014 was another challenging year for the Group, with the absence of a sustained recovery in Europe and a tough competitive environment impacting margins in nitrile during the first half of the year. Underlying Group operating profit of £96.5 million was down 7.9% (3.4% on a constant currency basis) on prior year.

In the first half of 2014 we saw some encouraging signs in Europe with good underlying growth in our construction related markets, only to see the position reverse later in the year as the prospect of a European economic recovery fell away. In Asia, we had a disappointing start to the year as competitive pressure and overcapacity amongst our customers, the glove manufacturers, combined to put downward pressure on nitrile margins after we had seen improvements over the course of 2013. Encouragingly we saw nitrile margins improve again over the course of the second half of 2014 as the supply demand position for nitrile latex tightened.

Net of lower interest costs and a slightly higher tax rate, underlying earnings per share were down 5.8% at 19.5p (2013 20.7p).

Our rate of innovation is accelerating, with a total of seven patent filings in 2014. These patents covered not only extensions of our existing technology, but also included new processes and a new polymer composition patent.

We have also had a record number of new product launches this year, with a total of 16 products coming to market. These include products designed to improve wood coatings and new nitrile latex grades for the thin walled glove market. We have a good pipeline of products in development for the coming years. New products launched in the last five years contributed over 16% of 2014 Group revenues, compared with 12% in 2013. We remain confident of being able to improve this percentage, and have a medium-term target for new products launched in the preceding five years to contribute 20% of annual group revenues.

We continue to invest in our business, with the commissioning of a new 28 kte production line in our Saudi plant, which has taken the name plate capacity of the plant to 100 ktes. We also completed the upgrade of one of our German SBR plants to allow us to produce our bio-latex for the paper industry, which we had previously introduced into our Oulu plant in Finland. This will allow us to move almost half of our paper latex sales to the new bio-latex grade – and we expect to be at this run rate by the end of 2015.

Our Oulu plant in Finland was a 50/50 joint venture. In October 2014, we acquired the remaining 50 per cent to make the business a wholly-owned subsidiary.

We continue to invest in our people and, during 2014, we have engaged in a number of development programmes to support our staff and our business. These programmes include the introduction of Synthomer 'Core Values'. These core values have at their foundation safety, health and environment and will be an important element in defining the Group and its ongoing success.

After a reasonably benign year for raw materials in 2013, 2014 saw some substantial movements. Vinyl Acetate monomer spiked severely mid-year, and all monomers declined sharply towards the end of the year due to falling oil prices and deteriorating supply demand positions for the producers of our core monomers, such as Butadiene and Styrene. Overall, these movements, were actively managed in our selling prices to customers.

Divisional performance

We report the performance of the Group as two segments: 'Europe and North America' (ENA) and 'Asia and Rest of World' (ARW).

The reported results are on an 'origination basis', meaning the segmental sales and operating profits are reported based on where the product is manufactured. In 2014, ENA accounted for 69% of Group sales and ARW for 31% of Group sales. As we export many specialty products from Europe to Asia, looking at sales on a destination basis, ENA comprises 62% of Group sales with ARW accounting for 38%. Within the two segments, we split our sales and marketing activities into six areas which we refer to as strategic business units (SBUs). These comprise: 'Paper'; 'Carpet, Compounds and Foam' (CCF); 'Construction and Coatings' (CC); 'Functional Polymers' (FP); 'Performance Polymers' (PP) and 'Health and Protection' (HP) – which includes our Asian nitrile latex business.

Europe and North America (ENA)

Underlying performance	**2014**	2013
Sales (£m)	**687.2**	744.8
Operating profit (£m)	**85.7**	89.8
Volumes (ktes)	**794.3**	805.5

Underlying operating profit in our ENA segment was down by 4.6% year-on-year (0.7% down on a constant currency basis).

Aggregate volumes were 1.4% lower. This includes the full recognition of Synthomer Finland Oy (formerly Eka Synthomer Oy) from the acquisition date of our JV partner's 50% holding, and the effect of exiting 18 ktes of very low margin compound business during the year. Excluding these, volumes decreased by 0.8% in 2014 having been 2.6% ahead at the half year on the same basis.

The drop in demand in the second half reflected the general European economic climate and some destocking towards the end of the year, following a drop in the cost of raw materials and customers choosing to wait for prices to stabilise before rebuilding stocks. Overall, volumes in our main SBUs were broadly flat, other than Paper, where we are continuing to see a structural decline in this market.

We saw some margin erosion in 2013, reaching a low point as we exited that year. Margins recovered over the course of 2014, with average margins ahead of 2013, on a constant currency basis. Towards the end of 2014, margins were helped by declining raw material prices, though the benefit of this looking forward is likely to be modest. Margins were weaker in Paper, but improved in CCF, FP and CC.

There have been a number of product launches in ENA during the year. Our focus on high performance coatings applications has led to the introduction of binder systems for parquet flooring and exterior joinery applications. Also, the latest regulatory requirements have resulted in us launching new products into a number of markets, these include: a range of SBR latex for cement flexibilisation, a formaldehyde free non-woven binder and a flooring adhesive that meets the most stringent European regulations. We have also been able to use our proprietary acrylic technology in new cement membrane applications and introduce two new SBR products in the coated paper market, where we also saw further market uptake of our bio-polymer hybrid. The first half of the year saw the market introduction of our new Alcotex product for the PVC industry.

We have been progressing with our performance improvement programme for Europe, named 'Synthomer 2015', which we announced with our 2013 results. This programme has reviewed aspects of our processes, energy efficiency and productivity, and established ways to optimise these across all functions. All the European plants have been reviewed during 2014 and areas for improvement have been identified. Our internal team is now spending time with each of the plants and working with them in order to implement planned improvements. We continue to expect efficiencies and savings of at least €10 million per annum, with some of those savings expected to crystallise in 2015. The costs of the project are still in line with our expectations of €15 million of which €5 million will be capital. We have recognised costs of €5.6 million (£4.5 million) in the year and these can be seen in the special items note of the 2014 financial statements.

Asia and Rest of World (ARW)

Underlying performance	**2014**	2013
Sales (£m)	**303.3**	310.1
Operating profit (£m)	**17.8**	23.1
Volumes (ktes)	**396.5**	376.2

Operating profit in our ARW segment was £17.8 million, down £5.3 million (22.9%) compared with 2013 and down 17% on a constant currency basis. Volumes have increased by 20.3 ktes (5.4%).

Nitrile volumes were ahead some 3% on 2013, with a noticeable strengthening in demand towards the end of 2014. Nitrile was impacted significantly in the first half of the year by intense competition and customer pressure due to excess glove manufacturing capacity. We recovered our margins in the second half with margins progressively strengthening, exiting the year ahead of 2013 average levels.

The ARW non-nitrile business has seen good demand with volumes up, though margin was slightly lower due to the competitive effects of new manufacturing capacity coming on line in Malaysia.

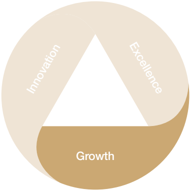
There has been a big focus on product development for the Asian coatings market, with the launch of a new vinylic based binder that gives formulating flexibility to optimise the cost/performance balance. We have also extended our alkyd product line, with a product offering improved gloss retention to extend the lifetime of interior and exterior paints gloss finish coatings. Additionally, a number of other coatings products are in the initial commercialisation phase, for example, for use as concrete primer systems, premium interior paints and exterior coatings.

We launched two new nitrile grades towards the end of the year, which could create up to 50 ktes of new capacity compared to older grades due to their shorter manufacturing times.

In the Middle East, our new 28 kte line was commissioned, taking the site's capacity to 100 ktes. We still anticipate strong nitrile growth going forward and are considering carefully the timing of new nitrile capacity expansion over and above that created by our recent product launches.

Calum MacLean
Chief Executive Officer
25 February 2015

Growth



Never stay still

Since the commissioning of our first NBR latex plant in Malaysia in 2000, we have moved from strength to strength in this area and continuously expanded and upgraded our facilities.

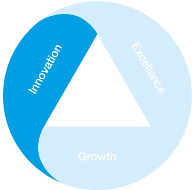
In particular, our plant in Pasir Gudang, originally commissioned in 2009 with a capacity of 100 ktes per year has been developed into a world class facility, through substantial expansion and investment in 2012 and 2013. The site now features two additional reactor lines and production capacity that has increased to 160 ktes per year. Also as part of this investment, the facility was upgraded in order to produce our XSBR grades.

Our commitment to growth and innovation never stops and we began preparing for the next generation of latices for the manufacture of protective gloves in 2015 and beyond. The two new grades produced, 'Synthomer 6330' and 'Synthomer 6338' can be formulated to allow low glove weight, with excellent tensile strength and elongation. 'Synthomer 6338' is our new flag-ship offering for 'disposable' protective gloves and was introduced to the market at the end of 2014. This new synthetic NBR latex product shows superior elastomeric performance and is targeted at the medical glove market where gloves need to provide good touch and feel.

In creating these new grades, we also invested in new technology to produce our grades more effectively whilst at the same time reducing production time which allows greater capacity from the same production facilities.

With quality and customer service at the forefront of our business we believe that these and future planned investments in product innovations and new technology will allow us to remain at the forefront of the industry.

Innovation



Global trends drive innovation in coatings

Synthomer's commercial and R&D teams continually monitor global trends and the impact that they may have on our markets. Two trends that have intersected that provided an opportunity for Synthomer to create new products are governmental regulations that require a move away from high emission solvent based paints and the growing use in building of wood, both as a construction material and in flooring. These trends are very noticeable in both Europe and Asia.

Synthomer has developed a new range of water-based acrylic dispersions for use in interior and exterior wood coating products that combine high performance while meeting the latest emission regulations. Two products recently launched are:

- Plextol W 1078* which is designed as a stand-alone binder for parquet floor coatings. This pure acrylic emulsion helps achieve a high hardness and good chemical resistance for the final product whilst making it easier to apply, featuring faster drying time and reducing the level of solvent required. By using our innovative polymerisation technology, the binder can be formulated into high quality, speciality coatings, increasingly replacing solvent based ones; and
- Plextol W 1080*, which is an acrylic emulsion for high performance exterior joinery coatings. This new polymer system allows a number of key performance criteria to be met simultaneously, notably allowing a coating to be flexible even in cold conditions and still providing good adhesion onto different types of woods. In addition, it is designed to provide a coating with the necessary properties to allow the coating to last for a long time even in challenging climatic conditions.

* Technical details of these products can be found on our website – **www.synthomer.com**

Financial review

Income statement

Sales, operating profit and profit before tax – underlying performance

Total sales decreased by 6.1% to £990.5 million (2013 £1,054.9 million) with Group operating profit 7.9% lower at £96.5 million (2013 £104.8 million). This was due to weakening exchange rates, the generally difficult economic environment in Europe and continued challenging market conditions in Asia, primarily in the first half of the year. On a constant currency basis, sales and EBIT were 2.0% and 3.4% down respectively.

With lower interest costs in 2014, the Group's profit before tax at £86.0 million was down by 4.6%, and similar to 2013 on a constant currency basis.

Tax and EPS – underlying performance

The Group's underlying tax rate of 21.4% (2013 20%) remains low, reflecting the benefits of pioneer status (extended tax holiday) on one of our businesses in Malaysia, and a zero rate in the UK. The Group does not expect to pay tax in the UK for the foreseeable future due to brought forward losses and deficit contributions to the UK pension scheme, which are tax deductible.

Profit attributable to non-controlling interests was £1.4 million (2013 £1.8 million).

As a result, the underlying earnings per share for 2014 was 19.5p, compared to 20.7p per share for 2013, a decrease of 5.8%.

Special items and IFRS

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

- Net acquisition credit of £0.1 million.
- Restructuring costs associated with the 'Synthomer 2015' European programme of £4.5 million. There will be some additional costs associated with this programme during 2015 and 2016 with the total cost for the project expected to be £8 million (€10 million).
- Various cross-currency and interest rate swaps for hedging purposes, which involve maturities of up to three years. 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 £0.8 million (2013 £1.2 million loss) is segregated from the underlying performance.
- Amortisation of intangibles of £27.0 million (comprising £25.8 million in the Company and subsidiaries and £1.2 million in share of joint ventures). IFRS acquisition accounting requires an explicit number to be placed on certain intangibles and amortised through the consolidated income statement, with the balance of the excess of the purchase price over the physical assets being carried as goodwill, which is subject to annual impairment testing. The amortisation expense arising from this has been treated as a special item and will continue to be so until the associated intangible assets are fully amortised.

After deducting special items from underlying performance the IFRS profit before tax was £53.8 million (2013 £59.1 million) and earnings per share were 13.3p (2013 14.2p).

Dividend

The Board proposes an increased final ordinary dividend of 4.8p which, with the interim ordinary dividend of 3.0p, brings the total ordinary dividend for the year to 7.8p per share. This is 2.5 times covered (2013 3.5 times), and in line with the Group's new capital management policy issued with the half year results.

In addition, a special dividend of 7.8p will be proposed in line with the Group's updated policy on balance sheet management – issued with the half year results. This will be paid at the same time as Group's final dividend payment.

Balance sheet

Goodwill decreased to £232.8 million at the end of 2014 from £241.1 million at the end of 2013 due to foreign currency translation.

Acquired intangible assets decreased to £80.7 million at 31 December 2014 from £109.5 million in the prior year. This movement reflects the intangible assets of £2.1 million acquired on the acquisition of Synthomer Finland Oy, regular annual amortisation of £25.8 million reported in special items, and currency translation.

Property, plant and equipment increased to £205.4 million at 31 December 2014 compared to £203.1 million at 31 December 2013. Additions during the year were £21.6 million.

Following on from the Malaysian land sales announced with the 2013 results, further progress has been made. In January 2015, contracts have been exchanged on a further plot of land. This has brought total sales proceeds for contracted land sales to MYR 232.8 million in the Group's 70% owned subsidiary, Revertex (Malaysia) Sdn Bhd, of which proceeds due to the Group will amount to MYR 154.8 million (net of land taxes), approximately £28 million at year end rates. Some 440 acres, approximately one quarter of the total land originally offered for sale, remains, for which we continue to seek a buyer.

The deferred tax liability has decreased to £35.5 million from £43.8 million during the year, due mainly to the amortisation of intangible assets.

This year we have disclosed separately provisions for other liabilities and charges to provide additional clarity to our financial statements, albeit that the amounts are not material. These have remained broadly unchanged year-on-year at £6.5 million (2013 £6.6 million). The largest element of this provision is £3.4 million relating to certain legal and customer claims against the Group.

Pensions

In the main UK defined benefit pension scheme the majority of investments are in equities. All asset classes performed well over the course of 2014, with a total return on assets (excluding cash) of 10.1%. The yield on high-quality corporate bonds decreased by 0.9% in the year which increased liabilities. The Company made cash contributions to the fund in the year of £9.0 million, which included a £4.1 million prepayment of 2015 contributions. The overall effect of these changes was that there was an increase in the deficit of the scheme, to £83.8 million at the end of 2014 (2013 £60.3 million). Due to the prepayment, cash contributions in 2015 are expected to be of the order of £9 million.

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

Overseas net pension liabilities increased to £66.9 million (2013 £52.6 million), due to the impact of lower yields on high quality euro bonds. The non-UK schemes are primarily traditional German unfunded 'on balance sheet' arrangements.

Borrowings, cash flow and liquidity

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

	2014 audited £m	2013 audited £m
Underlying operating profit (before joint ventures)	**91.2**	99.9
Movement in working capital	**(9.1)**	5.8
Depreciation and amortisation (underlying)	**21.5**	19.2
Capital expenditure (net)	**(21.5)**	(35.0)
Interest paid (net)	**(6.8)**	(9.3)
Tax paid	**(18.1)**	(17.4)
Pension funding in excess of IAS 19 charge	**(10.7)**	(8.7)
Non-controlling interest and joint venture cash flows	**4.7**	3.8
Free cash flow	**51.2**	58.3
Cash impact of restructuring	**(3.8)**	(3.8)
Purchase of business	**(8.6)**	–
Dividends paid	**(22.4)**	(19.4)
Exchange/other*	**5.1**	(12.9)
Movement in underlying borrowings	**21.5**	22.2
Closing underlying net borrowings	**112.1**	133.6

* Exchange/other includes £2.6 million paid in settlement of long-term incentive schemes (2013 £6.2 million).

	2014 audited £m	2013 audited £m
EBITDA – management:		
Operating profit (inc. joint ventures)	**96.5**	104.8
Depreciation and amortisation (underlying)	**21.5**	19.2
Total management EBITDA	**118.0**	124.0

Underlying net borrowings reduced during the year to £112.1 million.

Group management EBITDA decreased to £118.0 million, reflecting the lower operating profit.

Net capital expenditure decreased in 2014 to £21.5 million, and is net of proceeds received from the sale of a plot of land in the UK following the closure of the facility at Batley in 2013. Gross expenditure was £22.0 million.

Pension funding in excess of IAS 19 charge of £10.7 million includes the £4.1 million pre-payment to the UK pension fund.

Financing and liquidity

As at the end of 2014, the Group had the following drawn term funding in place:

	£m
Euro denominated bank loan maturing July 2019	**124.7**
US private placements	**14.1**
Factoring with recourse	**1.9**
Less: Associated currency hedges and costs	**(3.7)**
Total	**137.0**

This compares to a net borrowing position of £112.1 million.

The Group's £210 million committed loan facility maturing July 2019 had £85.3 million undrawn at the end of the year.

Net cash held at the year end (cash and cash equivalents less short-term overdrafts) was £24.9 million.

The US private placements £14.1 million ($22.0 million) 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 £12.1 million.

Underlying net borrowings to EBITDA, the Group's key leverage metric, was just below 1.0 times at the end of 2014 (2013 1.1 times).

David Blackwood
Chief Financial Officer
25 February 2015

Principal risks and uncertainties

Strategic risks	Strategy for mitigation
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. Business performance at business unit and geographical 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 water-based polymers or to other products that can be substituted for the products of the Group.	The Group continues to invest in existing and new products and technologies through R&D. The Group continues to invest in new facilities to allow the Group to maintain its key market positions. As part of the Group's strategic planning process it identifies and converts acquisition targets to enhance market positions and provide new technologies.
The ability of the Group to compete is highly dependent on its ability to develop technological innovations, to introduce new products and to protect its intellectual property, trade secrets and know-how. Failure to do so could have an adverse affect on the Group.	The Group continues to invest in existing and new products and technologies through R&D. As part of the Group's strategic planning process it identifies and converts acquisition targets to enhance market positions and provide new technologies.
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.
Operational risks	
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 quality requirements. All sites operate quality management systems (ISO etc). The Group has a Group-wide product liability insurance which provides £50 million of cover.

Operational risks continued	Strategy for mitigation
Compliance with extensive environmental, health and safety laws and regulations could require material expenditure, changes in the operations of the Group or site remediation. The manufacture, storage and transportation of chemicals is inherently dangerous and any incidents relating to the hazards which the Group faces may adversely affect its financial condition, results of operations and reputation.	Detailed safety, health and environmental processes are documented in operating guidance which is updated and communicated to staff on a regular basis. Robust maintenance programmes are undertaken in order to ensure that our facilities meet up to Group and local legal requirements. The Group operates a central internal audit function dedicated to SHE issues and programmes for continuous improvement across all major SHE areas are in place Group-wide.
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 employees. The Group is also developing a succession plan for key positions.

Financial risks

As a significant proportion of the Group's turnover and assets are in currencies other than UK sterling fluctuations in currency exchange rates may significantly impact the results of the operations of the Group and may significantly affect the comparability of financial results between financial periods.	The Group has a policy of hedging all significant foreign exchange transactional exposure at operating company level and also holds debt facilities in several key currencies to offset fluctuations in overseas asset values.
The Group's balance sheet and cash flow or 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 cash flow and working capital performance 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 through a range of facilities with varying expiry dates. Interest rate risk is managed through the use of interest rate hedging.
The Group has funding risks relating to defined benefit pension schemes and any deterioration in the value of assets in which the pension scheme have invested as against the financial obligations to make payments to members of the schemes could have an adverse affect on the Group.	The UK scheme was closed to future accrual during 2009. The risks are mitigated by paying appropriate contributions into the funds and through balanced investment strategies which are designed to avoid a material impact to the fund assets.

Corporate social responsibility report

Commitment to safety, health and environmental (SHE) performance

The Board, Chief Executive and Group Executive Committee are fully committed to improving SHE performance and the involvement of staff at all levels across our sites in our SHE programmes. SHE performance is a primary duty for management at all levels in the Group and is aligned to our three long-term goals:

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.

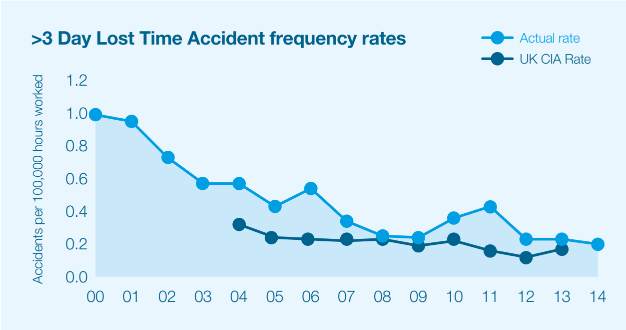
The Group adopts the following SHE management practices with the aim of continuously improving SHE performance:

- SHE performance is discussed in all management meetings as the first agenda item;
- The Group implemented in 2014 a 'Core Values' programme which has SHE performance as the foundation for all the other values (see page 10 for more details of the 'Core Values' programme);
- The Group conducts regular, in-depth SHE audits of all sites to assess performance and identify opportunities for improvement;
- The Board monitors the Group's process safety performance and progress with sites' annual process safety improvement plans. This is supported by a continuing process safety training programme for technical, production and engineering staff;
- The Group Accident and Incident Management System (AIMS) is used to collect and analyse data on all accidents, incidents and 'near misses' on our sites;
- Sites implement the Group's Safety, Health and Environment Management System (SHEMS) or an equivalent system;
- Sites provide training for staff to ensure that they understand Group and site systems, both in SHE and more generally;
- Key measures and SHE performance indicators are collected and reported to the Group Executive and to the Board. These include positive safety interactions – a programme of one to one and small group discussions on SHE issues and inspections and engineering performance;
- Senior managers have SHE targets as part of their annual objectives; and
- Central SHE staff regularly visit sites to carry out training and development of key staff.

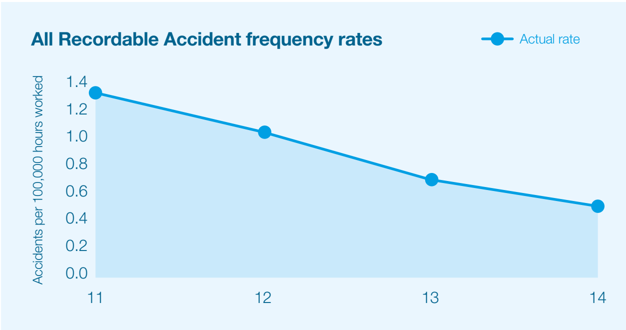
The Group publishes an annual Corporate Social Responsibility (CSR) report which is available online. It discusses a wider range of safety, health and environmental measures of our performance as well as other CSR measures and activities. Please go to **www.synthomer.com** to find a copy of the most recent report.

Health, safety and accident performance

The Group's accident performance improved in 2014 to give Synthomer its best ever performance. There were 10 over three-day accidents during the year and a consequent frequency rate of 0.20 per 100,000 hours worked. This rate is almost five times better than we achieved in 2000 and close to the average for the UK Chemical Industries Association (CIA) member companies. It is notable that the Synthomer Finland Oy site has now achieved 13 years without a lost time accident.



In common with many other chemical companies, Synthomer also collects data on a wider range of accidents and incidents – essentially monitoring all accidents involving more than first aid treatment. This data is used to calculate a recordable accident rate. Our frequency rate for 2014 of 0.52 per 100,000 hours worked was a 60% reduction on the rate in 2011 and is showing a falling trend. Our performance is now broadly in line with the figures reported by similar international chemical companies of our size and we remain committed to further improvements.



Employee health issues were a focus during 2014. There were two cases of disease attributed to occupational factors during the year, both dermatitis.

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 proposed International Council of Chemical Associations (ICCA) reporting structure. None of these incidents caused injury, significant plant damage or detectable environmental damage. They are discussed in the full CSR report.

Environmental performance

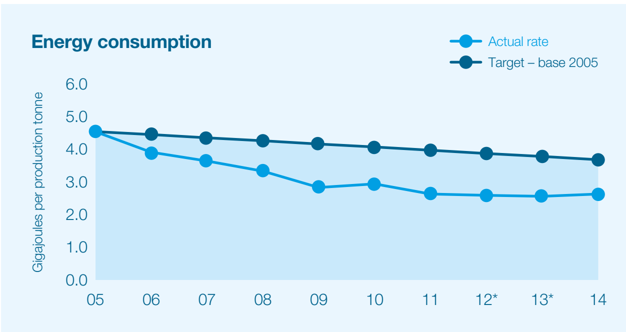
Since 2000 we have reported significant reductions, year-on-year, in each of our main environmental targets: global warming burden; energy and water consumption per tonne of production; and waste disposal from our sites. The Group can report that our emissions of Greenhouse Gases (GHGs) reduced in 2014 by 7.4%. However, whilst the Group remains ahead of our long-term targets, our energy and water consumption targets have increased compared with 2013. The performance of each of the measures are discussed below. In 2014, we rebased our 10 year target to 2005 actual levels, crystallizing the actual improvements we made between 2000 and 2005.

Some data has been restated for 2012 and 2013 due to a review of performance reporting at three of our sites. Details can be found in notes 8 and 9 to the Environmental KPI table on page 23.

Energy

Total net primary energy usage (i.e. energy use per tonne of production) increased in 2014 by 3% compared with 2013. Despite this adverse movement, 2014 was the third best year in the Group's history and we remain nearly 30% better than our rebased 2014 sustainable development target.

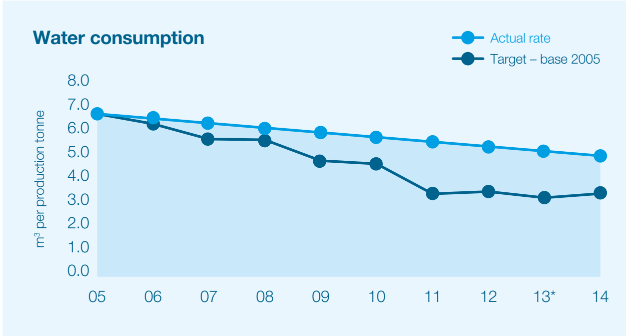
The increase in consumption was spread across the Group's sites and can be attributed to smaller production volumes in a number of cases. Consumption was also impacted by a new boiler installed in our site in Kluang, Malaysia which was needed to destroy Volatile Organic Compounds (VOCs). However, there was a 23% improvement in energy efficiency in Stallingborough following the move of production to the site from closed sites at Mouscron and Batley.



* See note 8 in the Environmental KPI table on page 23.

Water use

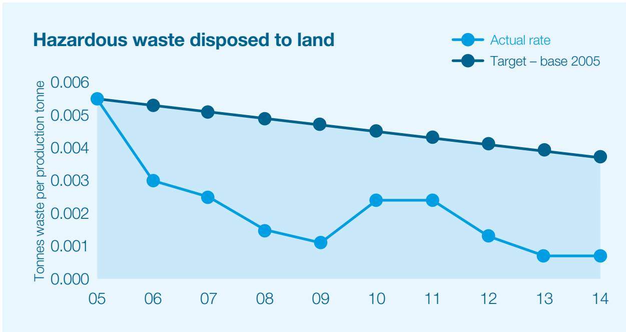
Water consumption increased by 5% in 2014, up from a record low in 2013. Our products contain a significant quantity of water, however, we have managed over the 10 year period since 2005 to halve our specific water consumption. The strategy is to reduce our consumption further. In addition, a number of sites face significant water constraints and we have ongoing projects to use on-site water capture not only to avoid production problems but as an environmentally preferable way of obtaining the water we use.



* See note 9 in the Environmental KPI table on page 23.

Waste disposal

During the year, the closed site in Batley was cleared and a number of sites removed significant quantities of legacy waste. Despite this activity, we have been able to maintain the amount of hazardous waste going to landfill at 700 grams per tonne of production.



* See note 8 in the Environmental KPI table on page 23.

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 GHG emissions. This data is available for each year since 2005 on a three year rolling basis. Last year, the format was revised to comply with Defra's 2013 guidance which takes account of the GHG 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 2014 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 Company'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.

Corporate social responsibility report
continued

All known emissions from manufacturing process 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 VOCs and refrigerant gases. The only known emissions which have not been included are direct emissions of CO_2 from on-site waste treatment; this has 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 and 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_2 equivalent (CO_2e)) is Defra: May 2014.

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 2014 and previous years. (It should be noted that these generally refer to actual country performance two years earlier than the quoted date, i.e. 2014 factors relate to 2012 performance.)

Synthomer's site in Stallingborough, UK takes most of its electricity from an exclusive contract with an adjacent waste incinerator. This electricity is certified as 'Green' by the UK government and has an emission factor of 0.33. This figure has been used for the proportion of Stallingborough's electricity which comes from the incinerator. Our site in Oss, Netherlands signed a contract to buy only green electricity from 1 January 2014 and has Dutch governmental certification to confirm this. This electricity has been given an emission factor of 0.00. The site in Marl, Germany signed a contract to purchase 100% green electricity from 1 October 2014 and has German certification for this contract. This proportion of Marl's electricity has also been given an emission factor of 0.00.

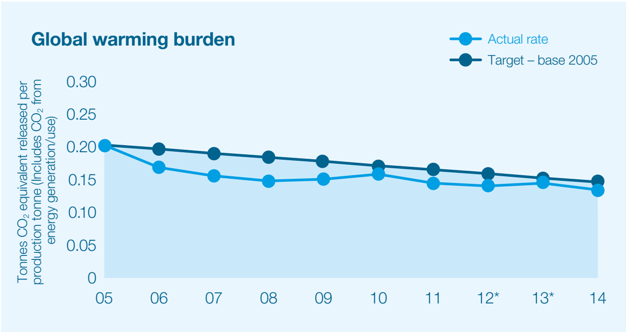
VOCs have been aggregated on a Group basis and converted to CO_2e using a factor of 11. This figure has been used by UK CIA member companies since 2005 and is at the upper end of the range for VOCs. Information on the release of refrigerant gases has been collected for 2011 to 2014. The releases for 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.

Performance in 2014

Although we have seen increases in our energy and water consumption, the Group reduced its overall emissions of greenhouse gases by 7.4% in 2014 to give the Group's best ever performance, on a per tonne basis. The inclusion of refrigerant gases and the calculation of CO_2e for electricity on a country by country basis had a significant impact on the Group's calculated greenhouse gas emissions in 2013. However, in 2014 the Group achieved a 22% reduction in the global warming impact of refrigerant gas losses, an area where we expect significant improvement over the next few years. The changes in the emissions factors for electricity generation in different countries also have a significant impact over which the Company has no control. This year, the emission factor for the UK increased by 10.9% and it increased by 3.5% for Germany. These increases largely offset the reduction of 5.4% seen in Malaysia, although emissions there remain 40% higher per unit of electricity than in Europe.

The Group did achieve very significant reductions in VOC releases in 2014. A new boiler which burns residual VOC with full heat recovery at the Kluang, Malaysia NBR plant came on stream early in 2014. This reduced the plant's VOC losses from over 1,100 tonnes to below 50 tonnes. The Harlow cryogenic VOC recovery unit, which came on-line towards the end of 2013 has proved very effective in reducing site losses by nearly 70%. The combined effect of these changes reduced the GHG equivalent of the Group's VOC losses by 15,000 tonnes CO_2e, an 88% reduction.

The combined effect of the Group's efforts produced an absolute reduction of some 19,000 tonnes (expressed as CO_2e) in the Group's GHG emissions in 2014 despite the rise in energy consumption.



* See note 8 in the Environmental KPI table opposite.

Environmental KPIs

The tables present environmental KPIs for 2012-14, 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.

	2014	2013 (restated)[8,9]	2012 (restated)[8]	% change 2012-14[7]	% change 2013-14[7]
Energy consumption[1]					
GJ	**3,418,716**	3,359,870	3,350,342	2.04%	1.75%
Gas	**745,329**	724,837	747,745		
Light oil	**27,340**	30,716	28,568		
Heavy oil	**–**	4,778	2,964		
Steam	**701,117**	719,593	770,207		
Electricity (primary basis)	**1,940,581**	1,875,134	1,796,093		
GJ/tonne production	**2.634**	2.556	2.595	1.49%	3.03%
Emissions to Air[2]					
Carbon Dioxide equivalent (CO_2e) from energy tonnes[3]	**189,735**	190,439	179,315	5.81%	-0.37%
Tonnes CO_2e /tonne production	**0.146**	0.145	0.139	5.24%	0.88%
Sulphur Dioxide (SO_2) tonnes	**18.0**	26.1	21.1	-14.79%	-31.15%
Kilos SO_2/tonne production	**0.0139**	0.0199	0.0164	-15.26%	-30.29%
Nitrous Oxides (NOx) tonnes[4]	**24.56**	38.47	69.99	-64.91%	-36.17%
Kilos NOx/tonne production	**0.0189**	0.0293	0.0542	-65.10%	-35.37%
Volatile Organic Compounds (VOC) tonnes	**185**	1,550	1,800	-89.71%	-88.05%
Kilos VOC/tonne production	**0.143**	1.179	1.394	-89.76%	-87.90%
Refrigerant Releases (HCFC and others) kgs[5]	**4,277**	4,741	4,013	6.60%	-9.77%
Tonnes CO_2e	**11,816**	15,231	12,646		
Kilos Refrigerant/tonne production	**0.0033**	0.0036	0.0031	6.02%	-8.63%
Total Carbon Dioxide equivalent (CO_2e) tonnes[6]	**203,589**	222,724	211,764	-3.86%	-8.59%
Tonnes CO_2e/tonne production	**0.157**	0.169	0.164	-4.38%	-7.44%

Notes

1. Data relates to site usage of all fuels, excluding transport of goods to and from site and the movement of these 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 and 2.)
3. CO_2e emissions include contributions from CH_4 and N_2O associated with combustion.
4. NOx emissions are predominantly those from combustion processes. The CO_2e global warming potential contribution from these releases is already included in the CO_2 from energy figure above.
5. Data on refrigerant gas losses has been collected for 2014 and 2013 and was collected for 2012 wherever possible. Where site data was not available for 2012, losses have been assumed to be the same as in 2013. Annual losses of refrigerant have been converted to the CO_2e figures using the substance by substance figures published by Defra, based on the materials consumed within the Group.
6. The total CO_2e figure is the total of the CO_2e from energy and the VOC contribution (assuming an average factor of 11kg CO_2e per kg VOC) and the refrigerant contribution.
7. Percentage changes are calculated from the base data and may differ slightly from changes calculated from the data in the tables because of rounding.
8. The energy consumption data for 2012 and 2013 has been restated following a review of the data assumptions at two of our Malaysian sites. This has also impacted the greenhouse emissions reporting for 2012 and 2013.
9. The water consumption numbers for 2013 have been revised following the acquisition of Synthomer Finland Oy and the alignment of water consumption on that site.

Directors and advisers

Executive directors

C G MacLean – Chief Executive Officer
Joined the Group and was appointed to the Board in January 2015. Prior to appointment he was a senior board executive of INEOS and was a founder member of the business in 1998. Age 51.

D C Blackwood – Chief Financial Officer
Joined the Group and was appointed to the Board in October 2007. Prior to appointment he was Group Treasurer of Imperial Chemical Industries PLC. Age 55.

Non-executive directors

N A Johnson[2] – Chairman
Joined the Board in September 2011 and was appointed Chairman in May 2012. He is Chairman of Motability Operations Group plc and e2v technologies plc and the senior independent non-executive director of the Business Growth Fund. Age 65.

The Hon. A G Catto
Joined the Board in 1981. He is Managing Director of CairnSea Investments Limited, a private investment company, and a non-executive director of several early stage companies that have been backed by CairnSea. Age 62.

J Chen
Joined the Board in October 2012. He is a corporate Vice President of Alcoa Inc and a board member of China Zhong Nan University. Age 62.

B W D Connolly[1, 2, 3]
Joined the Board in January 2014. Until June 2013 he 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). He is a non-executive director of Cape plc. Age 58.

Dr J J C Jansz[1, 3]
Joined the Board in April 2012. Until July 2010 he was Head, Technology Business, and a member of the management team of LyondellBasell. He is founder and managing director of Expertise Beyond Borders BV, an independent business and technology management consultancy. Age 58.

Dato' Lee Hau Hian
Joined the Board in 1993 and stood down in 2000 to become an Alternate Director. He rejoined the Board in 2002. He is a Director of Kuala Lumpur Kepong Bhd and Batu Kawan Bhd. Age 61.

J K Maiden[1, 2, 3] – Senior Independent Director
Joined the Board in August 2007. He is Group Finance Director of Croda International Plc and a Fellow of the Chartered Institute of Management Accountants. Age 53.

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

Registered office

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

Company secretary

Richard Atkinson

Bankers

Barclays Bank PLC
Commerzbank AG
HSBC Bank plc

Joint stockbrokers

Barclays and Canaccord Genuity Limited

Registrars

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

Independent auditors

PricewaterhouseCoopers LLP
Chartered accountants and statutory auditor
St Albans, UK

Solicitors

Herbert Smith Freehills LLP
Pinsent Masons LLP
Squire Patton Boggs (UK) LLP

Corporate governance

Report from the Chairman

Dear Shareholder
I am pleased to report on a year of good progress in the development of our corporate governance practices against a background of the significant change that has been announced in the composition of your Board over the last several months.

I handed over the chair of the Remuneration Committee to Brendan Connolly in March 2014 who oversaw the implementation of our new remuneration policy which received a high level of support at the Company's 2014 AGM. The composition of your Board and its committees was brought into compliance with best practice during 2014 and an externally facilitated Board and Committee performance evaluation process has been carried out with the results reviewed by the Board in February 2015. As a result the Company entered 2015 having eliminated all areas of non-compliance with the 2012 UK Corporate Governance Code reported on in our 2013 Corporate Governance Report. For 2015 I will lead a process for implementing the suggestions for improving your Board's effectiveness arising from the evaluation process with a focus on boardroom dynamics and culture.

The Nomination Committee, which I also chair, has had an intense period of activity since June 2014 when Adrian Whitfield notified his decision to step down as Chief Executive Officer. The successful recruitment of Calum MacLean has been followed by the Nomination Committee initiating the ongoing recruitment exercise for a Chief Financial Officer to replace David Blackwood whose retirement was announced in December 2014. As announced on 26 February 2015 Jez Maiden has decided to retire from his position as an independent non-executive director, chair of the Audit Committee and the Board's Senior Independent Director. The Nomination Committee will also lead the search exercise for a successor and is approaching both Board vacancies in full recognition of the need to address gender diversity.

The full report on our corporate governance compliance in 2014 is set out in the rest of this report which I hope confirms your Board's commitment to achieving best practice in all areas.

Neil Johnson
Chairman

Statement of compliance
The Company considers that it has complied throughout the financial year ended 31 December 2014 with the provisions set out in the Code except in relation to the composition of the Board and its Committees in that:

- the Audit Committee comprised two independent non-executive directors instead of three until March 2014;
- the Remuneration Committee comprised two independent non-executive directors instead of three until 23 January 2014 and the Chairman of the Board was Chairman of that Committee until 1 March 2014;
- the Nomination Committee was not composed of a majority of independent non-executive directors until August 2014.

Further details on these matters and how they have been addressed are set out in this report.

Application of the Code
The main principles of the Code were applied as follows:

Leadership and effectiveness
Operation of the Board

The activities of the Company are controlled by the Board which, during 2014, 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 from 22 January 2015 responsibility for the running of the Company's business as Chief Executive Officer prior to which Mr A M Whitfield was the 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 2014 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. In addition three meetings were held at short notice to deal with specified matters. 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 26.

Corporate governance
continued

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 2014 the Board held a meeting in Marl, Germany and in Kluang, Malaysia at the offices of its businesses. In conjunction with those Board meetings presentations were given by local senior management and the directors were given the opportunity to visit the Group's plants.

The Board has delegated to the Chief Executive Officer responsibility for the development and preparation of the business plan for the Group and the annual Group budget for recommendation to the Board. As the senior executive director, the Chief Executive Officer is responsible for all aspects of day-to-day operational control of the Group and execution of the Group strategy. The Chief Executive Officer has established and chairs an Executive Committee (whose other members are the Chief Financial Officer, the Chief 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 are identified on page 24. The Chairmen and members of the Audit, Nomination and Remuneration Committees are identified below. The Board considers Mr J K Maiden, Dr J J C Jansz, 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 nine meetings in 2014. In addition the non-executive directors also met once without the Chairman to appraise his performance.

The table opposite 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.

	Board	Audit	Remuneration	Nomination
Number of meetings held	9	4	3	1
Number of meetings attended				
D C Blackwood	9/9	N/A	N/A	N/A
A G Catto	9/9	1/1	N/A	N/A
J Chen	7/9	N/A	N/A	N/A
B W D Connolly	7/9	2/3	3/3	1/1
J J C Jansz	9/9	4/4	3/3	N/A
N A Johnson	9/9	N/A	2/2	1/1
Lee Hau Hian	8/9	N/A	N/A	N/A
J K Maiden	9/9	4/4	3/3	1/1
A M Whitfield	9/9	N/A	N/A	N/A

Induction and training

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

Performance evaluation

Performance evaluations of the Board, its committees and its directors were carried out in the last year by the following internal 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 2014;
- a meeting of the non-executive directors (in the absence of the Chairman) chaired by the Senior Independent Director was held in November 2014 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 for the first time by way of an externally facilitated process using Independent Board Review, a division of Independent Audit Limited (who have no other connection with the Company) and their online assessment service *Thinking Board*. This facilitation helped ensure a rigorous review was carried out covering the important influences on the Board's effectiveness. The focus and coverage of the Board and committee questionnaires was discussed in advance with Independent Audit who then administered the questionnaires on a confidential basis, analysed the results independently from the Board and management, and presented the findings and their suggestions in a paper which was discussed with the Chairman and subsequently provided to all directors.

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.

Audit Committee

Dear Shareholder

I am pleased to report on the work of the Audit Committee during 2014 which was strengthened by the appointment of Brendan Connolly in March 2014 returning its composition to three independent non-executive directors.

The Committee fulfilled its primary responsibilities during the year and in addition had detailed presentations from the Chief Financial Officer on recently completed significant capital expenditure projects, the refinancing of the Group's main credit facility, the Group's ERP systems and associated disaster recovery and security processes and approved a new cash management policy. Following on from our audit tender process in 2012 the implications of the reform of the auditor appointment and audit tender processes and associated obligations and reporting requirements on Audit Committees is being considered and will be incorporated into the Committee's policies, procedures and remit in 2015.

The final year of our three year work plan relating to co-sourced internal audit services was successfully concluded at the end of 2014. A new three year plan proposed by the Chief Financial Officer and involving a continuation of the co-sourced approach, focused on annual reviews of the Group's largest entities with an extension of scope to include a review of IT systems was considered and approved.

As I shall be retiring from the Board at the forthcoming AGM this will be my last report and I would like to thank the Committee members for their support and the Chief Financial Officer and his team for their assistance over the last seven years.

Jez Maiden
Audit Committee Chairman

Audit Committee membership since 1 January 2014:	
Jez Maiden	Chairman
Just Jansz	
Brendan Connolly	from 1 March 2014
Alex Catto	until 1 March 2014

The role of the Audit Committee

In 2014 the Audit Committee was chaired by Mr J K Maiden and comprised two independent non-executive directors together with one non-independent non-executive director until 1 March 2014. Following the appointment of Mr B W D Connolly to the Committee with effect from 1 March 2014, the Committee comprised three independent non-executive directors. Mr Maiden is considered by the Board to have 'recent and relevant financial experience' for the purposes of Provision C.3.1 of the Code due to his current financial role outside the Group.

The Committee has established a detailed remit regarding the application of financial reporting and internal control principles, which covers:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained in them;
- reviewing the Group's internal financial controls and the Group's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board regarding the 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
- reporting on the significant issues that it considered in relation to the financial statements and how these were addressed.

Corporate governance
continued

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 2014 and carried out the following main activities in addition to the items mentioned in the Chairman's overview:

- Reviewed the financial statements in the 2013 Annual Report and the 2014 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;
- Agreed changes to the half year and year end processes to improve reporting effectiveness and reviewed the Financial Reporting Council's (FRC) periodic routine review of the external auditors work;
- 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 a new policy on cash management;
- Reviewed the remit and effectiveness of the Committee;
- Reviewed the Group's whistleblowing arrangements;
- Reviewed the Group's Risk Register;
- Monitored the effectiveness of internal controls and risk management;
- Reviewed the Group's internal audit plan; and
- Received detailed reports and presentations from KPMG, the co-sourced internal auditor, and the reviews undertaken by the Group Corporate Controller. Reviewed reports relating to the implementation of recommendations from internal audit visits to enable the Committee to assess the improvements in the Group's controls and reporting and where further actions are required. Considered and approved the new scope and plan for co-sourced internal audit reviews for a three year cycle commencing in 2015.

In addition the Chairman of the Committee had regular dialogue with the external auditor, Chief Financial Officer and other senior members of the head office finance team 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 2014 personal tax advice to the former Chief Executive Officer, Mr A M Whitfield, and 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 2014 are set out in note 6 on page 71. Non-audit fees principally relate to tax compliance and other tax advisory services and related to services which were approved within the terms of the Committee's policy.

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 together with the Committee's meetings with the external auditors. 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 handle 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 2015 Annual General Meeting. The Committee will consider its policy on audit tendering during 2015.

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, 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 2014 are set out below:

- Impairment of goodwill and intangibles:

  The Group holds £313.5 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 in 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 advisors, 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 25 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 advisors 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. The Committee reviewed the assumptions used by the management, methodology and conclusions.

Priorities for 2015

In addition to its routine business the Committee will consider the appropriateness of a new chair, the new audit tendering requirements, the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting, and will work with a new Chief Financial Officer to ensure a seamless handover from David Blackwood.

Nomination Committee

Nomination Committee membership since 1 January 2014:

Neil Johnson	Chairman
Jez Maiden	
Brendan Connolly	from 7 August 2014
Adrian Whitfield	until 7 August 2014

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.

Until 7 August 2014 the Nomination Committee did not comply with the composition requirements of Code Provision B.2.1 in that a majority of its members were not independent non-executive directors. Following the appointment of Brendan Connolly to the Committee and the retirement of Adrian Whitfield on 7 August 2014 the Committee has been in compliance with this Code Provision.

The Committee led the process for nominating Calum MacLean for appointment as Chief Executive Officer. This process involved a thorough review of a range of candidates put forward by an independent recruitment consultancy, Korn Ferry (with which the Company has no other connection) which conducted an extensive search process. The diversity (including gender) of the Board was taken into account by the Committee when making this nomination.

Corporate governance
continued

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 2014 and a number of informal meetings and telephone calls as well as several interviews in connection with the nomination process referred to above.

The Board adopted a policy on diversity in March 2013. This policy seeks to ensure that diversity in its broadest sense is taken into account in the process of making appointments on merit against objective selection criteria. The Committee has put in hand search processes for the recruitment of a Chief Financial Officer to succeed David Blackwood and of a replacement for Jez Maiden, the chair of the Audit Committee and the Senior Independent Director, who announced their retirement from the Board on 18 December 2014 and 26 February 2015 respectively. Russell Reynolds Associates, an independent recruitment consultancy with no connection to the Company, has been appointed to conduct both search processes. The Committee will lead the nomination processes in full recognition of the need to address the gender diversity of the Board.

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

Remuneration Committee
All matters relating to the Remuneration Committee and remuneration are covered in the Directors' remuneration report, set out on pages 33 to 45.

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 Chairmen of the Remuneration, Audit and Nomination Committees are available to answer questions.

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

Accountability
An explanation of the directors' responsibility for preparing the financial statements, their report that the business is a going concern, a responsibility statement and their statement as to disclosure of information to the auditor are set out on pages 47 to 48 and 49 respectively. Statements by the auditor about its reporting responsibilities are set out on pages 51 to 55 and 97 to 98 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 2014 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 2015. 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 2014 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 Corporate Social Responsibility report on pages 20 to 23 reviews the Group's performance in this connection in 2014.

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 2014.

Environmental matters

The maintenance of high standards of environmental (together with health and safety) protection is central to the Company's business. A separate statement on safety, health and environmental (SHE) matters has been a feature of the Annual Report for a number of years. The Corporate Social Responsibility report on pages 20 to 23 includes a report on the initiatives the Company has adopted regarding sustainable development.

Corporate governance
continued

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.

Directors' remuneration report

Remuneration Committee Chairman's statement

Dear Shareholder

Directors' Remuneration Policy

I am pleased to present the Company's Directors' remuneration report for the financial year ended 31 December 2014.

I was delighted to join the Committee in January 2014, assume the role of Chairman in March and follow through on the policy work put in place by my predecessor, Neil Johnson, our Board Chairman.

Our new Remuneration Policy and annual report on Remuneration received overwhelming approval at the Company's 2014 Annual General Meeting and I would like to thank our shareholders for this support. The policy has been in force since 1 May 2014 and following a review toward the end of the year the Committee considers that it remains appropriate and therefore no changes are being proposed for shareholder approval in 2015. For convenience the Policy principles and a table summarising the main elements of the Policy have been re-produced on pages 34 to 37.

Committee activities during the year

During 2014 the Committee worked closely with the Nomination Committee and the Board in:

- defining the termination arrangements for Adrian Whitfield following his decision to step down as Chief Executive Officer in July 2014 and in setting the remuneration terms for Calum MacLean who joined as Chief Executive Officer in January 2015.
- agreeing terms with David Blackwood for his retirement as Chief Financial Officer which was announced in December 2014.

The remuneration arrangements in 2015 for Mr MacLean and Mr Blackwood are set out on page 39 and the termination arrangements agreed with Mr Whitfield and Mr Blackwood are set out on page 43.

The Committee also considered the new requirements for the recovery or withholding of variable pay contained in the updated UK Corporate Governance Code published in September 2014. As the Committee already has wide discretionary powers in relation to the operation of the annual bonus plan it has been decided to implement explicit malus and clawback arrangements in that plan from 2015 in line with those already contained in the Company's Performance Share Plan.

The Committee is already giving consideration to future policy changes to be implemented in 2017 when a new vote on policy will be required. Accordingly the Committee has decided that in the light of emerging best practice it will introduce a two year holding requirement for vested awards under the Performance Share Plan following the three year performance period from 2017 onwards.

Out-turns from 2014

For 2015 base salaries have been increased by 2.4% which is in line with the average across the senior management population.

Under the annual bonus plan the Group profit before tax performance of £90.9 million on a constant currency basis resulted in 49.1% of the profit before tax element of the 2014 plan being awarded which together with health and safety and personal objective performance led to the Chief Executive Officer and the Chief Financial Officer each receiving a bonus of 57.3% and 56.8% of their 2014 annual basic salary respectively. Details of the performance targets are set out on pages 39 to 40.

The relative total shareholder return and earnings per share conditions attached to the awards made in 2012 under the Performance Share Plan were not met and accordingly these awards will lapse in March 2015.

Performance measures linked to strategy

The Board and the Committee seek to align our strategy, namely investing in innovation, driving growth and creating excellence (see page 5) to both the Performance Share Plan and the annual bonus plan. Performance Share Plan strategic goals include Asian growth and expansion and an increase in revenue from new products reflecting expansion in emerging markets and innovation. The Performance Share Plan also includes a cash generation goal from the mature European operations which funds both product development and innovation and international growth. Safety, health and environmental goals in the annual bonus plan promote excellence in our ways of working. Our strategy is intended to deliver value for our shareholders. Accordingly, a significant portion of the long term incentive plan is linked to EPS growth (with targets which are stretching but do not encourage undue risk-taking) and TSR performance relative to the FTSE 250. The Committee believes therefore that there is good alignment between our strategy and the remuneration of the executive directors.

Directors' remuneration report
continued

Remuneration Committee Chairman's statement continued

Directors' remuneration report
As our Directors' Remuneration Policy was subject to a binding vote at our 2014 Annual General Meeting and is effective for three years from 1 May 2014 it will not be subject to a vote at our 2015 AGM however the annual report on Remuneration will be subject to an advisory vote. We hope we will have the support of our shareholders for the Annual Report on Remuneration.

Remuneration Committee
I would like to thank Neil Johnson for his work as chairman of the Committee prior to my appointment and the other members of the Committee for their work and support throughout 2014.

Brendan Connolly
Chairman

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.

Base salary	Pension and benefits	Annual bonus	Performance Share Plan
		• At least 70% – Profit before tax • Up to 30% – Strategic and operational objectives	• At least 40% – Relative TSR • At least 40% – EPS growth • Up to 20% – Strategic measures

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 is effective from 1 May 2014 and is available in full at **www.synthomer.com**

Policy table

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	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 2015, executive director salaries are: • Chief Executive Officer: £525,000 • Chief Financial Officer: £328,132	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 impact the scope of the role.	None, although individual and Company performance are factors taken into account when considering salary increases.
Benefits	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.	There is no overall maximum for benefits. The cost of insurance benefits may vary from year-to-year depending on the individual circumstances. The level of any relocation benefits, allowances and expenses will depend on the specific circumstances.	None

Directors' remuneration report
continued

Policy table continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	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.	100% of salary.	At least 70% of awards are subject to adjusted 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.
2011 Performance Share Plan Approved by shareholders at the 2011 EGM	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 clawback 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.	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: 110% 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.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Pension	Provide 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.	Maximum of 25% of base salary.	None
Shareholding guidelines	The Company operates shareholding guidelines for executive directors. The current guidelines are detailed in the annual report on Remuneration (page 38).			

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payment) notwithstanding that they are not in line with the policy set out below where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment were 'agreed' at the time the award is granted.

Provisions to withhold or recover sums paid under the annual bonus plan will be introduced into that plan in 2015 in line with those already contained in the 2011 Performance Share Plan. No other elements of remuneration are subject to recovery provisions.

The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Annual Report on remuneration for the year ended 31 December 2014

Operation of the Executive Director Remuneration Policy for 2015

The Policy has been in force since 1 May 2014.

The specific remuneration arrangements for 2015 are described below. Adrian Whitfield and David Blackwood were Chief Executive Officer and Chief Financial Officer respectively and executive directors of the Company throughout 2014. 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 announced his retirement as Chief Financial Officer on 18 December 2014 and will remain in position until his successor has been appointed.

Directors' remuneration report
continued

Base salary	Salary increases of 2.4%, effective 1 January 2014 (or date of joining if later) which were in line with the average across the senior management population. 2015 annual salaries: • C G MacLean: £525,000 – Mr MacLean joined the Company on 19 January 2015 and was appointed Chief Executive Officer on 22 January 2015. His salary was set at a level 2.4% higher than his predecessor as Chief Executive Officer, A M Whitfield, whose salary for the role in 2014 was £512,500. • D C Blackwood: £328,132
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. 2015 cash allowances in lieu of pension contributions: • C G MacLean: 25% of salary • D C Blackwood: 20% of salary Mr MacLean will receive re-location expenses equivalent to up to three months' salary to assist with re-location to the UK from Switzerland.
Annual bonus	For 2015, 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 safety, health and environmental targets. • 10% subject to performance against individual strategic and operational goals. • Targets and objectives for 2015 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. 2015 maximum award opportunity: • C G MacLean: 100% of salary • D C Blackwood: 100% of salary
Performance share plan	For awards made in 2015, performance will be measured on the same basis as for awards made in 2014 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 three equally weighted measures directly linked to the delivery of the business strategy: – Proportion of sales from new products, measured over the 5 years to the end of the performance period – incentivising greater innovation through new product development. – Growth in Asia EBIT – incentivising growing the scale and profitability of operations in emerging markets. – Cumulative Europe EBITDA – incentivising the delivery of stable cash flows from our more mature European business to fund this international 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. 2015 maximum award opportunity: • C G MacLean: 125% of salary • D C Blackwood: 110% 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							
A M Whitfield	**2014**	**512,500**	**32,738**	**293,662**	**–**	**128,125**	**967,025**
	2013	500,000	32,457	–	265,812	125,000	923,269
D C Blackwood	**2014**	**320,441**	**27,067**	**182,010**	**–**	**64,089**	**593,607**
	2013	312,625	26,275	–	159,503	62,525	560,928

Notes
1. This is the total taxable value of benefits received by each Director during 2014. The table below provides details of the main component of the relevant benefits paid to executive directors.

	Car expenses
A M Whitfield	£31,985
D C Blackwood	£26,314

2. For 2013 the long-term incentives are the value (i) of the award granted under the 2002 PSP and made in 2011 which vested in April 2014 and (ii) of the award granted under the 2011 PSP and also made in 2011 which vested in June 2014 both based on the share price at the date of vesting. Further information about the level of vesting is provided in this report.

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 2014 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 2015 (or date of joining if later) are set out below.

Executive Directors	2014 base salary	2015 base salary	% change
A M Whitfield[1]	**£512,500**	£512,500	0%
D C Blackwood	**£320,441**	£328,132	2.4%
C G MacLean	**n/a**	£525,000	2.4% compared with Mr Whitfield's 2014 base salary

Notes
1. Adrian Whitfield stood down as Chief Executive Officer and as a director of the Company on 22 January 2015 and will receive his salary until 30 June 2015.

Annual bonus

2014 award

For 2014 the Company operated a cash bonus plan for the executive directors related to the achievement of profit before tax targets, health & 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. This was set by reference to the Board approved internal budget for the Group with the 2014 result adjusted such that it is on a constant currency basis.

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

Overall bonuses for the year ended 31 December 2014.

Executive Directors	Maximum bonus as a % of salary	Total bonus as a % of maximum	Total bonus £
A M Whitfield	100	57.3	293,662
D C Blackwood	100	56.8	182,010

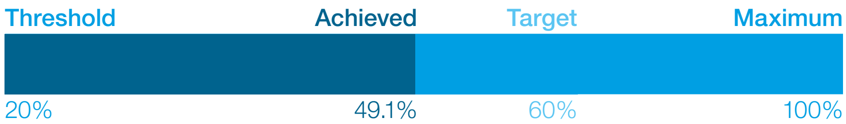
Directors' remuneration report
continued

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

Profit before tax

Bonus achieved (as % of maximum)

Weighting 80%



49.1%

The adjustment for constant currency resulted in a £4.9 million positive adjustment to the reported 2014 profit before tax underlying performance of £86 million which in aggregate was slightly below the on target performance for the year of £93 million.

Health & Safety

Targets with an aggregate weighting of 10% related to improvements in personal and process safety and as a result of the strong performance in these areas set out in the Corporate Social Responsibility report on pages 20 to 23 the maximum bonus opportunity was achieved.

Individual strategic and operational goals – A M Whitfield

Individual goals with an aggregate weighting of 10% included identification of evaluated possible acquisition opportunities and development of executive management succession planning and talent pool and an award of 8% of the maximum opportunity was made.

Individual strategic and operational goals – D C Blackwood

Individual goals with an aggregate weighting of 10% included improvement and development of financial reporting and IT systems and an award of 7.5% of the maximum opportunity was made.

2011 Performance Share Plan

2012 award included in single figure of remuneration for 2014

The awards made on 9 March 2012 under the 2011 PSP were calculated on the basis of 100% of 2012 salary (Chief Executive Officer £472,500 and Chief Financial Officer £305,000) and using a share price of 228.9p and 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 2014	EPS for the 2014 financial year	Percentage of award that will vest	Performance achieved
Upper quartile	32 pence or more	50%	EPS of 19.5 pence and TSR performance below median giving nil vesting
Between median and upper quartile	Between 28 pence and 32 pence	On a straight-line basis between 12.5% and 50%	
Median	28 pence	12.5%	
Below median	Less than 28 pence	0%	

The 2012 awards will lapse in March 2015 as follows:

	No of shares in award	No of shares that lapse	No of shares that vest
A M Whitfield	206,422	206,422	0
D C Blackwood	133,245	133,245	0

2014 award

The awards made on 3 March 2014 were as follows:

Executive Directors	Scheme	Basis of award	Number of shares	Face value	Percentage vesting at threshold performance	Performance period end date
A M Whitfield	2011 PSP – nil-cost options	125% of salary	241,562	£640,625	25%	31/12/2016
D C Blackwood	2011 PSP – nil-cost options	110% of salary	132,912	£352,485	25%	31/12/2016

The face value of the awards is calculated using the share price on the dealing day prior to the date of grant (being 28 February 2014), which was 265.2 pence per share and 2014 salaries of £512,500 and £320,441 for the Chief Executive Officer and the Chief Financial Officer respectively.

The awards made on 3 March 2014 under the 2011 PSP were 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 2016	EPS for the 2016 financial year	Percentage of award that will vest
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 referred to on page 33 the targets for which will be disclosed following the end of the performance period.

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 Finance Officer	20

Directors' remuneration report
continued

Single figure of remuneration for non-executive directors

Non-executive Directors		Base fee	Committee membership fee	Committee chair fee	Total
N A Johnson	**2014**	**160,000**	**–**	**–**	**160,000**
	2013	140,000	–	–	140,000
The Hon. A G Catto	**2014**	**40,000**	**833**	**–**	**40,833**
	2013	40,000	4,167	–	44,167
J Chen	**2014**	**40,000**	**–**	**–**	**40,000**
	2013	40,000	–	–	40,000
B W D Connolly[1]	**2014**	**37,622**	**4,703**	**4,703**	**47,028**
	2013	–	–	–	–
Dr J Jansz	**2014**	**40,000**	**5,000**	**–**	**45,000**
	2013	40,000	5,000	–	45,000
Dato' Lee Hau Hian	**2014**	**40,000**	**–**	**–**	**40,000**
	2013	40,000	–	–	40,000
J K Maiden[2]	**2014**	**45,000**	**5,000**	**5,000**	**55,000**
	2013	40,000	5,000	5,000	50,000

1. Appointed on 20 January 2014.
2. Base fee includes an amount of £5,000 for role as Senior Independent Director.

The non-executive director and chairman's fees were reviewed in January 2014 with the assistance of independent advice provided by Deloitte. Non-executive director fees were left unchanged from 2013 except that it was determined that an additional fee of £5,000 would be introduced for the non-executive director undertaking the role of the Senior Independent Director with effect from 1 January 2014. The chairman's fee was increased from £140,000 to £160,000 with effect from same date.

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

Directors	Interests in Company shares 31 December 2014	Vested unexercised performance related options 31 December 2014	Total unfettered interests in shares and vested options 31 December 2014	Unvested performance related options 31 December 2014[1, 2]	Share options exercised during 2014	Share ownership requirements (% of salary)	Interests in shares at 31 December 2014 (% of salary)[3]
A M Whitfield	**197,388**	**0**	**197,388**	**714,792**	**517,670**	**100%**	**91%**
D C Blackwood	**143,190**	**0**	**143,190**	**432,979**	**303,917**	**100%**	**106%**
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**						
J K Maiden	**2,523**						

* Non-beneficial interest.
1. This includes unvested nil-cost options relating to the 2012 PSP award which will lapse in March 2015. For A M Whitfield this is a nil-cost option over 206,422 shares. For D C Blackwood this is a nil-cost option over 133,245 shares.
2. Unvested performance related options comprise the awards made under the 2011 PSP in 2012, 2013 and 2014. Details of the performance conditions attaching to the 2012 and 2014 awards are set out on pages 40 and 41 respectively.

The performance conditions attaching to the awards made on 24 April 2013 are as follows and were calculated on the basis of 100% of 2013 salary (Chief Executive Officer £500,000 and Chief Financial Officer £312,625) and using a share price of 187.4 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 3 year period ending 31 December 2015	EPS for the 2015 financial year	Percentage of award that vests
Upper quartile	29.3 pence or more	50%
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%

3. 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

No payments were made to past directors during the year.

Arrangements for A M Whitfield and D C Blackwood

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 continues to be paid in line with the terms of his service agreement and is 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 pages 39 and 40.

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.

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. During 2015, Mr Blackwood will continue to be paid in line with the terms of his service agreement and is entitled to receive his normal salary, benefits and pension arrangements. It was agreed that Mr Blackwood would not be required to work for six weeks during this period in addition to his normal holiday entitlement.

Mr Blackwood will participate in the 2015 annual bonus scheme and receive an award under the Performance Share Plan in 2015.

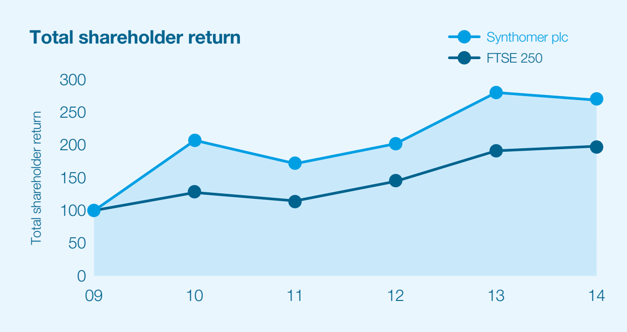
On retirement, in line with the approved policy, Mr Blackwood's unvested awards under the Performance Share Plan will continue but will be reduced on a time-apportioned basis calculated to 31 December 2015. Awards will be subject to the relevant performance conditions which will be measured at the normal time.

Payments for loss of office

No payments for loss office were made during the year.

Directors' remuneration report
continued

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 six years.



The graph 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**
CEO total single figure of remuneration (£000)	786	1,484	3,934	1,487	923	**967**
Bonus (% of maximum awarded)	100	100	100	27	0	**57.3**
LTI (% of maximum vesting)	0	100	100	100	50	**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 338 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
A M Whitfield	2.5	1.0	–
Total employee pay, benefits and bonuses	2.8	(8.1)	–

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.

	2014 £m	2013 £m	% change
Dividends	**22.4**	19.4	15.5%
Total employee remuneration	**68.0**	68.7	(1.0)%

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

Emoluments	**2014 £000**	2013 £000
The total amounts for directors' remuneration and other benefits were:		
Emoluments	**1,798**	1,249

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.

Mr A M Whitfield is a non-executive director of the Chemical Industries Association Limited and assumed the role of President on 1 July 2013 and does not receive any remuneration for either position.

Remuneration Committee

Remuneration Committee membership since 1 January 2014:

Brendan Connolly[1]	Chairman
Jez Maiden	
Just Jansz	
Neil Johnson[2]	(until 1 March 2014)

1. Brendan Connolly joined the Committee on 23 January 2014 and became Chairman of the Committee on 1 March 2014.
2. Neil Johnson was Chairman of the Committee until 1 March 2014 on which date he retired from the Committee.

The Committee's composition was non-compliant with the requirements of Code Provision D.2.1 (i) for some 3 weeks in January 2014 when it was comprised of only two Independent non-executive directors and (ii) until 1 March 2014 as the chairman of the Board was also chairman of the Committee.

Attendance at Committee meetings is set out on page 26.

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 and Company Secretary 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 who were appointed as the Committee's independent remuneration advisors in April 2013.

During the year, Deloitte provided advice on new reporting regulations, market data 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 £22,900 for advice in 2014. 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 adhere 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 2014.

	Votes for		Votes against		Votes withheld
Member	Number	% of vote	Number	% of vote	Number
2014 Directors' Remuneration Policy	231,516,858	93	17,333,766	7	4,858,658
2014 Annual Report on Remuneration	237,964,411	97	7,087,825	3	8,657,357

By order of the Board
R Atkinson
Company Secretary
25 February 2015

Report of the Directors
for the year ended 31 December 2014

The Directors submit their Annual Report and the audited consolidated financial statements for the year ended 31 December 2014. The Report of the Directors comprises pages 46 to 48 and the following sections of the Annual Report which are incorporated by reference:

Item	Location in Annual Report
Directors' responsibility statements	Page 49
Financial instruments and financial risk management	Financial Statements – note 22
Present membership of the Board	Page 24
Corporate governance report	Pages 25 to 32
Strategic report (including principal activities and principal risks and uncertainties)	Pages 4 to 19
Directors' remuneration report	Pages 33 to 45
Share capital	Financial Statements – note 27
Corporate Social Responsibility	Pages 20 to 23

Results and dividends
The profit attributable to shareholders for the year was £45.3 million. The interim dividend of 3.0 pence per share was paid on 6 November 2014. The Directors recommend a final ordinary dividend of 4.8 pence per share and a special dividend of 7.8 pence per share both payable on 3 July 2015 to those shareholders registered at the close of business on 5 June 2015. A dividend reinvestment plan is available to shareholders and this alternative will continue to be offered until further notice.

Acquisitions
On 22 October 2014 the Group acquired the remaining 50% of Eka Synthomer Oy (now called Synthomer Finland Oy) owned by AkzoNobel, its joint venture partner. Further details of this transaction is contained in note 29.

Directors
All the Directors will retire and will be seeking election or re-election as appropriate at the forthcoming Annual General Meeting other than Mr J K Maiden who will retire from the Board at the close of the Annual General Meeting.

None of the Directors seeking election or re-election has a service contract other than Mr MacLean and Mr Blackwood 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 2014 no shares were issued or repurchased. A total of 70,122 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 13 February 2015, the Company had been notified under Section 5 of the Disclosure and Transparency Rules of the UK Listing Authority of the following significant holdings of voting rights in its ordinary shares:

	Ordinary shares (number)	Percentage of ordinary shares in issue	Nature of holding
Kuala Lumpur Kepong Berhad Group	66,879,401	19.68	Direct interest
Standard Life Investments Limited	49,377,978	14.53	Direct and indirect interest
FIL Limited	17,182,396	5.05	Indirect interest
UBS Global Asset Management	17,029,199	5.01	Direct and indirect interest
Old Mutual plc	15,608,853	4.59	Direct interest and qualifying financial instruments

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 2014 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 2014 Annual General Meeting. A resolution will be tabled at the 2015 Annual General Meeting to renew this authority.

Employee involvement

The Group encourages employee involvement in its affairs and makes use of an intranet system to promote such involvement and to aid communication with employees. The Group began the roll out of a 'Core Values' initiative at the beginning of 2014 with a view to engendering a common 'Synthomer Culture', supporting the Group's growth plans and improving the work place environment. The roll out will be completed by the middle of 2015. Annual regional management conferences are held to bring senior managers together to share ideas and develop policy and values and behaviours. Briefings are given regularly to all employees to make them aware of the financial and economic factors affecting the performance of the Group. Performance related bonus schemes are in operation throughout the Group.

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

The Group's subsidiaries and joint ventures whose results of financial position, in the opinion of the Directors, principally affected the Group's financial statements are listed on page 107.

A full list of the Group's subsidiaries, joint ventures and related undertaking will be annexed to the Company's next annual return.

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 51 to 55 and 97 to 98.

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

Report of the Directors
for the year ended 31 December 2014 continued

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 £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 accounts.

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

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

Annual General Meeting
The Annual General Meeting will be held at 11.00 am on 30 April 2015 at Manor of Groves Hotel, High Wych, Sawbridgeworth, Hertfordshire CM21 0JU.

By order of the Board
R Atkinson
Company Secretary
25 February 2015

Statement of Directors' responsibilities

Financial statements, including adoption of going concern basis

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

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

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

Other matters

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the 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

D C Blackwood
Chief Financial Officer

Financial Statements and Other Information

Independent auditor's report
to the members of Synthomer plc

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 2014 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
Synthomer plc's financial statements comprise:

- the Consolidated Balance Sheet and Analysis of Net Borrowings as at 31 December 2014;
- the Consolidated Income Statement and 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
Overview

Materiality	• Overall Group materiality: £3.8 million which represents 4.5% of underlying profit before tax.
Audit scope	• We conducted audit work over the complete financial information of the operating companies in Germany, Malaysia and the UK together with various head office companies, which were also subject to audits of their complete financial information. • The companies within our scope accounted for 82% of the Group's revenue, 82% of the Group's operating profit and 79% of the Group's underlying operating profit.
Areas of focus	• Impairment of goodwill and intangibles • 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 and 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 the risks identified by our audit.

Independent auditor's report
to the members of Synthomer plc continued

Area of focus	How our audit addressed the area of focus
Impairment of goodwill and intangibles The Group holds £313.5 million of goodwill and acquired intangible assets as set out in notes 13 and 14 to the financial statements. Management identifies the following two cash generating units (CGUs) for the purposes of its impairment review, and performs separate annual impairment assessments over goodwill and intangible asset balances in each: • Europe and North America; and • Asia and Rest of World. We focused on this area because of the size of the balances involved in the context of the Group's balance sheet and the fact that determining whether these assets are impaired involves a number of significant judgements. As disclosed in note 13 to the financial statements, the principal assumptions underpinning management's impairment assessment are: • Annual revenue growth of 2% for Europe and North America, and 5% for Asia and Rest of World; • Discount rates of 11% for Europe and North America and 12% for Asia and Rest of World; and • The sustainability of year 10 profitability into perpetuity. Our audit work has focused on these key assumptions as we regard them as subject to the most judgement and as being those assumptions to which the impairment assessment is most sensitive.	We evaluated the directors' future cash flow forecasts, and the process by which they were drawn up and tested the mathematical accuracy of calculations within the forecasts. We used our own knowledge and external market data in relation to items such as market and country risk premium to independently derive a weighted average cost of capital for each of the CGUs subject to impairment reviews to assess the appropriateness of the discount rates applied by management. We considered the reasonableness of management's growth rate assumptions in the context of the recent performance of the business in each of the CGUs and by comparison with external market data on growth rates within the geographic areas where the CGUs operate. We performed sensitivity testing on the forecasts, by sensitising key assumptions in relation to growth rates and discount rates, to assess the extent to which a change in any one or more of the key assumptions could indicate the risk of an impairment. We also assessed management's historic forecasting accuracy by comparing the 2014 results with the Group's budget for 2014, considering the implications of this on our assessment of the reliability of forecasts for 2015 and future years. Based on the audit evidence obtained we did not identify any indicators of impairment relation to goodwill or intangible assets held.
Defined benefit pension accounting As set out in note 25 on pages 88 to 91 the Group has significant defined benefit pension schemes. These primarily represent the Yule Catto Group retirement benefits scheme in the UK and two unfunded schemes in Germany, which account for £147.4 million of the net pension deficit of £150.7 million recorded on the Group balance sheet at the year end. We focused on the pension liabilities in particular, as the determination of the amounts reflected in the financial statements for defined benefits schemes is impacted to a large degree by various assumptions as set out on page 89, with the amount being sensitive to relatively small changes in a few key assumptions, most notably the discount rate applied. We also had regard to the fact that the Group uses third-party actuaries to calculate the amounts to reflect in the financial statements in respect of these schemes. Our focus was therefore to assess the competency and objectivity of management's experts, the appropriateness of the scope of their work for the purposes of our audit and the appropriateness of the assumptions used in calculating the net pension deficit.	We obtained detailed external actuarial reports of the UK and German schemes at the year end which set out the calculations and assumptions underpinning the year end pension scheme valuation. 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 read the actuaries' 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 used our own actuarial knowledge to evaluate all the key assumptions used in each of the three 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.

Area of focus	How our audit addressed the area of focus
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 2014, the Group has recorded current tax liabilities totalling £32.7 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 tax knowledge to assess the level of provisions held against various tax exposures and to consider their appropriateness having regard to the nature of the individual exposures and any developments in the year. 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 matters 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 12 the Group reports its results as two businesses: 'Europe and North America' and 'Asia and Rest of 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 six key reporting units in these countries which were subject to audits of their complete financial information. These components accounted for 82% of the Group's revenue, 82% of the Group's operating profit and 79% of the Group's underlying operating profit. In addition to the work at the six key reporting units we performed local statutory audit work in relation to the year ended 31 December 2014 at a number of other operating companies accounting for a further 14% of the Group's underlying operating profit with these teams reporting to the Group team any unadjusted items in excess of £200,000 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 meetings in the largest 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 and to evaluate 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	**£3.8 million** (2013 £4.1 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.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above **£200,000** (2013 £200,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report
to the members of Synthomer plc continued

Going concern
Under the Listing Rules we are required to review the Directors' statement, set out on page 49, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. 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.

IAS (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 arising from this responsibility.
• the statement given by the Directors on page 49, 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 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 arising from this responsibility.
• the section of the Annual Report on page 29, 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 arising from this responsibility.

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 the parent company's compliance with ten provisions of the UK Corporate Governance 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 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 2014 (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 parent company financial statements of Synthomer plc for the year ended 31 December 2014 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
25 February 2015

Consolidated income statement
for the year ended 31 December 2014

		2014			2013		
	Note	Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
Continuing operations							
Group revenue	4,5	**936.4**	**–**	**936.4**	992.7	–	992.7
Share of joint ventures' revenue	4,5	**54.1**	**–**	**54.1**	62.2	–	62.2
Total sales		**990.5**	**–**	**990.5**	1,054.9	–	1,054.9
Group revenue		**936.4**	**–**	**936.4**	992.7	–	992.7
Company and subsidiaries before special items		**91.2**	**–**	**91.2**	99.9	–	99.9
Restructuring and site closure	3	**–**	**(4.5)**	**(4.5)**	–	(1.4)	(1.4)
Acquisition	3	**–**	**0.1**	**0.1**	–	–	–
Amortisation of acquired intangibles	3	**–**	**(25.8)**	**(25.8)**	–	(26.7)	(26.7)
Company and subsidiaries		**91.2**	**(30.2)**	**61.0**	99.9	(28.1)	71.8
Share of joint ventures	4,5	**5.3**	**(1.2)**	**4.1**	4.9	(1.7)	3.2
Operating profit/(loss)	5	**96.5**	**(31.4)**	**65.1**	104.8	(29.8)	75.0
Interest payable	7	**(6.7)**	**–**	**(6.7)**	(10.5)	–	(10.5)
Interest receivable	7	**0.8**	**–**	**0.8**	0.9	–	0.9
		(5.9)	**–**	**(5.9)**	(9.6)	–	(9.6)
IAS 19 interest charge		**(4.6)**	**–**	**(4.6)**	(5.1)	–	(5.1)
Fair value adjustment	3,7	**–**	**(0.8)**	**(0.8)**	–	(1.2)	(1.2)
Finance costs		**(10.5)**	**(0.8)**	**(11.3)**	(14.7)	(1.2)	(15.9)
Profit/(loss) before taxation		**86.0**	**(32.2)**	**53.8**	90.1	(31.0)	59.1
Taxation	8	**(18.4)**	**10.9**	**(7.5)**	(18.0)	8.5	(9.5)
Profit/(loss) for the year		**67.6**	**(21.3)**	**46.3**	72.1	(22.5)	49.6
Profit attributable to non-controlling interests		**1.4**	**(0.4)**	**1.0**	1.8	(0.5)	1.3
Profit/(loss) attributable to equity holders of the parent		**66.2**	**(20.9)**	**45.3**	70.3	(22.0)	48.3
		67.6	**(21.3)**	**46.3**	72.1	(22.5)	49.6
Earnings/(loss) per share							
– Basic	11	**19.5p**	**(6.2)p**	**13.3p**	20.7p	(6.5)p	14.2p
– Diluted	11	**19.3p**	**(6.1)p**	**13.2p**	20.5p	(6.4)p	14.1p

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

Consolidated statement of comprehensive income
for the year ended 31 December 2014

	2014			2013		
	Equity holders of the parent £m	**Non-controlling interests £m**	**Total £m**	Equity holders of the parent £m	Non-controlling interests £m	Total £m
Profit for the year	**45.3**	**1.0**	**46.3**	48.3	1.3	49.6
Actuarial gains and losses	**(47.8)**	**–**	**(47.8)**	4.4	–	4.4
Tax relating to components of other comprehensive income (see note 8)	**5.9**	**–**	**5.9**	–	–	–
Total items that will not be reclassified to profit or loss	**(41.9)**	**–**	**(41.9)**	4.4	–	4.4
Gains on cash flow hedges arising during the year	**–**	**–**	**–**	2.3	–	2.3
Exchange differences on translation of foreign operations	**(15.3)**	**–**	**(15.3)**	(11.5)	(1.0)	(12.5)
Exchange differences recycled on deemed disposal of joint venture (see note 29)	**1.0**	**–**	**1.0**	–	–	–
Gains/(losses) on a hedge of a net investment taken to equity	**11.1**	**–**	**11.1**	(3.6)	–	(3.6)
Total items that may be reclassified subsequently to profit or loss	**(3.2)**	**–**	**(3.2)**	(12.8)	(1.0)	(13.8)
Other comprehensive expense for the year	**(45.1)**	**–**	**(45.1)**	(8.4)	(1.0)	(9.4)
Total comprehensive income for the year	**0.2**	**1.0**	**1.2**	39.9	0.3	40.2

Consolidated statement of changes in equity
for the year ended 31 December 2014

	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Hedging and translation reserve £m	Cash flow hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total Equity £m
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)**
Gains on cash flow hedges arising during the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**(15.3)**	**–**	**–**	**(15.3)**	**–**	**(15.3)**
Exchange differences recycled on disposal of non-controlling interest (see note 29)	**–**	**–**	**–**	**–**	**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**
At 1 January 2013	34.0	230.5	0.9	–	(4.9)	(2.3)	16.7	274.9	11.7	286.6
Profit for the year	–	–	–	–	–	–	48.3	48.3	1.3	49.6
Actuarial gains and losses	–	–	–	–	–	–	4.4	4.4	–	4.4
Gains on cash flow hedges arising during the year	–	–	–	–	–	2.3	–	2.3	–	2.3
Exchange differences on translation of foreign operations	–	–	–	–	(11.5)	–	–	(11.5)	(1.0)	(12.5)
Gains on a hedge of a net investment taken to equity	–	–	–	–	(3.6)	–	–	(3.6)	–	(3.6)
Total comprehensive (expense)/income for the year	–	–	–	–	(15.1)	2.3	52.7	39.9	0.3	40.2
Dividends paid	–	–	–	–	–	–	(19.4)	(19.4)	–	(19.4)
Share-based payments	–	–	–	–	–	–	(4.9)	(4.9)	–	(4.9)
At 31 December 2013	34.0	230.5	0.9	–	(20.0)	–	45.1	290.5	12.0	302.5

Consolidated balance sheet
31 December 2014

	Note	2014 £m	2013 £m
Non-current assets			
Goodwill	13	**232.8**	241.1
Acquired intangible assets	14	**80.7**	109.5
Other intangible assets	15	**0.5**	0.5
Property, plant and equipment	16	**205.4**	203.1
Deferred tax assets	9	**14.4**	9.9
Investment in joint ventures	18	**7.5**	13.0
Total non-current assets		**541.3**	577.1
Current assets			
Inventories	19	**75.4**	79.4
Trade and other receivables	20	**137.8**	133.3
Financial asset	17	**–**	5.8
Cash and cash equivalents	21	**24.9**	59.0
Derivatives at fair value	22	**2.3**	6.4
Total current assets		**240.4**	283.9
Assets classified as held for sale	23	**1.1**	1.1
Current liabilities			
Borrowings	21	**(1.9)**	(42.4)
Trade and other payables	24	**(141.3)**	(154.4)
Current tax liability	8	**(32.7)**	(38.6)
Provisions for other liabilities and charges	26	**(1.2)**	(0.9)
Total current liabilities		**(177.1)**	(236.3)
Non-current liabilities			
Borrowings	21	**(137.1)**	(160.9)
Deferred tax liability	9	**(35.5)**	(43.8)
Post retirement benefit obligations	25	**(150.7)**	(112.9)
Provisions for other liabilities and charges	26	**(5.3)**	(5.7)
Total non-current liabilities		**(328.6)**	(323.3)
Net assets		**277.1**	302.5
Equity			
Called up share capital	27	**34.0**	34.0
Share premium		**230.5**	230.5
Capital redemption reserve		**0.9**	0.9
Hedging and translation reserve		**(23.2)**	(20.0)
Cash flow hedging reserve		**–**	–
Retained earnings		**24.1**	45.1
Equity attributable to equity holders of the parent		**266.3**	290.5
Non-controlling interests		**10.8**	12.0
Total equity		**277.1**	302.5

The financial statements on pages 56 to 96 were approved by the Board of Directors and authorised for issue on 25 February 2015. They are signed on its behalf by:

C G MacLean
Director

D C Blackwood
Director

Analysis of net borrowings

	Note	2014 £m	2013 £m
Cash and cash equivalents	21	**24.9**	59.0
Current borrowings	21	**(1.9)**	(42.4)
Financial asset	17	**–**	5.8
Non-current borrowings	21	**(137.1)**	(160.9)
Net borrowings		**(114.1)**	(138.5)
Special item: deduct fair value adjustment	21	**2.0**	4.9
Net borrowings (underlying performance)		**(112.1)**	(133.6)

Consolidated cash flow statement
for the year ended 31 December 2014

	Note	2014 £m	2014 £m	2013 £m	2013 £m
Operating					
Cash generated from operations	28		**89.1**		92.5
Interest received		**0.8**		0.9	
Interest paid		**(7.6)**		(10.2)	
Net interest paid			**(6.8)**		(9.3)
UK corporation tax paid		**–**		–	
Overseas corporate tax paid		**(18.1)**		(17.4)	
Total tax paid			**(18.1)**		(17.4)
Net cash inflow from operating activities			**64.2**		65.8
Investing					
Dividends received from joint ventures	18		**4.7**		3.8
Purchase of property, plant and equipment		**(22.0)**		(39.1)	
Sale of property, plant and equipment		**0.5**		4.1	
Net capital expenditure			**(21.5)**		(35.0)
Purchase of businesses	29		**(3.9)**		–
Proceeds from financial asset	17		**6.1**		–
Net cash outflow from investing activities			**(14.6)**		(31.2)
Financing					
Ordinary dividends paid	10		**(22.4)**		(19.4)
Dividends paid to non-controlling interests			**(2.2)**		–
Settlement of equity-settled share-based payments			**(2.6)**		(6.2)
Repayment of borrowings	30		**(59.9)**		–
Net cash outflow from financing activities			**(87.1)**		(25.6)
(Decrease)/increase in cash, cash equivalents and bank overdrafts during the year			**(37.5)**		9.0
Cash, cash equivalents and bank overdrafts at 1 January 2014	30		**59.0**		53.3
Cash (outflows)/inflows					
Cash and cash equivalents	30	**(37.5)**		8.6	
Bank overdrafts	30	**–**		0.4	
			(37.5)		9.0
Exchange and other movements	30		**3.4**		(3.3)
Cash, cash equivalents and bank overdrafts at 31 December 2014	30		**24.9**		59.0

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

	Note	2014 £m	2013 £m
Net cash inflow from operating activities		**64.2**	65.8
Add back: reduction in factored invoices		**–**	20.4
Add back: dividends received from joint ventures	18	**4.7**	3.8
Less: net capital expenditure		**(21.5)**	(35.0)
Less: purchase of businesses	29	**(8.6)**	–
		38.8	55.0
Ordinary dividends paid	10	**(22.4)**	(19.4)
Dividends paid to non-controlling interests		**(2.2)**	–
Settlement of equity-settled share-based payments		**(2.6)**	(6.2)
Exchange movements		**9.9**	(7.2)
Movement in net borrowings (underlying performance)		**21.5**	22.2

Notes to the consolidated financial statements
31 December 2014

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 24.

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
The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the Group:

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of this standard will have no impact on the primary statements. The only significant impact will be an increase in the disclosure relating to the investment in joint ventures.

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 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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.

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.

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 48, 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 (see below) 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 jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with 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-measurment 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.

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 as follows:

Software	– between 3 and 5 years

Notes to the consolidated financial statements
continued

2 Significant accounting policies continued

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 for required 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 and land grants in Malaysia, which are not depreciated, the cost of property, plant and equipment is depreciated on a straight-line basis over its expected useful life as follows:

Freehold 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

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.

Derivative financial instruments

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

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

Impairment of financial assets

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

Finance costs

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

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

Derivative financial instruments

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

Notes to the consolidated financial statements
continued

2 Significant accounting policies continued

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

Hedge accounting

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

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

Cash flow hedges

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

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

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

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.

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

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

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

Notes to the consolidated financial statements
continued

2 Significant accounting policies continued

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;
- amounts advanced in respect of invoices sold under non-recourse factoring arrangements;
- other non-recurring and non-operating items;
- tax impact of the above items; and
- settlement of prior period tax issues.

Underlying performance

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

Net borrowings

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

Critical judgements in applying accounting policies

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

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 assumptions will impact the carrying value of the obligations. These are shown in detail in note 25.

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:

	2014 £m	2013 £m
Continuing operations		
Operating profit/(loss)		
Acquisition of controlling interest in Eka Synthomer 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	(4.5)	(1.4)
Amortisation of acquired intangibles (see note 14)		
Subsidiaries	(25.8)	(26.7)
Share of joint ventures	(1.2)	(1.7)
	(31.4)	(29.8)
Finance costs		
Fair value adjustment (see note 7)	(0.8)	(1.2)
Loss before taxation from continuing operations	(32.2)	(31.0)
Taxation (see note 8)	10.9	8.5
Loss for the year from continuing operations	(21.3)	(22.5)

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

Notes to the consolidated financial statements
continued

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.

	Total sales			Operating profit		
2014	Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
Analysis by activity						
Continuing activity						
Europe and 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 and 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/(loss)				**96.5**	**(31.4)**	**65.1**
Total share of joint ventures						
Europe and North America	**25.8**	**–**	**25.8**	**1.7**	**(1.2)**	**0.5**
Asia and Rest of World	**28.3**	**–**	**28.3**	**3.6**	**–**	**3.6**
	54.1	**–**	**54.1**	**5.3**	**(1.2)**	**4.1**

	Total sales			Operating profit		
2013	Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
Analysis by activity						
Continuing activity						
Europe and North America						
Subsidiaries	710.3	–	710.3	88.2	(21.9)	66.3
Share of joint ventures	34.5	–	34.5	1.6	(1.7)	(0.1)
	744.8	–	744.8	89.8	(23.6)	66.2
Asia and Rest of World						
Subsidiaries	282.4	–	282.4	19.8	(6.2)	13.6
Share of joint ventures	27.7	–	27.7	3.3	–	3.3
	310.1	–	310.1	23.1	(6.2)	16.9
Total sales	1,054.9	–	1,054.9			
Reported segment operating profit				112.9	(29.8)	83.1
Unallocated corporate expenses				(8.1)	–	(8.1)
Operating profit/(loss)				104.8	(29.8)	75.0
Total share of joint ventures						
Europe and North America	34.5	–	34.5	1.6	(1.7)	(0.1)
Asia and Rest of World	27.7	–	27.7	3.3	–	3.3
	62.2	–	62.2	4.9	(1.7)	3.2

2014	Europe and North America £m	Asia and Rest of World £m	Unallocated corporate expenses £m	Total £m
Acquisition of controlling interest in Eka Synthomer Oy	0.1	–	–	0.1
Restructuring and 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)

2013	Europe and North America £m	Asia and Rest of World £m	Unallocated corporate expenses £m	Total £m
Restructuring and site closure – cash costs	(1.4)	–	–	(1.4)
Amortisation of acquired intangibles	(20.5)	(6.2)	–	(26.7)
Share of joint ventures special items	(1.7)	–	–	(1.7)
	(23.6)	(6.2)	–	(29.8)

2014	Total assets £m	Total liabilities £m	Capital expenditure £m	Depreciation and amortisation £m
Analysis by activity				
Continuing activity				
Subsidiaries				
Europe and North America	231.6	(85.4)	12.7	11.8
Asia and 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 18)	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 21)	–	(114.1)		
	749.0	(471.9)		
Net assets		277.1		

Notes to the consolidated financial statements
continued

4 Segmental analysis continued

2013	Total assets £m	Total liabilities £m	Capital expenditure £m	Depreciation and amortisation £m
Analysis by activity				
Continuing activity				
Subsidiaries				
Europe and North America	231.0	(87.6)	15.1	11.0
Asia and Rest of World	181.4	(56.3)	19.9	8.2
	412.4	(143.9)	35.0	19.2
Unallocated assets and liabilities	11.4	(17.1)	–	–
	423.8	(161.0)	35.0	19.2
Share of joint ventures (see note 18)	25.7	(12.7)		
Goodwill (see note 13)	241.1	–		
Acquired intangibles and related deferred tax	109.5	(33.3)		
Current and deferred taxation	–	(39.2)		
Post retirement benefit obligations	–	(112.9)		
Net borrowings (see note 21)	–	(138.5)		
	800.1	(497.6)		
Net assets		302.5		

Analysis of total sales by destination

	2014 £m	2013 £m
Western Europe	**527.4**	574.6
Eastern Europe	**56.0**	50.0
North America	**39.0**	38.2
Asia	**273.9**	290.7
Africa and Middle East	**91.9**	96.0
Rest of World	**2.3**	5.4
	990.5	1,054.9

Of the total sales to Western Europe, **£76.9 million** (2013 £80.9 million) were made to the UK and **£169.2 million** (2013 £189.9 million) were made to Germany. Of the total sales to Asia, **£144.1 million** (2013 £170.8 million) were made to Malaysia.

Inter-segmental sales

In addition to the amounts included above, inter-segmental sales of **£11.9 million** (2013 £19.2 million) were made as set out below. These sales were eliminated on consolidation.

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

2013	Europe and North America £m	Asia and Rest of World £m	Total £m
Europe and North America	–	11.7	11.7
Asia and Rest of World	7.5	–	7.5
Total	7.5	11.7	19.2

5 Operating profit

	2014 £m	2013 £m
Group revenue	**936.4**	992.7
Share of joint ventures revenue	**54.1**	62.2
Total sales	**990.5**	1,054.9

Group revenue	**936.4**	992.7
Cost of sales	**(772.4)**	(819.3)
Gross profit	**164.0**	173.4
Sales and marketing costs	**(21.9)**	(23.3)
Administrative expenses	**(29.4)**	(31.0)
Share of joint ventures	**5.3**	4.9
EBITDA	**118.0**	124.0
Depreciation and amortisation	**(21.5)**	(19.2)
Operating profit – underlying performance	**96.5**	104.8
Special items	**(31.4)**	(29.8)
Operating profit – IFRS	**65.1**	75.0

Operating profit is stated after charging the following:	2014 £m	2013 £m
Amortisation: acquired intangibles (see note 14)	**25.8**	26.7
Amortisation: other intangibles (see note 15)	**0.3**	0.2
Depreciation (see note 16)	**21.2**	19.0
Hire of plant and equipment	**3.0**	3.4
Other lease rentals	**3.4**	3.0
Research and development expenditure	**12.8**	13.5

6 Auditors' remuneration

	2014 £000	2013 £000
Fees payable to the Company's auditor for:		
audit of the Company's annual accounts and the consolidated accounts	**87**	87
Fees payable to the Company's auditor and their associates for other services to the Group:		
audit of the Company's subsidiaries	**386**	374
Total audit fees	**473**	461
Audit related assurance services	**1**	5
Tax compliance services	**79**	147
Other taxation advisory services	**20**	64
Other services	**57**	156
Total non-audit fees	**157**	372

Details of the Company's policy on the use of the 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 27 to 29. No services were provided pursuant to contingent fee arrangements.

Notes to the consolidated financial statements
continued

7 Finance costs

	2014 £m	2013 £m
Interest payable on bank loans and overdrafts	**5.1**	8.4
Interest payable on other loans	**1.6**	2.1
	6.7	10.5
Less: interest receivable	**(0.8)**	(0.9)
	5.9	9.6
IAS 19 interest charge	**4.6**	5.1
Net interest payable	**10.5**	14.7
Fair value adjustment	**0.8**	1.2
Total finance costs	**11.3**	15.9

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

8 Taxation

	2014 £m	2013 £m
Current tax		
UK corporation tax	**–**	–
Overseas taxation	**16.2**	17.2
	16.2	17.2
Deferred tax		
Origination and reversal of temporary differences	**2.2**	0.8
	18.4	18.0
Special items		
Current tax:		
Restructuring and site closure costs	**(3.2)**	(0.4)
Deferred tax:		
Amortisation of acquired intangibles	**(7.7)**	(8.1)
	(10.9)	(8.5)
Total tax on profit before taxation	**7.5**	9.5

UK corporation tax is calculated at **21.5%** (2013 23.25%) 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.

	2014 £m	2013 £m
Profit before taxation – continuing operations	**53.8**	59.1
Tax on profit before taxation (continuing operations) at standard UK corporation tax rate of **21.5%** (2013 23.25%)	**11.5**	13.7
Effects of:		
Expenses not deductible for tax purposes	**2.0**	2.6
Tax incentives and items not subject to tax	**(5.0)**	(4.7)
Higher tax rates on overseas earnings	**1.4**	1.4
Other deferred tax asset not recognised less amounts now recognised	**(2.5)**	(4.5)
Adjustments to tax charge in respect of prior periods	**(0.2)**	0.2
Effect of change of rate on deferred tax	**0.3**	0.8
Tax charge for year	**7.5**	9.5

Tax charges to other comprehensive income

	2014 £m	2013 £m
Deferred tax credit in respect of actuarial losses	**5.9**	–

Current tax liabilities

	2014 £m	2013 £m
Current tax liabilities	**(32.7)**	(38.6)

9 Deferred taxation

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

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

Deferred tax liabilities

2014	Accelerated tax depreciation £m	Acquired intangibles £m	Other £m	Total £m
At 1 January	(10.9)	(33.3)	0.4	(43.8)
(Charged)/credited to income statement	(0.4)	7.7	(0.4)	6.9
Exchange adjustment	0.3	1.9	–	2.2
Acquisition of subsidiary undertaking	(0.4)	(0.4)	–	(0.8)
At 31 December	**(11.4)**	**(24.1)**	**–**	**(35.5)**

Deferred tax assets

2014	Pensions £m
At 1 January	9.9
Charged to income statement	(1.4)
Credited to statement of comprehensive income	5.9
At 31 December	**14.4**

Deferred tax asset not recognised

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

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

	2014 £m	2013 £m
UK pension liability	**12.4**	5.5
Tax losses	**7.9**	9.2
Accelerated capital allowances	**2.0**	2.0
Other timing differences	**(0.6)**	(0.3)
	21.7	16.4

Notes to the consolidated financial statements
continued

10 Ordinary dividends

	2014 Pence per share	2013 Pence per share	2014 £m	2013 £m
Interim dividend	**3.0**	2.4	**10.2**	8.1
Proposed final dividend	**4.8**	3.6	**16.3**	12.2

In addition to the final dividend of 4.8p mentioned above, the directors are proposing a special dividend of 7.8p. The proposed final dividend and the special dividend are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

11 Earnings per share

Number of shares

	2014 Number '000	2013 Number '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**339,764**	339,549
Effect of dilutive potential ordinary shares:		
Share options	**2,724**	4,010
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**342,488**	343,559

Earnings per share

	2014			2013		
	Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
From continuing operations						
Earnings (Profit attributable to equity holders of the parent)	**66.2**	**(20.9)**	**45.3**	70.3	(22.0)	48.3
Basic earnings per share	**19.5p**	**(6.2)p**	**13.3p**	20.7p	(6.5)p	14.2p
Diluted earnings per share	**19.3p**	**(6.1)p**	**13.2p**	20.5p	(6.4)p	14.1p

12 Employees

	2014 Number	2013 Number
The average monthly number of employees during the year by activity was:		
Continuing activity		
Europe and North America	**1,238**	1,168
Asia and Rest of World	**836**	842
Holding companies	**17**	20
	2,091	2,030
Share of joint ventures	**47**	67
	2,138	2,097

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

	2014 £m	2013 £m
The aggregate remuneration of all Group employees comprised:		
Wages and salaries	**68.0**	68.7
Social security costs	**9.3**	9.3
Pension costs	**9.8**	11.0
Share-based payments	**0.3**	0.8
	87.4	89.8

Directors' emoluments are disclosed in the Directors' remuneration report on pages 33 to 45.

13 Goodwill

	2014 £m	2013 £m
Cost		
At 1 January	**351.0**	350.8
Exchange adjustments	**(8.3)**	0.2
At 31 December	**342.7**	351.0
Accumulated impairment losses		
At 1 January and at 31 December	**109.9**	109.9
Net book value		
At 31 December	**232.8**	241.1

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 2013 £m	Exchange adjustments £m	Net book value at 31 December 2013 £m	**Exchange adjustments £m**	**Net book value at 31 December 2014 £m**
Europe and North America	208.3	3.1	211.4	**(8.3)**	**203.1**
Asia and Rest of World	32.6	(2.9)	29.7	**–**	**29.7**
Total	240.9	0.2	241.1	**(8.3)**	**232.8**

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%** (2013 11%) and **12%** (2013 12%) have been used in the above calculations for Europe and North America and Asia and 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%** (2013 2%) and **5%** (2013 5%) have been used for Europe and North America and Asia and 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 2014, **£70.5 million** (2013 £70.5 million) is located in the UK.

Notes to the consolidated financial statements
continued

14 Acquired intangible assets

	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**

	Customer relationships £m	Technology £m	Total £m
Cost			
At 1 January 2013	176.6	2.9	179.5
Exchange adjustments	(0.3)	0.1	(0.2)
At 31 December 2013	176.3	3.0	179.3
Accumulated amortisation and impairment			
At 1 January 2013	43.4	0.5	43.9
Exchange adjustments	(0.8)	–	(0.8)
Amortisation charge for the year	26.4	0.3	26.7
At 31 December 2013	69.0	0.8	69.8
Net book value			
At 31 December 2013	107.3	2.2	109.5

Analysis of net book value by segment:

	2014 £m	2013 £m
Europe and North America	**61.7**	84.8
Asia and Rest of World	**19.0**	24.7
	80.7	109.5

15 Other intangible assets

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.

	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**

	Software £m
Cost	
At 1 January 2013	6.0
Exchange adjustments	(0.1)
Additions	0.1
At 31 December 2013	6.0
Accumulated amortisation and impairment	
At 1 January 2013	5.4
Exchange adjustments	(0.1)
Amortisation charge for the year	0.2
At 31 December 2013	5.5
Net book value	
At 31 December 2013	0.5

Notes to the consolidated financial statements
continued

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 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 undertaking	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**

	Land and buildings				
		Leaseholds			
	Freeholds £m	Long £m	Short £m	Plant and equipment £m	Total £m
Cost					
At 1 January 2013	43.4	5.3	17.0	376.9	442.6
Exchange adjustments	–	–	(1.5)	(10.4)	(11.9)
Additions	0.7	–	3.4	30.8	34.9
Transferred to assets classified as held for sale	(1.1)	–	–	–	(1.1)
Disposals	(3.7)	(0.1)	–	(3.6)	(7.4)
At 31 December 2013	39.3	5.2	18.9	393.7	457.1
Accumulated depreciation and impairment					
At 1 January 2013	16.3	2.7	1.7	222.3	243.0
Exchange adjustments	(0.1)	–	(0.2)	(4.1)	(4.4)
Depreciation charge for the year	1.9	0.1	0.5	16.5	19.0
Disposals	–	–	–	(3.6)	(3.6)
At 31 December 2013	18.1	2.8	2.0	231.1	254.0
Net book value					
At 31 December 2013	21.2	2.4	16.9	162.6	203.1

Freehold land amounting to **£4.0 million** (2013 £3.7 million) has not been depreciated.

Analysis of net book value by location:

	2014 £m	2013 £m
UK	**29.4**	27.1
Germany	**54.3**	58.4
Malaysia	**106.0**	107.0
Other	**15.7**	10.6
	205.4	203.1

Analysis of net book value by segment:

	2014 £m	2013 £m
Europe and North America	**96.9**	93.9
Asia and Rest of World	**108.5**	109.2
	205.4	203.1

17 Financial asset

The Group disposed of its Pharma Chemicals business on 30 November 2011. Part of the consideration agreed with the buyer, totalling $10.0 million, was in the form of a deferred payment to the Group. This deferred payment was shown as a financial asset of £5.8 million in 2013. The payment of $10.0 million (£6.1 million) was received from the buyer on 30 September 2014 as agreed at the time of the original transaction.

18 Investment in joint ventures

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

		% of ownership		
Name of entity	Place of incorporation	2014	2013	Principal activity
Synthomer Middle East Company	Saudi Arabia	49%	49%	Manufacturer and sale of acrylic and vinyl resin emulsions
Eka Synthomer Oy	Finland	See comments below	50%	Manufacturer and sale of styrene butadiene latex products
Specialty Arkem (Pty) Ltd	South Africa	50%	50%	Distributor of specialty chemicals and allied products
Super Sky Ltd	United Kingdom	50%	50%	Non-trading

With the exception of Eka Synthomer Oy, these joint ventures are accounted for using the equity method in these financial statements.

Eka Synthomer Oy is accounted for using the equity method up to 21 October 2014. On 22 October, the Group acquired the remaining 50% of its share capital. From this date, it is fully consolidated as a 100% subsidiary. See note 29.

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).

Notes to the consolidated financial statements
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18 Investment in joint ventures continued

Summarised balance sheet (100%)

	Synthomer Middle East Company 2014 £m	Synthomer Middle East Company 2013 £m	Eka Synthomer Oy* 2014 £m	Eka Synthomer Oy* 2013 £m	Other 2014 £m	Other 2013 £m
Non-current assets	**3.4**	2.0	**8.6**	12.0	**–**	–
Cash and cash equivalents	**2.0**	2.1	**–**	0.1	**0.2**	0.6
Other current assets	**19.1**	16.2	**15.3**	17.1	**1.8**	1.7
Total current assets	**21.1**	18.3	**15.3**	17.2	**2.0**	2.3
Financial liabilities (excluding trade payables)	**–**	–	**(4.7)**	(4.8)	**–**	–
Other current liabilities	**(11.2)**	(8.4)	**(9.0)**	(12.1)	**(0.1)**	(0.3)
Total current liabilities	**(11.2)**	(8.4)	**(13.7)**	(16.9)	**(0.1)**	(0.3)
Net assets	**13.3**	11.9	**10.2**	12.3	**1.9**	2.0
Net assets (Group share)	**6.5**	5.8	**–**	6.2	**1.0**	1.0

Summarised statement of comprehensive income (100%)

	Synthomer Middle East Company 2014 £m	Synthomer Middle East Company 2013 £m	Eka Synthomer Oy* 2014 £m	Eka Synthomer Oy* 2013 £m	Other 2014 £m	Other 2013 £m
Revenue	**54.5**	52.9	**51.7**	69.1	**3.0**	3.7
Operating profit from continuing operations	**7.0**	6.2	**3.0**	3.7	**0.3**	0.4
Interest	**–**	–	**(0.1)**	(0.1)	**–**	–
Taxation	**–**	–	**0.4**	(0.3)	**–**	(0.1)
Amortisation of intangibles	**–**	–	**(2.4)**	(3.4)	**–**	–
Profit from continuing operations	**7.0**	6.2	**0.9**	(0.1)	**0.3**	0.3
Exchange differences on translation	**1.2**	(0.7)	**(0.7)**	0.4	**–**	(0.3)
Total comprehensive income	**8.2**	5.5	**0.2**	0.3	**0.3**	–
Dividends paid	**(6.8)**	(4.7)	**(2.3)**	(3.0)	**(0.4)**	–
Movement in retained earnings	**1.4**	0.8	**(2.1)**	(2.7)	**(0.1)**	–
Profit for the year (Group share)	**3.4**	3.0	**0.5**	–	**0.2**	0.2
Exchange differences on translation (Group share)	**0.6**	(0.3)	**(0.4)**	0.2	**–**	(0.2)
Dividends paid (Group share)	**(3.3)**	(2.3)	**(1.2)**	(1.5)	**(0.2)**	–

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	Eka Synthomer Oy* £m	Other £m	Total £m
At 1 January 2014	5.8	6.2	1.0	13.0
Profit from continuing operations	3.4	0.5	0.2	4.1
Exchange differences on translation	0.6	(0.4)	–	0.2
Dividend paid	(3.3)	(1.2)	(0.2)	(4.7)
Deemed disposal on acquisition of controlling interest (see note 29)	–	(5.1)	–	(5.1)
At 31 December 2014	**6.5**	**–**	**1.0**	**7.5**

* Amounts reflect the period from 1 January 2014 to 21 October 2014, the date it became a subsidiary.

19 Inventories

	2014 £m	2013 £m
Raw materials and consumables	**32.6**	30.2
Finished goods	**42.8**	49.2
	75.4	79.4

The value of stock written off during the year was **£0.1 million** (2013 £0.1 million).

The cost of inventory recognised as an expense and included in cost of sales amounted to **£712.0 million** (2013 £763.7 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.

20 Trade and other receivables

	2014 £m	2013 £m
Trade receivables	**125.0**	122.4
Amounts owed by joint ventures	**0.1**	0.6
Other receivables	**9.7**	8.9
Prepayments and accrued income	**3.0**	1.4
	137.8	133.3

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

	2014 £m	2013 £m
Not yet due	**102.3**	97.6
0 – 60 days overdue	**23.6**	26.3
61–120 days overdue	**1.1**	1.2
Over 120 days due	**2.8**	2.5
	129.8	127.6
Less: provision for impairment	**(4.8)**	(5.2)
	125.0	122.4

Provision for impairment of receivables

	2014 £m	2013 £m
At 1 January	**5.2**	5.2
Exchange adjustments	**(0.2)**	0.1
(Credit)/charge for the year	**–**	(0.2)
Amounts written (back)/off as uncollectible	**(0.2)**	0.1
At 31 December	**4.8**	5.2

The provision is predominantly against overdue trade receivables.

Notes to the consolidated financial statements
continued

21 Cash and borrowings

	2014 £m	2013 £m
Current borrowings		
Bank loans		
Bank loans and overdrafts	**–**	–
Factoring with recourse	**1.9**	–
$70.0 million 5.78% Guaranteed Senior Unsecured Notes due 2 September 2014*	**–**	42.4
	1.9	42.4
Non-current borrowings		
Bank loans		
Unsecured £150.0 million multicurrency term loan facility expiring March 2015	**–**	148.5
Unsecured £210.0 million multicurrency revolving credit facility expiring 30 July 2019	**124.7**	–
Other loans		
$22.0 million 5.98% Guaranteed Senior Unsecured Notes due 2 September 2016*	**14.1**	13.3
	138.8	161.8
Less: capitalised costs	**(1.7)**	(0.9)
	137.1	160.9

* In aggregate **£14.1 million** (2013 £35.7 million), associated with which is the currency impact of derivatives of **£2.0 million** (2013 £4.9 million), net **£12.1 million** (2013 £15.8 million).

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

At 31 December 2014, the Group had available **£85.3 million** (2013 £60.0 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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

Analysis of borrowings at carrying value by currency

	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
31 December 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)**
Financial asset – see note 17					**–**
Net borrowings					**114.1**
Deduct: special item fair value adjustment					**(2.0)**
Net borrowings (underlying performance)					**112.1**
31 December 2013					
Bank overdrafts	–	–	–	–	–
Factoring with recourse	–	–	–	–	–
Bank loans	–	–	148.5	–	148.5
Loan notes	–	55.7	–	–	55.7
Capitalised costs	(0.9)	–	–	–	(0.9)
	(0.9)	55.7	148.5	–	203.3
Cash and cash equivalents					(59.0)
Financial asset – see note 17					(5.8)
Net borrowings					138.5
Deduct: special item fair value adjustment					(4.9)
Net borrowings (underlying performance)					133.6

The special item fair value adjustment represents the revaluation of US dollar loan notes from the rate of the related cross currency swaps to the year end rate, together with the transitional adjustment required to reflect movements in fair value caused by variations in interest rates, and subsequent amortisation thereof, to the extent that these constituted effective hedges prior to the adoption of IFRS.

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

22 Financial instruments

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

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the cash and borrowings disclosed in note 21, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. It is management's intention to maintain the underlying net borrowings to EBITDA metric to between one and two times:

	2014 £m	2013 £m
Net borrowings – Underlying performance	112.1	133.6
EBITDA (see note 5)	118.0	124.0
Underlying net borrowings: EBITDA	1.0	1.1

	2014		2013	
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	134.8	–	131.9	–
Cash and cash equivalents	24.9	–	59.0	–
Financial asset	–	–	5.8	–
Derivatives at fair value	–	2.3	–	6.4
	159.7	2.3	196.7	6.4

	2014		2013	
Financial liabilities	Amortised cost £m	Derivative instruments in designated hedge accounting £m	Amortised cost £m	Derivative instruments in designated hedge accounting £m
Loan notes	14.1	–	55.7	–
Bank loans and overdrafts	124.7	–	148.5	–
Derivatives at fair value	–	–	–	–
Trade and other payables	141.3	–	154.4	–
	280.1	–	358.6	–

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

Notes to the consolidated financial statements
continued

22 Financial instruments continued

	Carrying values at 31 December		Fair values at 31 December	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Fair value of financial assets				
Trade and other receivables excluding prepayments	**134.8**	131.9	**134.8**	131.9
Cash and cash equivalents	**24.9**	59.0	**24.9**	59.0
Financial asset	**–**	5.8	**–**	5.8
Derivatives at fair value	**2.3**	6.4	**2.3**	6.4
	162.0	203.1	**162.0**	203.1
Fair value of financial liabilities				
Loan notes	**14.1**	55.7	**14.4**	57.2
Bank loans and overdrafts	**124.7**	148.5	**124.7**	148.5
Derivatives at fair value	**–**	–	**–**	–
Trade and other payables	**141.3**	154.4	**141.3**	154.4
	280.1	358.6	**280.4**	360.1

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

The fair value of the Group's financial instruments are measured using inputs other than quoted prices that are directly or indirectly observable. 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. 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 (2013 none).

Impact on income statement

Changes in the fair value of derivative contracts amounting to **£0.8 million** have been debited to the income statement in the year (2013 debit of £1.2 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 Euro functional currency. These contracts, together with €160.0 million drawn on the multicurrency term loan facility 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 2014 was:

	2014			2013		
	Floating rate borrowings £m	**Fixed rate borrowings £m**	**Total borrowings £m**	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m
Sterling	**2.3**	**10.0**	**12.3**	19.9	30.0	49.9
Euro	**124.7**	**–**	**124.7**	148.5	–	148.5
US dollar	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	–	–	–
	127.0	**10.0**	**137.0**	168.4	30.0	198.4
Cash and cash equivalents			**(24.9)**			(59.0)
Financial asset – see note 17			**–**			(5.8)
Add: special item non-recourse factoring			**–**			–
Net borrowings (underlying performance)			**112.1**			133.6

The effective interest rate for the year was **2.5%** (2013 4.7%).

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.

	2014			2013		
	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%	**–**	**(0.2)**	**–**	0.2	(0.3)	–
Euro interest rate +/- 1.0%	**1.2**	**1.2**	**–**	1.5	1.5	–
US interest rate +/- 1.0%	**–**	**0.2**	**–**	–	0.7	–
Foreign currency sensitivity analysis						
Euro exchange rate -/+ 10%	**–**	**–**	**2.8**	–	–	2.3
US dollar exchange rate -/+ 10%	**–**	**0.3**	**–**	–	0.4	–

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 new five year, £210 million committed revolving credit facility. This facility replaced the Group's main debt facility which comprised of a €178 million term loan combined with the undrawn £60 million revolving credit line maturing March 2015. Both the introduction and cancellation of the respective facilities took place at the end of July 2014.
- Unsecured loan notes totalling approximately £14.1 million raised from the US private placement market in 2004 with a maturity date of September 2016. $70.0 million of private placements was repaid in September 2014. Please see note 21 for further details.

Notes to the consolidated financial statements
continued

22 Financial instruments continued

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

	2014					2013				
	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	**134.8**	**–**	**–**	**–**	**134.8**	131.9	–	–	–	131.9
Financial asset	**–**	**–**	**–**	**–**	**–**	5.8	–	–	–	5.8
Variable interest rate instruments										
Cash and cash equivalents	**24.9**	**–**	**–**	**–**	**24.9**	59.0	–	–	–	59.0
	159.7	**–**	**–**	**–**	**159.7**	196.7	–	–	–	196.7

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

	2014					2013				
	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	**141.3**	**–**	**–**	**–**	**141.3**	154.4	–	–	–	154.4
Variable interest rate instruments										
Bank loans and overdrafts	**1.5**	**1.5**	**128.7**	**–**	**131.7**	3.5	149.4	–	–	152.9
Fixed interest rate instruments										
Loan notes	**0.8**	**15.0**	**–**	**–**	**15.8**	45.7	0.8	14.1	–	60.6
	143.6	**16.5**	**128.7**	**–**	**288.8**	203.6	150.2	14.1	–	367.9

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

	2014					2013				
	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
Interest rate swaps	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Cross currency swaps	**(0.2)**	**(0.1)**	**–**	**–**	**(0.3)**	(1.2)	(0.2)	(0.1)	–	(1.5)
Foreign exchange forward contracts	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
	(0.2)	**(0.1)**	**–**	**–**	**(0.3)**	(1.2)	(0.2)	(0.1)	–	(1.5)

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.

23 Asset classified as held for sale

	2014 £m	2013 £m
Freehold land	**1.1**	1.1

The Group owns approximately 1,900 acres of agricultural land in Malaysia, on which is currently operated 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% minority 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 2014, contracts have been exchanged on **700** (2013 700) acres for a total consideration of **£27 million** (2013 £27 million).

In January 2015, contracts were exchanged for a further 400 acres for a total consideration of £16 million.

These disposals are subject to regulatory approval which may take up to two years.

24 Trade and other payables

	2014 £m	2013 £m
Amount due within one year		
Trade payables	**102.1**	109.8
Other payables	**18.5**	18.5
Accruals	**20.7**	26.1
	141.3	154.4

Average trade payable days in 2014 was **58** (2013 60). 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 approximates to their fair value.

£6.6 million of the amount shown as Other Payables in the 2013 Annual Report has been reclassified to Provisions for other liabilities and charges, see note 26.

Notes to the consolidated financial statements
continued

25 Post retirement benefit obligations

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

	2014			2013		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Defined benefit	**3.3**	**1.4**	**4.7**	3.7	2.6	6.3
Defined contribution	**1.7**	**3.4**	**5.1**	1.3	3.4	4.7
	5.0	**4.8**	**9.8**	5.0	6.0	11.0

Amounts recognised in the statement of comprehensive income:

	2014			2013		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Actuarial gains and losses	**(29.4)**	**(18.4)**	**(47.8)**	4.4	–	4.4

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

	2014			2013		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Present value of funded defined benefit obligation	**(361.0)**	**(74.6)**	**(435.6)**	(315.9)	(59.6)	(375.5)
Fair value of scheme assets	**277.2**	**7.7**	**284.9**	255.6	7.0	262.6
Net liability arising from defined benefit obligation	**(83.8)**	**(66.9)**	**(150.7)**	(60.3)	(52.6)	(112.9)

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 2014 by a qualified actuary.

The Group has agreed that it will aim to eliminate the pension plan deficit over the next seven years.

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 re-insured by an external insurance company.

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

	2014	2013
Rate of increase in pensions in payment	**3.00%**	3.30%
Rate of increase in pensions in deferment	**2.00%**	2.30%
Discount rate	**3.65%**	4.55%
Inflation assumption	**3.00%**	3.30%

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:

	2014	2013
Retiring today:		
Males	**87.5**	87.5
Females	**90.0**	89.9
Retiring in 20 years:		
Males	**89.3**	89.2
Females	**92.0**	91.9

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:

	2014			2013		
	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	**(315.9)**	**255.6**	**(60.3)**	(301.5)	232.0	(69.5)
Current service cost	**(0.5)**	**–**	**(0.5)**	(0.5)	–	(0.5)
Interest (expense)/income	**(14.4)**	**11.6**	**(2.8)**	(13.9)	10.7	(3.2)
Amounts recognised in income in respect of defined benefit schemes	**(14.9)**	**11.6**	**(3.3)**	(14.4)	10.7	(3.7)
Remeasurement:						
Return on plan assets excluding amounts included in interest expense/(income)	**–**	**13.0**	**13.0**	–	16.4	16.4
Losses from changes in financial assumptions	**(42.4)**	**–**	**(42.4)**	(12.0)	–	(12.0)
Amounts recognised in the statement of comprehensive income	**(42.4)**	**13.0**	**(29.4)**	(12.0)	16.4	4.4
Contributions:						
Employers	**0.5**	**8.7**	**9.2**	0.5	8.0	8.5
Payments from plans						
Benefit payments	**11.7**	**(11.7)**	**–**	11.5	(11.5)	–
At 31 December	**(361.0)**	**277.2**	**(83.8)**	(315.9)	255.6	(60.3)

Notes to the consolidated financial statements
continued

25 Post retirement benefit obligations continued

Plan assets are comprised as follows:

	2014 £m	2013 £m
Equities	**124.4**	120.5
Bonds	**123.4**	104.6
Property	**24.4**	22.2
Cash	**5.0**	8.3
Total fair value of assets	**277.2**	255.6

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 **16.3 years** (2013 15.5 years).

Contributions from the sponsoring companies are expected to be £10.3 million in 2015.

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 **£66.2 million**, 2013 £51.3 million), where in line with common practice, the assets are held within the respective companies.

Defined benefit schemes

The aggregated pension disclosure below for the overseas defined benefit schemes has been compiled from a number of actuarial valuations at 31 December 2014.

The largest of these schemes accounts for **£45.4 million** (2013 £38.3 million) of the deficit at 31 December 2014. The major assumptions used in the actuarial valuation of this scheme are:

	2014	2013
Rate of increase in salaries	**3.00%**	3.00%
Rate of increase in pensions	**2.00%**	2.00%
Discount rate	**2.20%**	3.80%

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:

	2014	2013
Retiring today:		
Males	**83.9**	83.7
Females	**87.9**	87.8
Retiring in 20 years:		
Males	**86.5**	86.4
Females	**90.5**	90.3

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:

	2014			2013		
	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	**(59.6)**	**7.0**	**(52.6)**	(56.8)	6.6	(50.2)
Current service cost	**(0.7)**	**–**	**(0.7)**	(0.7)	–	(0.7)
Gains on settlements and curtailments	**0.3**	**–**	**0.3**	–	–	–
Past service credit	**0.8**	**–**	**0.8**	–	–	–
Interest (expense)/income	**(2.0)**	**0.2**	**(1.8)**	(2.1)	0.2	(1.9)
Amounts recognised in income in respect of defined benefit schemes	**(1.6)**	**0.2**	**(1.4)**	(2.8)	0.2	(2.6)
Remeasurement:						
Return on plan assets excluding amounts included in interest expense/(income)	**–**	**0.9**	**0.9**	–	0.1	0.1
(Gains)/losses from changes in financial assumptions	**(19.3)**	**–**	**(19.3)**	(0.1)	–	(0.1)
Amounts recognised in the statement of comprehensive income	**(19.3)**	**0.9**	**(18.4)**	(0.1)	0.1	–
Contributions less payments from plans	**1.5**	**–**	**1.5**	1.5	–	1.5
Exchange adjustments	**4.4**	**(0.4)**	**4.0**	(1.4)	0.1	(1.3)
At 31 December	**(74.6)**	**7.7**	**(66.9)**	(59.6)	7.0	(52.6)

26 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 2014	1.5	2.9	1.2	1.0	6.6
Charged/(credited) to the income statement	–	0.8	–	–	0.8
Utilised during the year	–	(0.3)	(0.4)	(0.2)	(0.9)
At 31 December 2014	**1.5**	**3.4**	**0.8**	**0.8**	**6.5**

Analysis of provisions

	31 December 2014 £m
Non-current	**5.3**
Current	**1.2**
	6.5

Analysis of charge/(credit) to the income statement

	2014 £m
Underlying performance	**0.8**
Special items	**–**
	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.

Notes to the consolidated financial statements
continued

26 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 2014.

Fundamental restructuring

The Group underwent a significant restructuring following the acquisition of PolymerLatex in 2011. The cost of these restructuring programs is charged to special items in the income statement when permitted by IAS 37. 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.

27 Share capital

	2014 £m	2013 £m
Issued and fully paid		
339,880,769 (2013 339,880,769) ordinary shares of 10 pence each	**34.0**	34.0

Ordinary shares carry no right to fixed income.

Share options

As at 31 December 2014 the following options were outstanding:

	Number
Executive share options	
Exercisable between 2015-2022	812,779
Exercisable between 2016-2023	1,065,197
Exercisable between 2017-2024	846,116
	2,724,092

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

28 Reconciliation of operating profit to cash generated from operations

	2014 £m	2013 £m
Operating profit – continuing operations	**65.1**	75.0
Less: share of profits of joint ventures	**(4.1)**	(3.2)
	61.0	71.8
Adjustments for:		
Depreciation (underlying)	**21.2**	19.0
Amortisation (underlying)	**0.3**	0.2
Amortisation: special items	**25.8**	26.7
Restructuring and site closure	**4.5**	1.4
Share-based payments	**0.3**	0.8
Profit on sale of fixed assets	**(0.4)**	(0.3)
Cash impact of restructuring and site closure	**(3.8)**	(3.8)
IAS 19 interest charge	**(4.6)**	(5.1)
Pension funding in excess of IAS 19 charge	**(6.1)**	(3.6)
Decrease/(increase) in inventories	**6.0**	(3.3)
Decrease in trade and other receivables	**2.5**	3.4
Decrease in trade and other payables	**(17.6)**	(14.7)
Cash generated from operations	**89.1**	92.5
Reconciliation of movement in working capital		
Decrease/(increase) in inventories	**6.0**	(3.3)
Decrease in trade and other receivables	**2.5**	3.4
Decrease in trade and other payables	**(17.6)**	(14.7)
Movement in working capital	**(9.1)**	(14.6)
Add back: reduction in factoring invoices	**–**	20.4
Movement in working capital (underlying)	**(9.1)**	5.8

29 Acquisition of subsidiary

The Group has held 50% of the issued share capital of Eka Synthomer Oy since 1 April 2011 and has accounted for this investment as a joint venture. On 22 October 2014, the Group acquired the other 50% of the share capital thereby obtaining control. As required by IFRS 3, this transaction is accounted for as the deemed disposal of the 50% joint venture followed by the immediate acquisition of a 100% subsidiary.

Eka Synthomer Oy is a Finnish company with a plant in Oulu, Finland, where it manufactures styrene butadiene latex for sale to the paper and board industries with customers mainly in the Nordic region.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed (100%) are summarised as follows:

	£m
Intangible assets – customer relationships	2.1
Property, plant and equipment	6.5
Inventories	3.7
Trade and other receivables	11.6
Trade and other payables	(8.2)
Cash and cash equivalents	–
Current borrowings – factoring with recourse	(4.7)
Current tax liability	–
Deferred tax liability	(0.8)
Total identifiable net assets	10.2

The fair value of the identifiable net assets was reviewed and was agreed to be consistent with the book values used for the equity accounting of the 50% joint venture immediately prior to acquisition.

Notes to the consolidated financial statements
continued

29 Acquisition of subsidiary continued
Deemed disposal of 50% joint venture

	£m
Deemed consideration (fair value of existing non-controlling interest (50%))	5.1
Less: Book value non-controlling interest	(5.1)
Profit on deemed disposal before recycling of foreign exchange	–
Recycling of foreign exchange	(1.0)
Loss on deemed disposal	(1.0)

Acquisition of 100% subsidiary

	£m
Consideration paid	3.9
Fair value of existing holding	5.1
Deemed consideration for 100% holding	9.0
Less: Fair value of identifiable assets acquired	(10.2)
Excess of net assets acquired over consideration paid – 'Bargain Purchase'	(1.2)

The 'Bargain Purchase' reflects the fact that the vendor was prepared to accept a consideration below fair value to ensure the quick disposal of an unwanted investment to avoid complicating a much larger transaction with another third party.

	£m
Consideration paid was satisfied by:	
Cash	3.9

	£m
Cash consideration	3.9
Cash acquired	–
Net cash outflow arising on purchase of business	3.9
Borrowings acquired	4.7
Increase in net debt arising on purchase of business	8.6

Acquisition related costs of £0.1 million have been charged to operating profit in the special items column of the consolidated income statement, see note 3.

The revenue included in the consolidated income statement since 22 October 2014 was £15.8 million. The increase in holding from 50% to 100% contributed an additional operating profit of £0.5 million over the same period.

Had Eka been consolidated from 1 January 2014, the proforma consolidated income statement would show the following:

		1 January to 21 October 2014		
	Group as reported £m	Add: controlling interest acquired £m	Less: non-controlling interest disposed of £m	Group proforma £m
Group revenue	936.4	51.7	–	988.1
Share of joint ventures' revenue	54.1	–	(25.9)	28.2
Total sales	990.5	51.7	(25.9)	1,016.3
Company and subsidiaries	61.0	3.0	–	64.0
Share of joint ventures	4.1	–	(1.5)	2.6
Operating profit	65.1	3.0	(1.5)	66.6
Finance costs	(11.3)	(0.1)	–	(11.4)
Profit before taxation	53.8	2.9	(1.5)	55.2
Taxation	(7.5)	0.4	–	(7.1)
Profit after taxation	46.3	3.3	(1.5)	48.1

30 Analysis of changes in net borrowings

	1 January 2014 £m	Cash inflows/ (outflows) £m	Debt of acquired business £m	Exchange and other movements £m	**31 December 2014 £m**
Cash and cash equivalents	59.0	(37.5)	–	3.4	**24.9**
Current borrowing – bank overdrafts	–	–	–	–	**–**
	59.0	(37.5)	–	3.4	**24.9**
Financial asset	5.8	(6.1)	–	0.3	**–**
Current borrowings	(42.4)	44.9	(4.7)	0.3	**(1.9)**
Non-current borrowings	(160.9)	15.0	–	8.8	**(137.1)**
Net borrowings	(138.5)	16.3	(4.7)	12.8	**(114.1)**
Deduct: special item fair value adjustment	4.9	–	–	(2.9)	**2.0**
Net borrowings (underlying performance)	(133.6)	16.3	(4.7)	9.9	**(112.1)**

The special item represents the revaluation of US dollar loan notes from the rate of the related cross currency swaps to the year end rate, together with the transitional adjustment required to reflect movements in fair value caused by variations in interest rates, and subsequent amortisation thereof, to the extent that these constituted effective economic hedges.

31 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	**2014 £m**	2013 £m
Short-term employee benefits	**3.9**	3.2
Post retirement benefit obligations	**0.3**	0.4
Share-based payments	**0.2**	0.5
	4.4	4.1

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

32 Commitments

	2014 £m	2013 £m
Capital expenditure authorised but not provided for in the financial statements		
Contracted	**2.6**	6.9

	2014 £m	2013 £m
Commitments under operating leases are as follows		
Payments under operating leases which fall due:		
Within 1 year	**3.2**	3.3
Between 2 and 5 years	**6.0**	6.7
After 5 years	**11.7**	14.0
	20.9	24.0

Operating leases relates largely to property leases.

Notes to the consolidated financial statements
continued

33 Contingent assets, contingent liabilities and guarantees

Guarantees of the parent company in respect of bank and other facilities of subsidiaries and joint ventures totalled **£14.0 million** (2013 £5.5 million).

Other guarantees and contingent liabilities of the Group amount to **£0.3 million** (2013 £0.4 million).

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

34 Share-based payments

Executive share option schemes

Details of the share option schemes available to senior management are included in the Directors' remuneration report on pages 33 to 45.

	Options 2014	**Weighted av. exercise price (£) 2014**	Options 2013	Weighted av. exercise price (£) 2013
Outstanding at 1 January	**4,010,166**	**–**	5,527,087	–
Granted during the period	**884,817**	**–**	1,087,019	–
Exercised during the period	**(1,124,390)**	**–**	(2,570,983)	–
Lapsed during the period	**(1,046,501)**	**–**	(32,957)	–
Outstanding at 31 December	**2,724,092**	**–**	4,010,166	–
Exercisable at 31 December	**–**		374,181	

For options outstanding as at 31 December 2014, the exercise price was £nil, the weighted average remaining contractual life was **5.0 years** (2013 4.6 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 2014, the Trust held **82,425** (2013 331,502) ordinary shares in the Company with a market value of **£0.2 million** (2013 £0.8 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.

The weighted average share price at the date of exercise was **£2.62** (2013 £2.07).

The weighted average fair value of the options at the measurement date granted during the period was **£0.32** (2013 £0.47). The valuation was based on the following inputs and assumptions:

	2014	2013
Weighted average share price (£)	**2.65**	1.87
Option price (£)	**–**	–
Value of optionality	**nil**	nil
Vesting assumption	**12%**	25%

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.

35 Share price information

The middle market value of the listed ordinary shares at 31 December 2014 was 237.0 pence. During the year, the market price ranged between 189.1 pence and 291.6 pence. The latest ordinary share price is available on the Financial Times Cityline service, telephone 09058 171690.

Independent auditor's report
to the members of Synthomer plc

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 2014;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Synthomer plc's financial statements comprise:

- the parent company balance sheet as at 31 December 2014; 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 and as applied in accordance with the provisions of the Companies Act 2006.

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 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.

Independent auditor's report
to the members of Synthomer plc continued

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 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 2014 (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 2014.

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
25 February 2015

Company balance sheet
31 December 2014

	Note	2014 £m	2013 £m
Fixed assets			
Tangible fixed assets	5	**2.2**	2.2
Investments	6	**292.1**	302.2
		294.3	304.4
Current assets			
Debtors	7	**714.2**	737.0
Cash at bank and in hand		**11.2**	15.6
Derivatives at fair value		**2.3**	6.4
		727.7	759.0
Creditors – amounts falling due within one year			
Borrowings	8	**(37.2)**	(57.1)
Other creditors	10	**(145.7)**	(135.8)
		(182.9)	(192.9)
Net current assets		**544.8**	566.1
Total assets less current liabilities		**839.1**	870.5
Creditors – amounts falling due after more than one year			
Borrowings	8	**(137.1)**	(160.8)
Net assets		**702.0**	709.7
Capital and reserves			
Share capital	11	**34.0**	34.0
Share premium	12	**230.5**	230.5
Revaluation reserve	12	**0.8**	0.8
Capital redemption reserve	12	**0.9**	0.9
Profit and loss account	12	**435.8**	443.5
Total shareholders funds		**702.0**	709.7
Analysis of net borrowings			
Cash at bank and in hand		**11.2**	15.6
Borrowings due in less than one year		**(37.2)**	(57.1)
Borrowings due after more than one year		**(137.1)**	(160.8)
Net borrowings		**(163.1)**	(202.3)
Deduct: special item		**1.9**	4.9
Net borrowings (underlying performance)	8	**(161.2)**	(197.4)

The financial statements of Synthomer plc (registered number 98381) on pages 99 to 106 were approved on 25 February 2015.

C G MacLean
Director

D C Blackwood
Director

Notes to the Company financial statements
31 December 2014

1 Accounting policies

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

The Company has taken advantage of the exemption from preparing a Cash Flow Statement under the terms of FRS 1 'Cash Flow Statement'. The cash flows of the Company are included in the Synthomer plc group financial statements.

Basis of accounting

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

Foreign currencies

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

Tangible fixed assets

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

Freehold buildings	– 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

Revaluation of properties

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

Investments

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

Intercompany

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

Borrowings

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

Taxation

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

Deferred taxation

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

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

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

Deferred tax is measured on a non-discounted basis.

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

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

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

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

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

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

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

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

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

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

Pension funding
In accordance with FRS 17, the Company accounts for its contributions to the defined benefit scheme as if it were a defined contribution scheme because it is not an employer making the pension payments.

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

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

2 Auditors' remuneration
The audit fee of Synthomer plc amounted to **£4,000** (2013 £4,000).

Notes to the Company financial statements
continued

3 Profit attributable to equity shareholders

UK GAAP basis*	2014 £m	2013 £m
Attributable to Synthomer plc	**16.7**	48.4

* The above has been calculated on a UK GAAP basis as this is consistent with the continued presentation of Synthomer plc's financial statements under UK GAAP.

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

4 Ordinary dividends

	2014 pence per share	2013 pence per share	2014 £m	2013 £m
Interim dividend	**3.0**	2.4	**10.2**	8.1
Proposed final dividend	**4.8**	3.6	**16.3**	12.2

In addition to the final dividend of 4.8p mentioned above, the directors are proposing a special dividend of 7.8p.

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 Tangible fixed assets

	Land and buildings			
	Freeholds £m	Long leaseholds £m	Plant and equipment £m	Total £m
Cost or valuation				
At 1 January 2014	2.8	–	–	2.8
Disposals	–			–
At 31 December 2014	**2.8**	**–**	**–**	**2.8**
At cost	–	–	–	–
At professional valuation in 1985	2.8	–	–	2.8
	2.8	–	–	2.8
Accumulated depreciation				
At 1 January 2014	0.6	–	–	0.6
Eliminated on disposals	–	–	–	–
At 31 December 2014	**0.6**	**–**	**–**	**0.6**
Net book value				
At 31 December 2014	**2.2**	**–**	**–**	**2.2**
Net book value				
At 31 December 2013	2.2	–	–	2.2

Properties included at valuation would have been stated on a historical cost basis at cost of **£1.9 million** (2013 £1.9 million) and depreciation of **£0.5 million** (2013 £0.5 million).

Freehold land amounting to **£1.8 million** (2013 £1.8 million) has not been depreciated.

6 Investments

	Subsidiaries £m	Joint ventures £m	Other investments £m	Total £m
Cost				
At 1 January 2014	301.9	0.5	0.1	302.5
Additions	–	–	–	–
Disposals	–	–	(0.1)	(0.1)
Hedge adjustment (see below)	(10.1)	–	–	(10.1)
At 31 December 2014	**291.8**	**0.5**	**–**	**292.3**
Provisions				
At 1 January 2014	–	0.2	0.1	0.3
Released on disposals	–	–	(0.1)	(0.1)
At 31 December 2014	**–**	**0.2**	**–**	**0.2**
Net book value				
At 31 December 2014	**291.8**	**0.3**	**–**	**292.1**
Net book value				
At 31 December 2013	301.9	0.3	–	302.2

Details of the principal subsidiaries and joint ventures are given on page 107.

The Company has designated its Euro denominated **£140 million** (2013 £150 million) multicurrency revolving credit facility of **€160.0 million** (2013 €177.8 million) (see note 8) and a forward contract of **€40.0 million** (2013 nil) as a FRS 26 fair value hedge against the designated Euro portion of its investment in Ennismore Limited of **€200.0 million** (2013 €177.8 million). Under FRS 26, the hedged portion of this investment is re-translated at the year end spot rate with the resulting gain or loss being taken to the profit and loss account, where it is fully offset by the exchange gain or loss resulting from the re-translation of the 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

	2014 £m	2013 £m
Amounts owed by group undertakings	**713.6**	736.9
Other debtors	**0.6**	0.1
	714.2	737.0

Notes to the Company financial statements
continued

8 Borrowings

	2014 £m	2013 £m
Current borrowings		
Bank loans		
Bank loans and overdrafts	**37.2**	14.6
Other loans		
$70.0 million 5.78% Guaranteed Senior Unsecured Notes due 2 September 2014*	**–**	42.5
	37.2	57.1
Non-current borrowings		
Bank loans		
Unsecured £150.0 million multicurrency term loan facility expiring March 2015	**–**	148.5
Unsecured £210.0 million multicurrency revolving credit facility expiring 30 July 2019	**124.7**	–
Other loans		
$22.0 million 5.98% Guaranteed Senior Unsecured Notes due 2 September 2016*	**14.1**	13.3
	138.8	161.8
Less: capitalised costs	**(1.7)**	(1.0)
	137.1	160.8

* In aggregate **£14.1 million** (2013 £55.8 million), associated with which is the currency impact of derivatives of **£1.9 million** (2013 £4.9 million), net **£12.2 million** (2013 £50.9 million).

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

At 31 December 2014, the Company had available **£85.3 million** (2013 £60.0 million) 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 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**
31 December 2013				
Bank loans and overdrafts	7.8	–	155.3	163.1
Loan notes	–	55.8	–	55.8
Capitalised costs	(1.0)	–	–	(1.0)
	6.8	55.8	155.3	217.9
Cash and cash equivalents				(15.6)
Net borrowings				202.3
Deduct: special item*				(4.9)
Net borrowings (underlying performance)				197.4

* The special item represents the revaluation of US dollar loan notes from the rate of the related cross currency swaps to the year end rate, together with the transitional adjustment required to reflect movements in fair value caused by variations in interest rates, and subsequent amortisation thereof, to the extent that these constituted effective hedges under pre FRS 26 UK GAAP.

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

9 Financial instruments

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

	2014			2013		
Fair value of financial assets	**Loans and receivables £m**	**Fair value through profit and loss £m**	**Total carrying value £m**	Loans and receivables £m	Fair value through profit and loss £m	Total carrying value £m
Trade and other receivables excluding prepayments	**714.2**	**–**	**714.2**	737.0	–	737.0
Cash and cash equivalents	**11.2**	**–**	**11.2**	15.6	–	15.6
Derivatives at fair value	**–**	**2.3**	**2.3**	–	6.4	6.4
	725.4	**2.3**	**727.7**	752.6	6.4	759.0

	2014			2013		
Fair value of financial liabilities	**Loans and payables at amortised cost £m**	**Fair value through profit and loss £m**	**Total carrying value £m**	Loans and payables at amortised cost £m	Fair value through profit and loss £m	Total carrying value £m
Loan notes	**14.1**	**–**	**14.1**	55.8	–	55.8
Bank loans and overdrafts	**160.2**	**–**	**160.2**	162.1	–	162.1
Trade and other payables	**145.7**	**–**	**145.7**	135.8	–	135.8
	320.0	**–**	**320.0**	353.7	–	353.7

A fuller description of financial instruments is included in note 22 of the consolidated financial statements on pages 83 to 86.

10 Other creditors

	2014 £m	2013 £m
Amount due within one year		
Trade creditors	**–**	–
Amounts owed to group undertakings	**143.8**	131.4
Other taxation and social security	**–**	–
Other creditors	**0.8**	0.9
Accruals and deferred income	**1.1**	3.5
	145.7	135.8

11 Called up share capital

Details of the Company's share capital and outstanding share options are shown in note 27 of the consolidated financial statements on page 92.

12 Share premium and reserves

	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2014	230.5	0.8	0.9	443.5	675.7
Profit for the year	–	–	–	16.7	16.7
Dividends	–	–	–	(22.4)	(22.4)
Retained loss for the year	–	–	–	(5.7)	(5.7)
Share-based payments	–	–	–	(2.0)	(2.0)
At 31 December 2014	**230.5**	**0.8**	**0.9**	**435.8**	**668.0**

Notes to the Company financial statements
continued

13 Related party transactions
The Company has elected to take the allowable exemption in terms of FRS 8 3(c), to not disclose transactions with wholly-owned subsidiaries.

14 Guarantees and other financial commitments
The Company has given guarantees amounting to **£14.0 million** (2013 £5.5 million) in respect of bank and other facilities of subsidiaries and joint ventures.

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

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

The pension charge for the year for the Company amounted to **£nil million** (2013 £nil million)

A valuation under FRS 17 has not been performed at Group level and therefore the deficit calculated in accordance with IAS 19 of **£83.8 million** (2013 £60.3 million) is disclosed as a permitted alternative.

For details of the IAS 19 valuation, assumptions and movement in the year, please refer to the UK pension scheme section of note 25 to the consolidated financial statements on pages 88 to 91.

16 Share-based payments
For details of share-based payments please refer to note 34 to the consolidated financial statements on page 96.

Principal subsidiaries and joint ventures

Operating companies	Country of incorporation and operation	Group interest in equity %
Arkem (Pty) Ltd *Distributor of specialty chemicals and allied products*	South Africa	50*
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
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 polybutadiene*	England	100
Synthomer BV *Latex based compounds*	Netherlands	100
Synthomer Deutschland GmbH *Synthetic rubber latices and emulsions*	Germany	100
Synthomer Finland Oy (formerly Eka Synthomer Oy) *Styrene-butadiene latex products*	Finland	100
Synthomer Middle East Company *Acrylic and vinyl resin emulsions*	Saudi Arabia	49*
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 companies		
Synthomer Holdings Ltd	England	100**
Yule Catto Holdings GmbH	Germany	100
Yule Catto Nederland BV	Netherlands	100

* Joint ventures.
** Shares held by Synthomer plc.

Other information

Five-year financial summary

Underlying performance[a] [b]		2014 £m	2013 £m	2012 (restated[h]) £m	2011 (restated[h]) £m	2010 (restated[h]) £m
Total sales	(c)	**990.5**	1,054.9	1,111.8	1,116.8	582.9
EBITDA	(d)	**118.0**	124.0	129.6	117.2	61.3
Operating profit	(e)	**96.5**	104.8	111.2	98.4	51.0
Finance costs		**(10.5)**	(14.7)	(16.6)	(16.2)	(11.2)
Profit before taxation		**86.0**	90.1	94.6	82.2	39.8
Basic earnings per share		**19.5p**	20.7p	20.9p	18.0p	13.3p
Dividends per share		**7.8p**	6.0p	5.5p	3.5p	2.6p
Dividend cover		**2.5**	3.5	3.8	5.1	5.1
Net borrowings	(f)	**(112.1)**	(133.6)	(155.8)	(164.3)	(63.4)
Capital expenditure	(g)	**22.0**	39.1	39.2	24.2	10.6

IFRS – continuing operations[b]		2014 £m	2013 £m	2012 (restated[h]) £m	2011 (restated[h]) £m	2010 (restated[h]) £m
Total sales	(c)	**990.5**	1,054.9	1,111.8	1,116.8	588.5
EBITDA	(d)	**118.0**	124.0	129.6	117.2	61.3
Operating profit	(e)	**65.1**	75.0	77.1	56.3	60.0
Finance costs		**(11.3)**	(15.9)	(18.3)	(19.5)	(8.6)
Profit before taxation		**53.8**	59.1	58.8	36.8	51.4
Basic earnings per share	(b)	**13.3p**	14.2p	15.6p	9.0p	19.5p
Dividends per share		**7.8p**	6.0p	5.5p	3.5p	2.6p
Dividend cover		**1.7**	2.4	2.8	2.6	7.5
Net borrowings	(f)	**(114.1)**	(138.5)	(141.5)	(156.1)	(76.0)
Capital expenditure	(g)	**22.0**	39.1	39.2	24.2	10.6

(a) As presented in the consolidated income statement on page 56.
(b) 2010 figures exclude Pharma Chemicals segment.
(c) Total sales includes Group revenue and share of joint venture revenue.
(d) As defined in the accounting policies at note 2 and reconciled in note 5.
(e) As defined in note 2 to the financial statements on page 65.
(f) As defined in note 2 to the financial statements and reconciled in note 21.
(g) As shown with the consolidated cash flow statement.
(h) Restated for impact of IAS 19 revised.

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