Building sustainable growth

Synthomer plc
Annual Report 2017

synthomer

Synthomer is a specialist chemical company and one of the world's leading suppliers of aqueous polymers. We produce innovative formulations to support customers in a range of industries from construction and coatings to healthcare.

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Building sustainable growth

Commercial highlights

- **Sustainable growth in profitability in line with expectations:**
  - Organic growth, contribution from acquisitions and foreign currency translation gains, more than offset the expected softening of Nitrile latex margins.
- **Europe and North America (ENA) momentum underpinned by volume and margin improvement:**
  - Underlying operating profit at £117.1m increased 25.5% (2016: £93.3m) due to volume and margin growth, the acquisition of Oxo Belgium ('Speciality Additives') and foreign currency translation gains.
  - IFRS operating profit at £77.5m increased 2.8% (2016: £75.4m).
- **Asia and Rest of the World (ARW) in line with expectations in challenging market environment:**
  - Underlying operating profit lower by 27.9% at £35.1m (2016: £48.7m) mainly driven by expected lower unit margin in Nitrile latex.
  - The demand for Nitrile latex continues to grow at 8-10% pa, with market demand exceeding 1,000ktes in 2017
  - IFRS operating profit down 61.6% to £31.2m (2016: £81.3m) principally reflecting significant income from land sales in 2016.
- **M&A activity:**
  - 2016 PAC (Dispersions) acquisition fully integrated and in line to deliver expected $12m run rate synergy savings at the end of 2018, and a likely further $2m saving by end of 2019.
  - Acquisition and integration of Speciality Additives, a market leading performance additives business serving the decorative and industrial coatings industries, for an enterprise value of €78m in March 2017.
  - Bolt-on acquisition of the BASF Austrian SBR business and assets in Pischelsdorf, Austria ('BASF Pischelsdorf'). The €29.3m acquisition enhances Synthomer's SBR business and production network for paper/packaging applications and completed on 31 January 2018.
- **Record capital investment growth programme:**
  - Capital investment increased to £60.3m (2016: £45.6m) in the year in line with guidance.
  - Significant capacity expansion projects underway at Pasir Gudang (Malaysia), Worms (Germany) and Roebuck (US) adding 90ktes of Nitrile latex, and 36ktes and 9ktes of Dispersions capacity respectively.
- **R&D driving innovation:**
  - Launch of patented SyNovus®, the next generation Nitrile latex.
  - Products launched in last five years represented 20% of sales in line with our target (2016: 20%).
- **Another year of strong cash generation:**
  - Cash generated from operations grew 3.6% to £162.6m (2016: £157.0m).
- **Earnings per share:**
  - Underlying earnings per share for the year rose 8.5% to 30.7p (2016: 28.3p) and on an IFRS basis earnings per share declined 32.9% to 21.8p (2016: 32.5p).
- **Dividend:**
  - Full year dividend increased by 8.0% to 12.2p per share in line with dividend policy (2016: 11.3p per share).

Financial highlights

	Underlying		IFRS	
	2017	2016	**2017**	2016
Volume (ktes)	**1,443.8**	1,324.9	**1,443.8**	1,324.9
Revenue (£m)	**1,480.2**	1,045.7	**1,480.2**	1,045.7
EBITDA (£m)	**176.2**	160.1	**176.2**	160.1
Operating Profit (£m)	**139.0**	130.2	**95.4**	144.7
Profit before tax (£m)	**130.0**	122.2	**86.4**	136.7
Earnings per share (p)	**30.7**	28 3	**21.8**	32.5
Ordinary dividends per share (p)	**12.2**	11.3	**12.2**	11.3
Net Borrowings (£m)	**180.5**	150.3	**180.5**	150.3

Underlying Statement
The Group's management uses Underlying performance to plan for, control and assess the performance of the Group Underlying performance differs from the statutory IFRS performance as it excludes the effect of Special Items, which are detailed in note 3 The Board's view is that Underlying performance provides additional clarity for the Group's investors and so it is the primary focus of the Group's narrative reporting Where appropriate, IFRS performance inclusive of Special Items is also described References to 'unit margin' and 'margin' are used in the commentary on Underlying performance Unit margin (or margin) is calculated on selling price less variable raw material and logistics costs Further explanations can be found in notes 4, 5 and 6

Our business at a glance

Building sustainable growth

Employees
2,879

Manufacturing sites
25

Countries
18

Innovation centres
4

Our global reach

Highlights

Volume by market

Europe and North America (ENA)

Volumes
1,067.7ktes
2016. 936.7ktes

Revenue
£1,134.9m
2016. £746 1m

Underlying operating profit
£117.1m
2016· £93.3m

EBITDA
£140.9m
2016. £111 2m

IFRS operating profit
£77.5m
2016· £75.4m

Read more on pages 26-28

Asia and Rest of the World (ARW)

Volumes
376.1ktes
2016: 388.2ktes

Revenue
£345.3m
2016: £299.6m

Underlying operating profit
£35.1m
2016: £48.7m

EBITDA
£48.2m
2016: £60.4m

IFRS operating profit
£31.2m
2016: £81.3m

Read more on pages 29-31

Synthomer is one of the world's major suppliers of aqueous polymers with leadership positions in many markets including coatings, construction, textiles, paper and synthetic latex gloves. With the acquisition in 2017 of the Speciality Additives business and in 2018 of the BASF Pischelsdorf business, Synthomer continues to grow its global manufacturing network and introduce new products, geographical strength and capacity to support future growth.

The Company has its operational headquarters in London, UK, and provides customer focused services from regional Innovation centres in Harlow (UK); Marl (Germany); Kluang (Malaysia) and Roebuck (USA).

Revenue by product

Major Investments

Europe
Acquisition and integration of Speciality Additives, a niche performance additives business serving the decorative and industrial coatings industries with strong market leadership positions (#1 or #2) and serving a highly attractive, blue-chip customer base.

Acquisition of the BASF Pischelsdorf SBR business which enhances our current business and production network in high growth paper/packaging applications as well as increasing the Group's access to attractive new opportunities across Europe.

€20m investment at our Worms (Germany) site to build two new make-to-order speciality acrylic lines that will meet the highest green and clean standards and to address the pressure sensitive adhesives and speciality coatings markets in Europe. Due into production in early 2019.

North America
A new $16m acrylic reactor line is being constructed at Roebuck (USA) to secure access to the North American performance and construction adhesives markets and is due for commissioning in Q1 2019.

Asia
Ongoing construction of 90ktes capacity expansion at Pasir Gudang for Nitrile latex representing an increase of 40% of our current capacity. Nitrile latex continues to be a rapidly growing market. Completion is scheduled for Q4 2018.

SyNovus®, a patented next generation Nitrile latex innovation was developed and launched in 18 months. The product's unique qualities address key customer requirements around manufacturing efficiency, odour, colour and chemical resistance.

We are currently evaluating the opportunity to invest in a new state-of-the-art Innovation Centre in the region.

R&D employees

186

Why Synthomer?

Innovative solutions that create and sustain value

We recognise the importance of innovation to our success and that of our customers. Our team is embedded within the business and with customers to ensure that we can provide solutions that deliver value where it matters.

£18.3m

spend on R&D

New products as % of revenue for the last two years

20%

Significant patented product launch of SyNovus® in 2017

Harlow (UK)

Kluang (Malaysia)

Four Innovation Centres

Marl (Germany)

Roebuck (USA)

Board approval to evaluate a state-of-the-art Innovation Centre in Asia

Why Synthomer?

Strategic M&A

PAC (Dispersions)
June 2016

BASF Pischelsdorf
January 2018

Speciality Additives
March 2017

Our experienced management team has completed three acquisitions over the last two years which have expanded Synthomer's global reach and strengthened its leadership in key markets.

We diligently assess whether each acquisition opportunity is a strategic fit for the Group and do not pursue the targets where our criteria are not met.

The Group continues to actively assess both transformational and bolt-on acquisition opportunities in parallel with growing the business organically.

- Sales office
- Operational head office
- Manufacturing site
- Manufacturing site and R&D centre

Countries

18

Manufacturing sites

25

Why Synthomer?

A robust financial position

Three years of Underlying profit growth delivering positive cash inflows from operating activities which have allowed us to invest in strategic M&A and capital investment to drive sustainable growth.

Clear and prudent capital management policy including leverage and returns to shareholders.

Sustainable Net debt: EBITDA

1-2x

Ordinary dividend cover

2.5x

Debt headroom
of £172m and cash
balances of £90m
allowing further investment
in strategic M&A and
growth capital
investment

Net Debt to EBITDA ratio: at 31 December

1.0x

A strong platform to build sustainable growth

Neil Johnson
Chairman

Governance highlights

+ Full compliance with applicable UK Corporate Governance Code
+ Positive feedback on externally facilitated evaluation of Board and Committees
+ Review and approval of Modern Slavery Act statement and tax strategy
+ Well prepared for forthcoming governance changes

Results
Following consecutive years of strong profits growth in 2015 and 2016, I am pleased to report that Synthomer has made further progress in 2017. Consistent with our expectations, the improved Underlying profitability of the Group has been delivered, with incremental profits from our focused M&A activity in 2016 and 2017 and continued organic growth from our investment in our Europe and North America (ENA) segment more than compensating for the reduced, but stable, Nitrile latex margins in our Asia and Rest of the World (ROW) segment. Volumes were higher by 9% to 1,443.8ktes (2016: 1,324.9ktes) with the increase reflecting a combination of underlying growth and additional volumes from Oxo Belgium (Speciality Additives), which was fully integrated during 2017. Acquisitions helped Group revenue to increase by 42% to a record £1,480.2m (2016: £1,045.7m), further supported by higher average raw material prices and favourable currency translation.

Underlying profit before tax increased from £122.2m to £130.0m, an increase of 6.4% and 3.0% on a constant currency basis. The rise in Underlying profit before tax reflects underlying volume and margin growth, the contribution made by Speciality Additives and the depreciation in Sterling. IFRS profit before tax decreased from £136.7m to £86.4m mainly as a result of one-off items of income in 2016 including the profits on the Malaysian land sales (£33.2m).

Our balance sheet is strong with net debt at 1.0 times EBITDA which allows us significant flexibility to pursue our growth strategy through capital investment and strategic acquisitions.

Ongoing capital investment programme
We continue to focus on organic growth and see significant opportunities to drive growth from our existing businesses. To strengthen our platform for future growth, we initiated a step change in our capital investment programme in 2016 with significant plant expansions at our ARW Pasir Gudang (Malaysia) Nitrile latex plant, and our ENA Worms (Germany) Dispersions plant. The Board is pleased to see that these investment programmes are progressing safely, in line with plans, and will be commissioned and brought up to normal operating levels later in 2018 and early 2019 respectively. We have made further capital commitments to expand our capabilities in Sant'Albano (Italy), Marl (Germany) and Oulu (Finland) and these investments will also come online in late 2018 and early 2019. As well as growth capital investment, the Group has invested in sustenance and SHE related capital expenditure to ensure we are both operating our plants safely and in accordance with evolving legislation.

M&A and integration activity
Acquisitions also remain a key component of our growth strategy During the year, we announced two further bolt-ons: Speciality Additives, which became part of the Group in March 2017, and BASF Pischelsdorf which was agreed in September 2017 and completed in January 2018. These bolt-on acquisitions significantly complement our existing business. Speciality Additives has strong market positions which we will leverage into our existing coatings customer base. The Pischelsdorf site expands our SBR asset and customer base, and will provide further options for our network optimisation in an SBR market characterised by over-capacity. Speciality Additives was successfully integrated into the Group during the year and we are executing the well planned integration of BASF Pischelsdorf. Following the acquisition of the Pischelsdorf site, Synthomer has secured its position as market leader in European aqueous polymers, another milestone for our business.

Our active search continues for a transformational speciality chemical company acquisition and we considered a number of options in 2017. However, we have stringent criteria and we will continue to be disciplined in our approach in terms of quality, strategic fit, opportunity and price.

Following our acquisition of the PAC (Dispersions) business in 2016, integration is substantially complete. The actions that we have taken during 2017 mean that we will not only deliver the $12m run rate of synergies at the end of 2018 but are looking to deliver a further $2m in 2019. As part of this integration, we disposed of one plant in Leuna (Germany) and are engaged in restructuring our Ribécourt site (France).

Governance and Board
We were once again in full compliance with the UK Corporate Governance Code throughout 2017. Our 2017 AGM resolutions received overwhelming support and we were particularly pleased to achieve greater than 99% of votes in favour of our new remuneration policy.

The Board composition remained unchanged until the end of the year when Jinya Chen retired after five years' service. I would like to thank Jinya for his commitment and contribution over that period. The Nomination Committee has initiated a search for a replacement independent non-executive director in order to bring the Board composition back into balance.

An externally facilitated evaluation of the Board and its Committees was carried out in 2017 with the feedback recognising good progress in the ongoing programme to improve Board effectiveness. As we enter 2018, I believe the Board is well positioned to adapt to the changes in the corporate governance landscape envisaged by the new Code proposals currently under consultation and likely to be effective in 2019.

Our people
We now have approximately 2,900 employees in the Group, spread across 29 manufacturing sites and offices, with 40 joining as part of the Speciality Additives acquisition. As a Board, we have visited recently acquired sites over the last year and are delighted to see how our new colleagues have adapted to our values and culture, as well as bringing new skills into the Group.

The Group has reported record Underlying profitability in a challenging and demanding market place and the Board and Executive team recognise the contribution made by all employees. Our drive for growth remains unchanged and on behalf of the Board, I would like to thank each and every employee for their commitment this year.

Safety, health and environment (SHE)
The nature of our industry involves significant hazards and as such our high safety, health and environmental standards are fundamental to what we do across the business. We are pleased to report that we have recorded our lowest ever level of recordable injuries (lower than 2016 by 56%).

We are committed to reducing our recordable injuries to zero and as part of our continuous improvement drive to achieve this we made the embedding of the SHE Principles and 10 Golden Rules, launched in 2016, a priority for 2017. There was a focus on systems linked to permit to work and management of change with the aim of eliminating work being carried out in a way or in an environment which could result in a safety incident. New indicators were developed to track and analyse progress, with specific focus on live monitoring of permit controlled work and control of high hazard activities.

Notwithstanding the considerable improvement delivered in 2017, we are not complacent, and remain absolutely resolute in our campaign for continuous and sustainable improvement.

Dividend
The Board has proposed an increase to the final ordinary dividend per share to 8.5p (2016: 7.8p), resulting in a total dividend per share for the year of 12.2p (2016: 11.3p). This is in line with the Group's dividend policy of a dividend covered 2.5 times by Underlying earnings per share. The final dividend per share is subject to shareholder approval at the Annual General Meeting on 26 April 2018 and will be payable on 6 July 2018 to those shareholders registered at the close of business on 8 June 2018.

The Board is committed to generating attractive growth for shareholders through investing in the Group's significant organic and inorganic growth plans to secure its future progress and the Capital Management Policy of the Group remains unchanged. The Board periodically assesses the balance sheet strength in light of these growth plans, and will consider returning excess capital to shareholders, if appropriate.

Outlook
Looking forward, whilst acknowledging the ongoing challenges in our Nitrile latex and constructions and coatings Dispersions markets, we are confident of making further solid progress in 2018, underpinned by underlying growth in both segments, and from integrating our recent acquisitions

With our significant organic investment in new capacity being commissioned in late 2018, we remain confident in continuing to deliver growth in profitability and driving further value for shareholders in future years.

Neil Johnson
Chairman
1 March 2018

Driving sustainable growth

Calum MacLean
Chief Executive Officer

Strategic highlights

+ Solid and sustainable earnings growth in line with expectations
+ Integration of two bolt-on acquisitions. PAC (Dispersions) and Speciality Additives successfully completed
+ Launch of SyNovus® our innovative patented next generation Nitrile latex
+ Achievement of 20% sales from products launched in the last five years
+ Largest capital expenditure programme in the Group's history, initiated in 2016, progressing to plan and on time to contribute from Q4 2018
+ Strong balance sheet (leverage 1 times net debt: EBITDA) providing flexibility to pursue our strategy

I am pleased to report that we have delivered solid growth in Underlying profitability in 2017, with the strong growth in ENA profits more than offsetting the softer but stable ARW profits.

The strong growth in ENA Underlying profitability was underpinned by further organic growth, particularly in our SBR business, the benefits of our focused M&A activity and the associated synergies in 2016 and 2017, and the depreciation in Sterling which favourably impacted our first half results. ARW Underlying profitability has been resilient, and performed in line with expectations, with Nitrile latex margins broadly stable throughout 2017 at similar levels to the last quarter of 2016. Positively, and as guided at the start of 2017, the overall Underlying profitability of the Group has moved forward in 2017 with the combination of underlying organic growth, M&A activity and favourable currency impact more than compensating for the expected softer Nitrile latex margins.

Underlying profit before tax increased by 6.4% from £122.2m to £130.0m. This reflected a 25.5% increase in ENA Underlying operating profits, up from £93.3m to £117.1m and a decrease in ARW Underlying operating profits, lower at £35.1m from £48.7m. The rise in ENA Underlying profits reflected strong organic growth (£16.0m), including a first full year contribution from PAC (Dispersions), the 2017 acquisition of Speciality Additives (£3.7m) and favourable foreign currency translation impact (£4.1m). The reduction in ARW Underlying profits principally related to the expected softening in Nitrile latex margins seen in the last quarter of 2016, albeit reassuringly the margins broadly held firm at this level throughout 2017.

IFRS profit before tax decreased by 36.8% from £136.7m in 2016 to £86.4m in 2017, reflecting the inclusion in 2016 of large gains on Malaysian land sales (£33.2m) and disposal of our South African business (£4.7m), and the foreign currency hedge gain associated with the PAC (Dispersions) acquisition purchase price (£13.1m).

Cash generated from operations increased to £162.6m (2016: £157.0m) and the cash flows were again strong with good conversion of EBITDA to cash The cash performance of the business over the year meant that the Group's leverage at the year end was 1 times net debt:EBITDA. Capital spend increased to a record £60.3m in line with guidance and our stated strategy to invest in our principal sites. We also invested in our inorganic growth strategy with the acquisition of Speciality Additives, our second bolt-on acquisition, for £66.1m, and completion of our third bolt-on acquisition which took place after the year end on 31 January 2018 for a further £25.7m. Our strong balance sheet continues to give us options for both organic and inorganic investment opportunities to support future growth.

Safety, health and environment
In 2017 we had the best ever recordable injury rate, which was reduced by 56% relative to 2016, and we are reassured to see positive movement in our other SHE key performance measures. Whilst we are pleased with the marked improvement, this is a consequence of daily attention and vigilance in our working practices and processes, and we recognise that there is no place for complacency in this regard. The high standards set by the Group in relation to safety, health and environment are complemented by the significant investment we continue to make, and our Group SHE team monitor the Group's adherence to our standards and report on our performance against those standards at each Executive team and Board meeting.

The Group built on the strong platform of safety standards put in place in the prior year by embedding the SHE Principles and 10 Golden Rules in our operations as well as focusing on eliminating the opportunity for work to be carried out in an unsafe way or unsafe environment. A rolling programme of Process Hazard Assessment Revalidation has been completed on all our high risk sites and prioritised action plans are being implemented to address identified gaps. This programme will be expanded to all sites in 2018.

Strong progress has been made in our commitment to the environment with a 10% reduction in VOC emissions through making operational changes in our sites, particularly the UK. With the M&A activity adding new sites to our network, we are in the process of setting new targets for all our environmental key performance indicators.

Innovation
In 2017, sales of new products launched in the last five years was again 20%, in line with 2016 and meeting our stated target. We are excited at the launch of more new products in 2017 with the major launch being our new and patented Nitrile latex, SyNovus®. The new product launch of SyNovus® represented a further milestone for our innovation team in Malaysia, reducing the development time from inception to commercialisation, including patenting the proprietary technology, to just 18 months. The shortened innovation process, representing a reduction of almost 50% on previous new product developments, is a testament to the dedication, skill and expertise of our in-house R&D team.

This patented product delivers significant value to both our customers and the end user markets as the SyNovus® formulation significantly reduces the required operating temperature of glove manufacturing lines, reducing both energy costs and the associated environmental impact. It also reduces maturation time thus enabling glove manufacturing lines to run at higher throughput providing manufacturers with increased capacity without capital expenditure, and additionally eliminates certain additives introduced to Nitrile latex formulations reducing the risk of potential allergic reactions with end users.

These benefits, coupled with superior tensile strength, improved colour and reduced odour resulted in a positive, well-received product launch in Kuala Lumpur with over 150 glove manufacturing leaders and guests in attendance.

M&A integration
With three acquisitions, PAC (Dispersions), Speciality Additives and BASF Pischelsdorf, over the last two years, and ongoing discussions in relation to transformational and further bolt-on acquisitions, our ability to successfully integrate is crucial to capturing value. We are pleased with the progress made in the integration of PAC (Dispersions) and Speciality Additives and are already implementing a detailed plan for the BASF Pischelsdorf acquisition. The integration of PAC (Dispersions) is substantially complete with the final two major actions initiated in 2017, the sale of the Leuna (Germany) site and the announcement of the restructuring of Ribécourt (France) site. We are on target to deliver the run rate synergies of $12m by the end of 2018, with a further $2m run rates savings to be delivered in 2019.

Delivering organic growth
The largest capital investment programme in the Group's history is well underway. This will help to maintain and upgrade our current asset base and respond to market demand for our products. This programme commenced in 2016 and we spent £60.3m in 2017 across the Group. Our Project Excellence approach has been introduced Group-wide and aims to ensure that all of the projects are completed safely, on time and within budget.

Given the global mega-trends of urbanisation, aging demographics, evolving middle class, increasing mobility and the ever more stringent environmental legislation, there is increasing demand from the market for more of our speciality chemicals and for enhancements to our product portfolio, and we have invested accordingly with capacity as well as capability expansions in a number of our sites.

- Nitrile latex: 90ktes expansion of our Pasir Gudang (Malaysia) site due for completion in late 2018 with a further expansion in an advanced stage of planning to address a market which is growing at 8% to 10% per annum.
- Dispersions: 36ktes capacity of made-to-order speciality acrylic lines in Worms (Germany) and a 9ktes increase in acrylic capacity in Roebuck (USA) scheduled to be complete in early 2019
- SBR latex: Enhancement to our Marl (Germany) site to improve output levels to take advantage of opportunities in the Foam Market and an upgrading of our Oulu (Finland) site to move from supplying the declining graphic paper market to the growth markets of speciality paper and packaging.

We continue to invest in the organisational structure and, over the last 3 years, have established teams in Operational and Manufacturing Excellence, Business Development and Specialist Feedstock Procurement. In 2018 the programmes will be further enhanced by the introduction of our Commercial Excellence programme to our commercial organisation, designed to ensure we work more closely with our customers in generating value.

Delivering M&A growth
Growth through acquisitions is a key part of our growth strategy. We are highly active in targeting and reviewing speciality chemical acquisition opportunities. These will include both bolt-on acquisitions, similar to the ones we have completed, and more transformational step-change strategic transactions in adjacent chemistries. Our experienced M&A and due diligence teams will be opportunistic but disciplined in their approach to acquisitions.

We have made three speciality chemical company acquisitions in the last two years, all bolt-on acquisitions complementing our existing businesses, and have reviewed many other opportunities that have not resulted in completed acquisitions Whilst we remain highly active in M&A processes, we have a clear focus on what constitutes an attractive acquisition target, what price we are prepared to pay and a firm commitment to incisive due diligence. We will remain resolute and disciplined in pursuing only the right value-enhancing opportunities.

Outlook
Looking forward, whilst acknowledging the ongoing challenges in our Nitrile latex and constructions and coatings Dispersions markets, we are confident of making further solid progress in 2018, underpinned by underlying growth in both segments, and from integrating our recent acquisitions.

With our significant organic investment in new capacity being commissioned in late 2018, we remain confident in continuing to deliver growth in profitability and driving further value for shareholders in future years.

Calum MacLean
Chief Executive Officer
1 March 2018

Global trends driving our growth strategy

What we make	Dispersions	Nitrile Butadiene Rubber (NBR)

What we do

Market position	No.1 producer in Europe and Middle East and No.1 producer in Malaysia.	No.2 producer globally.
Principal markets served	Construction, coatings, adhesives and textiles.	Health and protection.
Main product areas	Cement modification, primers, flooring adhesives, flexible roof coatings, emulsion and specialist paints, coatings and oilfields.	Medical gloves, medical devices (e.g. catheters) and other dipped latex products.
Mega-trends		Urbanisation Ageing demographics

Europe and North America

Where we manufacture	USA, Germany, Italy, Spain, France, UK and Czech Republic.	Italy.
Revenue	£315.7m	£25.3m
Market trends		
Outlook	Markets are growing, environmental regulations moving to waterbased products support growth.	Demand in line with strong growth mainly Asia/US markets.
Priorities	Continued operational and sales synergies. Capacity and capability expansion and debottlenecking, operational efficiencies and plant network optimisation.	Innovation and operational efficiencies.

Asia and Rest of the World

Where we manufacture	Malaysia, Vietnam, Thailand and Middle East.	Malaysia.
Revenue	£68.3m	£210.5m
Market trends		
Outlook	Market growth forecast in South East Asia. Middle East construction sector remains subdued.	High growth in end user demand for Nitrile latex gloves. Next generation of product introduced to the market.
Priorities	Bring Thailand up to Synthomer operational standard and innovation.	Delivery of Nitrile latex project in Malaysia, commercialisation of SyNovus® and operational efficiencies.

We provide products to a broad range of manufacturing industries. Whilst trends within the various industries vary, we aim to drive value from the differing market dynamics whilst focusing our investments on growth markets.

One of our aims is to add value by differentiating our products to make them more efficient in use, offering superior quality and enhanced product performance. The trends in the market segments are the key driver for Synthomer's investment decisions. These trends and industry descriptions are contained in the table below.

Read more about our Business Model and Strategy in action on pages 16 – 23

Read more on how we manage risks on pages 32 – 37

Styrene Butadiene Rubber (SBR) (including compounds, high solid SBR formulations)	Specialities
No.1 producer in Europe.	
Paper, carpet and foam markets.	Specialist markets including automotive, PVC manufacture, construction and polymer manufacture.
Coated paper, packaging, bindings for carpet, foams for mattresses, pillows and shoes. Compounds for carpet backing and high solid latex applications.	Automotive sound dampening, PVC, polyester resins for powder coatings, catalysts, flame retardants and monomers.
Energy conservation	Green clean

Read more on pages 26 – 28

Germany, Italy, Finland, UK, Netherlands and Egypt.	UK, Italy, Belgium and Czech Republic.
£449.7m	£344.2m
Foam and compounds growing, carpet flat, graphic paper declining being partly offset by speciality paper and packaging.	Positive outlook, though challenges in certain catalysts markets continue.
Integration of new acquisition, debottlenecking and asset rationalisation. Expansion into new markets.	Innovation, integration, operational efficiencies, capacity debottlenecking.

Read more on pages 29 – 31

Malaysia.	Malaysia.
£9.2m	£57.3m
Strong demand expected medium term, particularly in niche products.	Increase in demand expected.
Expansion of local market with products from Europe and look to maximise asset capacity.	Continue to supplement market growth from Europe.

Creating and sustaining value through innovative solutions

Our sustainable value chain

Logistics
Our specialist logistics teams work on ensuring safe and timely deliveries of excellent products in more than 140 countries.

Quality control
Our quality control procedures and laboratories ensure that we manufacture and store finished products in a manner that assures quality

Production
Experienced operations teams continue to optimise the production process to be most efficient by using complex production techniques and removing bottlenecks.

Sourcing raw materials
We work closely with our suppliers to obtain competitive prices, correct specification, and to improve supply chain resilience.

Our strategy

Our mission is to provide our customers with innovative and high performance solutions that enable them to efficiently produce their own high quality products.

Our strategy is composed of five key elements:

1. Research and development and technical expertise to exploit new markets
We anticipate market trends and customer requirements to deliver improved products with improved margin and product differentiation.

2. Driving efficiency and excellence through operations
We operate continuous improvement across our operations to improve production efficiency, sales effectiveness and functional excellence. We seek to identify good practice in all areas of our business and ensure that relevant learnings are disseminated throughout the business.

3. Capacity utilisation
Our aim is to drive profitability through maximum utilisation of our assets. This involves identifying the root causes of production bottlenecks and finding innovative solutions to eliminate them.

4. Investment in capacity
We seek to add capacity in growth markets.

5. Business growth through acquisition
We actively seek opportunistic bolt-on acquisitions in similar chemistries or transformational step change transactions not limited by geography or chemistry.

Read more on pages 18-19

Synthomer is a speciality chemical company which uses its Technical Services expertise and R&D capability to understand and anticipate customer needs to drive competitive advantage.

We produce chemical formulations for thousands of customers in a range of industries, from construction and coatings to healthcare and automotive. Our strategic procurement specialists acquire the upstream raw materials used in our complex production processes which involve controlling the pressure, temperature and duration of mixing reactions in order to create specific formulations. Our highly skilled and experienced Operations teams, supported by R&D, deliver cost effective and flexible operational capabilities to maximize output and quality.

Our production sites are local to our customers to better understand their needs and reduce the cost of logistics and our environmental impact. We have leading market positions in Europe and South East Asia, which continue to be underpinned by our drive for environmentally friendly technology and exposure to global mega-trends.

Effective risk management is the key method we deploy to ensure our strategy is delivered and sustainable value created.

Research and development
Under central leadership our four research and development 'centres of excellence' work to both develop products that meet our customers' needs and to improve the efficiency of their manufacture.

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

Technical services
Our technical service teams work with our customers to ensure we provide the right formulation for their needs.

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

Key beneficiaries of our value chain

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

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

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

Customers
Our customers expect us to provide them with innovative, high quality, competitive products. We seek to work in partnerships with customers, using our skilled R&D and Technical Services teams, to develop products that support their goals.

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

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

Strategy at a glance

Strategic priority	Description	2017 achievements
1 Research and development and technical expertise to exploit new markets	We anticipate market trends and customer requirements to deliver improved products with improved margin and product differentiation.	Sales of new products launched in the last five years was at 20.0% of total revenue for the second consecutive year. Launch of patented SyNovus®, next generation Nitrile latex product. Concept to commercialisation process accelerated to meet market demand. Board approval to evaluate a new state-of-the-art Innovation centre in Asia.
2 Driving efficiency and excellence through operations	We operate continuous improvement across our operations to improve production efficiency, sales effectiveness and functional excellence. We seek to identify good practice in all areas of our business and ensure that relevant learnings are disseminated throughout the business.	Utilised value gap analysis to embed operational excellence tools and drive improved performance. Begun the roll out of our Customer Relationship Management system across business to trace new product leads, capitalise on customers' needs and enhance cross selling opportunities. Delivery of strategic procurement initiative to provide resilience to security of supply and leverage our procurement of key raw materials.
3 Capacity utilisation	Our aim is to drive profitability through maximum utilisation of our assets. This involves identifying the root causes of production bottlenecks and finding innovative solutions.	Debottlenecked our site in Marl (Germany) to increase production of Foam. Disposal of Leuna (Germany) site and announcement of rationalisation of Ribécourt (France) site as part of the development of the manufacturing network following the acquisition of PAC (Dispersions).
4 Investment in capacity	We seek to add capacity, particularly in growth markets.	Approved capacity and capability expansions at SBR plants in Marl (Germany) and Oulu (Finland) and powder coatings in Sant'Albano (Italy). Use of Project Excellence methodology in capacity expansion projects in Malaysia and Germany results in projects being on time and on budget.
5 Business growth through acquisitions	We actively seek opportunistic bolt-on acquisitions in similar chemistries or transformational step change transactions not limited by geography or chemistry.	We completed the acquisition of Speciality Additives with one new plant, and introduced new products. Agreed to acquire BASF's Pischelsdorf site in Austria, which completed on 31 January 2018. Delivered PAC (Dispersions) synergies run rate savings of $12m by end of 2018 likely further $2m of run rate savings beyond 2019.

Key performance indicators	2018 priorities	Risk
20% Revenue from new products less than five years old.	Market penetration of SyNovus® Secure site for Asian Innovation centre	• Protection of IP • Competition • Market cyclicality
£176.2m Underlying EBITDA **3.46** Energy consumption (GJ/tonne) **£130.0m** Underlying PBT **0.13** Recordable accident frequency rate	Completion of our energy reduction projects Continued use of our Manufacturing Excellence Process to drive improved performance. Global roll-out of CRM. Introduce Commercial Excellence	• Raw material price volatility • Accidents or environmental incident • Failure of Plant or systems • Compliance • Financial market volatility
£176.2m Underlying EBITDA **£130.0m** Underlying PBT **30.7p** Underlying EPS **1,443.8** Volume (Wet ktes)	Use at value gap methodology to identify and unlock 'hidden capacity' in our assets.	• Competition • Raw material price volatility • Failure of Plant or systems
£176.2m Underlying EBITDA **£130.0m** Underlying PBT **30.7p** Underlying EPS **1,443.8** Volume (Wet ktes)	Use of Project Excellence methodology to deliver our capacity improvement projects	• Failure of projects • Market cyclicality
£176.2m Underlying EBITDA **£130.0m** Underlying PBT **30.7p** Underlying EPS	We are highly active in identifying, targeting and reviewing opportunities, both in relation to bolt on acquisitions and transformational step change transactions in adjacent chemistries. Drive integration and synergies from BASF Pischelsdorf	• Availability of suitable opportunities • Failure of acquisition to deliver benefits • Financial market volatility

Read more on pages 24 – 25

Read more on pages 32 – 37

Strategy in action

Responding to market needs

Synthomer launches SyNovus®
Continuing our leadership in synthetic Nitrile latex in 2017 we launched our latest patented innovation, SyNovus®.

Designed as a low energy Nitrile with reduced maturation needed, SyNovus® offers superior tensile strength and higher *levels of durability and chemical resistance.* A significant improvement in colour and odour improvement makes SyNovus® a superior product of choice for the glove industry.

It is the answer to the industry's needs – lower operating costs and improved efficiency, and is accelerator free which is attractive to glove producers and which helps reduce the risk of allergic reactions for end users. This presents the glove industry with the opportunity to develop new market opportunities whilst improving the sustainability of manufacturing processes.

SyNovus® is the latest innovation and industry benchmark for disposable glove manufacturing. It is a leading solution that makes manufacturing smarter, transforming chemistry into business value and safer healthcare for all.

+ Accelerator free
+ Chemical resistance
+ Durability
+ Tensile strength

+ Lower operating costs
+ Reduced maturation – improving customer throughput
+ Colour and odour improvement

Concept to commercialisation

18

months

Investment in organic growth

Investment – largest ever capital investment in Synthomer

£45m

Pasir Gudang Nitrile latex

1. 2009 Initial Capacity

100ktes pa

2. 2013 Phase 1 Expansion

+ 30ktes pa

3. 2015-16 Phase 2 Process Improvement

+ 47ktes pa

4. 2018 Phase 3 New Capacity

+ 90ktes pa

5. Future Phase 4 New Capacity

+ 60ktes pa

- Largest Nitrile latex Emulsion plant in Synthomer
- Located in the heart of Glove Dipping Industry
- New "Big Reactor" Technology
- Supported by a robust supply chain & long term market dynamics

"This project represents a significant commitment to the glove dipping market where market demand exceeded 1 million tonnes for the first time in 2017. With the global gloves market growing at circa. 8% per annum, this investment will allow us to maintain and grow our market share. Plans are already well advanced on Phase 4."

Jason Davies, SBU Director, Health & Protection

"Work on the Phase 3 expansion began in 2016 and has progressed safely, on time and on budget through 2017. Our dedicated team has so far completed more than 1 million safe hours of work. All of the major construction is complete with system handover and commissioning starting in Q1 2018 and commercial production anticipated to begin before the end of 2018. As part of this project, ground works and infrastructure have been completed to allow a fast execution of the Phase 4 expansion."

Derick Whyte, Executive Vice President, Asia

Business growth through acquisition

BASF Pischelsdorf Austria: Acquired January 2018

- No of sites: 1
- No of employees. 42

The Business produces Styrene Butadiene Rubber ("SBR") used in the paper industry, notably in packaging end-markets and will enhance Synthomer's SBR business and production network for paper/packaging applications as well as increase the Group's access to attractive new opportunities across Europe.

"The acquisition of BASF Pischelsdorf underscores our long term commitment to our customers in the paper industry, whilst providing us with an additional site to strengthen our network and giving us stronger access to growing packaging end-markets in Europe."

Bettina Peck, SBU Director, Paper, Carpet and Foam

+ Expands manufacturing network

+ Strengthens market leadership

"This bolt-on acquisition by our ENA business meets all of the criteria that we apply to M&A opportunities and is a welcome addition to the Group. Our integration team have been working with the newly acquired business from the date of acquisition to ensure that the process goes to plan and delivers to all stakeholders safely and quickly. Synthomer is the clear leader in the European market."

Calum MacLean, CEO

Successfully completed business integrations

PAC (Dispersions)
Acquired June 2016

- Markets: Dispersions, additives, powder coatings and speciality monomers,
- Synergies: $12m annualised from end 2018, including further $2m annualised in 2019

Key actions undertaken:

- Disposal of Leuna (Germany) site
- Restructuring of Ribécourt (France) site

Sites

7

R&D location

1

Employees

760

"We have substantially completed the integration of PAC (Dispersions) by initiating the final two major actions in 2017 and are on target to achieve and exceed our synergy goals ."

Christoph Breucker,
Vice President Europe

Speciality Additives
Acquired March 2017

- Markets: Niche performance additives for the decorative and industrial coatings industries
- Synergies: cross selling opportunities into existing customer scope

Key actions undertaken:

- Deployment of Synthomer ERP
- Sales and customer services successfully transferred from Perstorp
- Planning for site expansion

Employees

40

"Speciality Additives was fully integrated into Synthomer in 2017 which is a testament to the employees there and within the wider Synthomer business. This speciality additives business, which is highly complementary to our existing markets and customers, has strong market leadership positions (#1 or #2) and serves a highly attractive, blue-chip customer base."

Neil Whitley, Vice President Specialities, M&A and HR

Measuring our progress

Volume (Wet ktes)

Strategic focus

3 4 5

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

Underlying EBITDA (£m)

Strategic focus

1 2 3 4 5

KPI definition
Underlying operating profit before depreciation, amortisation and Special Items.

Underlying profit before tax (£m)

Strategic focus

1 2 3 4 5

KPI definition
Underlying profit before tax comprising IFRS profit before tax excluding Special Items.

Underlying earnings per share (pence)

Strategic focus

3 4 5

KPI definition
Basic Underlying earnings per share before Special Items.

Revenue from new products (%)

Strategic focus

1

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

Recordable accident frequency rate

Strategic focus

2

KPI definition
Recordable injury rate for accidents involving more than first aid treatment, expressed as accidents per 100,000 hours worked by employees and all contractors.

Energy consumption per tonne (GJ/Tonne)

Strategic focus

2

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

Comment
- Underlying growth as well as the acquisition of PAC (Dispersions) and Speciality Additives, partly offset by the disposal of our South African business in 2016.

Comment
- Record year for Underlying EBITDA benefitting from the acquisitions, performance improvements and foreign currency translation gains
- Innovation, capacity expansion and cost control critical to continuing improvement.
- Sustainable growth underpinned by organic and inorganic acquisitions more than compensating for expected softening in Nitrile margins

Comment
- Record year for Underlying profit before tax benefitting from the acquisitions, performance improvements and foreign currency translation gains.
- Innovation, capacity expansion and cost control critical to continuing improvement.
- Sustainable growth underpinned by organic and inorganic acquisitions more than compensating for expected softening in Nitrile margins.

Comment
- 8.5% growth in Underlying EPS in the year benefiting from the acquisitions, performance improvements and foreign currency translation gains.

Comment
- Continued success in our strategy to innovate and create products to meet market and customer needs.
- Achieved our target of 20.0% for the second consecutive time since the KPI was introduced

Comment
- 56% reduction in the recordable accident rate in 2017 continuing an improving trend.
- SHE Principles and 10 Golden Rules embedded across the business.
- Process Hazard Assessment exercise completed on high potential risk sites and processes.

Comment
- 10% reduction in VOC emissions.
- Energy use has increased 2.5% primarily due to the nature of the production facilities acquired as a part of the acquisitions.
- 2018 will have renewed focus on energy savings at our top five sites by energy consumption.

Link to strategy

1 Research and Development and technical expertise to *exploit new markets*

2 Driving efficiency and excellence through operations

3 Capacity utilisation

4 Investment in capacity

5 Business growth through acquisition

Read more on pages 18-19

Europe and North America (ENA)

Good underlying organic growth and successful integration of acquisitions

Highlights

+ Volume and margin growth in both Europe and North America
+ Leading market position in aqueous polymers in Europe
+ PAC (Dispersions) and Speciality Additives acquisitions successfully integrated and contributing to performance.
+ Acquisition of BASF Pischelsdorf completed on 31 January 2018

Revenue % of Group

Underlying operating profit % of Group

ENA revenue increased from £746.1m to £1,134.9m, an increase of 52.1%. The rise in revenue mainly reflects incremental volumes associated with the PAC (Dispersions) and Speciality Additives acquisitions, the positive impact of weaker Sterling, and the higher average raw material prices year on year.

Underlying operating profit at £117.1m was 25.5% higher (2016: £93.3m), and IFRS operating profit at £77.5m was 2.8% higher (2016: £75.4m).

The significant improvement in ENA's Underlying operating profit was due to good underlying growth of the existing business (£16.0m) including the full year benefit of PAC (Dispersions), the acquisition of Speciality Additives (£3.7m) and the favourable currency translation associated with the depreciation in Sterling (£4.1m).

The segment achieved an improved overall margin, driven by higher unit margins in our SBR and Specialities businesses. Volumes were 1,067.7ktes (+14.0%) with volume increases in most markets compensating for a further reduction in paper volumes.

SBR volumes and unit margins in our Carpet and Foam markets increased in 2017. Paper volumes were slightly lower in line with the market but margins have been maintained, despite the volatility in raw material prices during the year. SBR benefitted from capital investment to debottleneck our facility in Marl (Germany) which delivered additional capacity and allowed us to take advantage of growing opportunities in the attractive Asian Foam market.

Our Dispersions business increased volumes but, consistent with other market participants, saw a marginal unit margin decline as a result of rising raw material prices. Unlike the SBR business, the contracting model in this market is to negotiate prices mainly on a monthly basis. The integration of the PAC (Dispersions) business, including the consolidation and reallocation of production, allows this business better control over its cost base and improved flexibility to serve customers through our strategically located manufacturing network.

Underlying performance

			Increase/(decrease)	
	2017	2016	% reported	% constant currency
Volumes (ktes)	**1,067.7**	936.7	14.0	
Revenue (£m)	**1,134.9**	746.1	52.1	47.6
EBITDA (£m)	**140.9**	111.2	26.7	22.5
Operating profit – Underlying performance (£m)	**117.1**	93.3	25.5	21.1
Operating profit – IFRS (£m)	**77.5**	75.4	2.8	

Constant currency revenue and profit: these reflect current year results for existing business translated at the prior year's average exchange rates, and include the impact of acquisitions.

The integration of the PAC (Dispersions) business, acquired in 2016 has been substantially completed with a number of actions taken this year:

- Our small manufacturing site in Leuna (Germany) was disposed of on 1 January 2018. This small site lacked the operational scale required for our manufacturing network and, while the site will continue to manufacture products for Synthomer for a short period, its production will be moved to other facilities in our network in due course; and
- During December 2017, we commenced a restructuring programme at our manufacturing site in Ribécourt (France) to right size and simplify the site operations commensurate with its core activities of dispersion and spray drying redispersible powders. The site simplification will enhance its operational efficiency by reducing the product portfolio as well as reducing the fixed cost base. This restructuring programme is expected to complete in 2019.

These actions will complete the integration of the PAC (Dispersions) acquisition and will allow us to deliver, as previously announced, the run rate synergies savings of $12m by the end of 2018, with a further incremental $2m of run rate savings to be delivered in 2019.

Our niche businesses in Specialities showed strong underlying volume and margin growth along with the contribution made by the acquisition of Speciality Additives. Speciality Additives, a niche performance speciality additives business serving the decorative and industrial coatings industries, has strong market leadership positions (#1 or #2) and serves a highly attractive, blue-chip customer base. The business operates from a well located, single site in Ghent, Belgium where there is potential for growth in capacity to meet future demand. The business is highly complementary to Synthomer's existing markets and customers and the Group is focused on expanding its market position through developing closer relationships with customers and driving operational performance.

On 31 January 2018 we completed the acquisition of the SBR business and assets of BASF Pischelsdorf (Austria) for an enterprise value of €30 million. The business produces SBR used in the paper industry, notably in packaging end-markets. The acquisition enhances Synthomer's SBR business and production network for paper and packaging applications as well as increasing the Group's access to attractive new opportunities across Europe, underscoring our long-term commitment to our valued customers in the paper industry.

Priorities for 2018

Looking ahead to 2018, ENA management is focused on driving growth and the future profitability of the business. In delivering this growth strategy the key priorities for 2018 are:

+ **Organic growth at least in line with GDP**
+ **Continued delivery of acquisition synergies**
+ **Integration of the BASF Pischelsdorf acquisition into our existing plant network**
+ **Commissioning our capacity and capability expansions**

The acquisition of the Pischelsdorf site firmly cements Synthomer as market leader in European aqueous polymers, a significant milestone in the development of our ENA business.

Our organic growth strategy is as important to our ENA business as our inorganic M&A growth strategy. We have committed significant capital resources this year to meet the growing demand for our products across Europe and America, through targeted growth capex at our principal sites. These investments included:

- £17m in Worms (Germany) to build made-to-order speciality acrylic lines which is on time for commissioning in early 2019;
- £12m investment in Roebuck (USA) on a new acrylic reactor line scheduled to be ready in early 2019;
- £3m to expand capacity at our powder coatings business in Sant'Albano (Italy) which will come online in Q4 2018; and
- £2m in our SBR facility in Oulu (Finland) scheduled to come online in Q3 2018 to expand our capabilities to supply the growing packaging and speciality paper markets.

Asia and Rest of the World (ARW)

In line with expectations, Nitrile latex margins stable

Highlights

+ Resilient volumes in Nitrile latex in a challenging market
+ Nitrile latex unit margins in line with Q4 2016
+ Continued expansion of our sales portfolio in China
+ Successful launch of SyNovus®, patented next generation Nitrile latex technology

Revenue % of Group

Underlying operating profit % of Group

Segmental review: Asia and Rest of the World (ARW) continued

The performance of our ARW business in 2017 was in line with expectations, with the lower profitability principally driven by the well trailed softer Nitrile latex margins, the disposal of our South African business in August 2016, and the ongoing investment at our PAC Chonburi (Thailand) site to integrate it into the Asia dispersion network system.

Underlying operating profit at £35.1m was 27.9% below the prior year (£48.7m), and the IFRS operating profit at £31.2m was 61.6% below the prior year (£81.3m). The 2016 IFRS operating profit included the profit on the Malaysian land sale of £33.2m and the profit on the sale of the South African business of £4.7m.

The Nitrile latex margins, whilst lower overall than 2016, have been reasonably resilient and appear to have settled at a lower level in 2017, broadly consistent with the margins seen in Q4 2016. Reassuringly, the Nitrile latex margins achieved have improved over earlier years when new capacity was brought on line and now reflect the level of substantial investment made in our customer focussed research and development, capacity expansion, service and quality. We are committed to this market and to our important customer relationships, and our investment in both increased capacity and the patented SyNovus® product are testaments to this.

Our 2017 Nitrile latex volumes were broadly flat relative to 2016 with our existing capacity sold out, except for modest volumes foregone in short shutdown periods to integrate the incremental capacity to be brought on line later in 2018.

Volumes in the Dispersions business were also broadly in line with the prior year despite the disposal in 2016 of our South African business but, like others, margins were impacted by the rise in raw material prices. The start-up production facility in Chonburi (Thailand), which joined the Group as part of the PAC (Dispersions) acquisition in 2016, continued to require operational support to bring it into line with Synthomer standards and had a negative contribution of £2.3m in the year. A new management team has been now put in place to take the site forward.

Research and development is a critical part of our Nitrile latex and Dispersions businesses, and we are currently evaluating the opportunity to invest in a new state-of-the-art Innovation Centre in the region by 2020 and in continuing developmental research in our core markets.

University level sponsorship has been a core part of building Synthomer's technology and innovation capability. This year our PhD sponsored student at Manchester University successfully completed his studies and joined our R&D Team in Kluang, and in Asia the Group continued its collaboration with Universiti Teknologi Malaysia (UTM), where a Masters Level student has been sponsored to work on a Synthomer defined emulsion polymerisation project. On completion of her degree in Q1 2018, she will also join the R&D team in Kluang. For the second year running, Synthomer sponsored an award for Best PhD thesis in Polymer Science at the Institut Kimia Malaysia (IKM, Malaysian Chemistry Society).

Underlying performance

			Increase/(decrease)	
	2017	2016	% reported	% constant currency
Volumes (ktes)	376.1	388.2	(3.1)	
Revenue (£m)	345.3	299.6	15.3	14.8
EBITDA (£m)	**48.2**	60.4	(20.2)	(20.4)
Operating profit – Underlying performance (£m)	35.1	48.7	(27.9)	(28.1)
Operating profit – IFRS (£m)	31.2	81.3	(61.6)	

Constant currency revenue and profit: these reflect current year results for existing business translated at the prior year's average exchange rates, and include the impact of acquisitions.

The Nitrile latex market reached the milestone of one million tonnes per annum of demand during 2017 and continues to grow at between 8% to 10% per annum. In September 2017, Synthomer's Innovation Group responded to the demand of end users and glove manufacturers by launching SyNovus®, a ground breaking patented new product. SyNovus® is designed to have significantly reduced maturation time, superior tensile strength properties, higher levels of durability and improved chemical resistance with unprecedented colour and odour improvements. This new product was warmly received by industry leaders at a dedicated launch event in Kuala Lumpur. The Innovation Group also launched a new higher performing XSBR latex application for the Carpet market during the year

Our 90ktes capacity expansion of our Nitrile latex facility in Pasir Gudang (Malaysia), the largest capital investment undertaken by the Group at £45m, is progressing safely, on time and on budget We have now completed all the major construction work with commissioning later in 2018 when our installed capacity will increase by approximately 40%. As the current expansion moves into the commissioning phase we have started the evaluation process for the timing of the next stage of the Pasir Gudang expansion, the introduction of a further 60ktes of capacity, recognising the infrastructure and civil engineering for this further expansion has been undertaken in the earlier stage of the project. The continued growth in demand for Nitrile latex remains significant and we are well placed to capitalise on this growth with our existing capacity, our incremental next stage 60ktes capacity expansion, and our exciting new patented SyNovus® product.

Priorities for 2018

Turning to 2018 activities, the business is well placed to secure future growth in profitability and management is keenly focused on the principal activities that will allow this potential to be unlocked. The priorities for 2018 are:

+ **Successful completion of capital investment programme in Pasir Gudang**
+ **Continue to manage Nitrile latex margins in an evolving and competitive market**
+ **Improve operational efficiency of Chonburi to Synthomer standards**
+ **Market penetration of SyNovus®**
+ **Finalise planning for the next phase of Nitrile latex capacity expansion**

Managing risk

Successful risk management is fundamental to achieving Synthomer's strategy by facilitating good decision making, embracing opportunities and protecting our sites, systems, staff and other stakeholders.

Risk oversight

Synthomer plc Board
The Board is responsible for creating the framework for the Group's risk management to operate effectively including setting the risk appetite and risk tolerances.

Audit Committee
The Audit Committee is responsible for overseeing the management of the principal risks, controls and the assurance processes.

Executive management
Executive management are responsible for the management of our strategic, operational, compliance and financial risks using the Risk Management framework. This includes ensuring there are effective mitigating actions and controls in place.

Identification and assessment of risk
We have a structured risk management framework operated at regional and Group level. The Business Risk Assessment Methodology defines a standard set of risk categories with generic risk descriptions to assist management in identifying areas of risk. There is also a simple scoring methodology to quantify risk. We rank risks, taking into account the mitigating controls in place, by combining their economic, operational or reputational impact and the likelihood that they may occur

We use a barrier based "bow tie" method to help management define and assess the most critical risk events. The method brings structure to the identification of hazards or risk events, potential causes of those hazards and the consequences of the hazard occurring. The bow tie method also identifies barriers or controls in place or needing to be developed to mitigate the likelihood of the threats occurring or impact of the effects of the risk event.

Risk output
Executive management and Group Functions conduct a comprehensive independent assessment of the principal risks at Group level and record them in a risk register. The Board reviews and approves the Group risk register.

Each region undertakes a formal risk assessment and prepares a register using the Business Risk Assessment Methodology.

Risk management review and assurance
Group Risk Function
The Group Risk Function, an integral part of our Group Operations Function, challenges the assumptions, risks identified, prioritisation and mitigating actions in place or proposed.

Bow tie methodology
A barrier based bow tie methodology is used to clearly show the relationship between the potential causes (threats), consequences and controls (barriers) associated with undesired hazardous events

Hazard

Threat 1 | Proactive barrier | Proactive barrier | Recovery barrier | Recovery barrier | Consequence

Top event

Threat 2 | Proactive barrier | Proactive barrier | Recovery barrier | Recovery barrier | Consequence

Escalation factor | Escalation factor barrier | Escalation factor barrier | Escalation factor

Assessment of principal risks

Our key risks and assessment of their likelihood and potential impact are illustrated in the probability / impact matrix opposite:

Strategic
1 Volatility in the chemicals and polymers market
2 Competition and failure to innovate
3 Intellectual property
4 Manufacturing capacity expansion
5 Acquisition strategy

Operational
6 Safety, health and environment (SHE)
7 Volatility in raw material prices
8 Loss or failure of a manufacturing site
9 Security of systems and sites

Compliance
10 Product quality
11 SHE regulation
12 Ethics

Financial
13 Financial Market Volatility

Assurance providers
Synthomer operates a "three lines of defence" model. A number of different internal assurance providers (for example, Group SHE, ISO audits and Internal Audit) review the effectiveness of the mitigating actions and controls. External assurance is provided by our Statutory Auditors and also by an external specialist in ISO standards.

Our key risks
Risks affect us in many ways. We identify the likelihood and potential impact of risks through our formal twice yearly risk assessment submissions and also more regularly through empowering management to consider and react to risks. These reviews, together with our three line defence model, enable us to establish effective controls to mitigate their effects.

We categorise our risks taking into account the effectiveness of mitigating actions and controls, in the following areas:

- Strategic risks that could prevent us from achieving our strategic objectives.
- Operational risks which, if not successfully managed, would threaten our viability. These relate to our ability to operate a sustainable and safe business.
- Compliance risks where a breach of regulations or laws could lead to fines from Regulators and reputational risk that may be disproportionate to the size of the event leading to a breach.
- Financial risks relating to the funding and fiscal security of the Group.

The table on pages 34 to 37 shows more detail on the key risks identified in 2017. Our Board and management consider that these pose the greatest threats to our business and they score highest on our risk table. They fall into categories that relate closely to our business model. Not all risks facing Synthomer are listed and the risks are not listed in any order of priority.

The nature of risk changes over time with new risks emerging and the impact of others changing. Our risk management and assurance programme can only provide reasonable, not absolute, assurance that key risks are managed to an acceptable level

The three lines of defence

Board/audit committee

Senior management

External Auditor

1st line of defence
+ Policies
+ Procedures
+ Management Controls

Functions that own and manage risks

2nd line of defence
+ Risk Management
+ Financial Control
+ Group SHE
+ Regulatory Affairs
+ Legal Department
+ Quality

Functions that oversee risks

3rd line of defence
+ Internal Audit

Functions that provide independent assurance

Regulators
(E.g. HSE. EA. ICO, CMA, FCA)

Investors and rating agencies

Principal risks and uncertainties

The Group's strategic objectives can only be achieved if certain risks are taken and managed effectively. We have listed below the key risks that affect our business, although there are other lower level risks that occur and impact the Group's performance which are also actively managed through our risk management framework.

Strategic Risks

Risk	Response	2018 Plans
Volatility in the chemicals and polymers market		
The global chemicals and polymers markets are inherently volatile affecting volumes and margins and may adversely affect the results of the Group. 1 4 V	The Group maintains a balanced portfolio of products serving a wide range of end markets around the globe. Segment performance at business unit level is closely monitored and corrective actions are taken as necessary.	Our acquisition strategy continues to target expansion in new geographic regions and also adjacent speciality chemicals businesses to help us diversify the risk further. New product development continues to diversify the Group's risk.
Competition and failure to innovate		
Our markets are highly competitive and the Group could lose market share to other producers of speciality chemicals or to other products that can be substituted for the products of the Group. 1 3 V	The Group continues to invest in enhancing existing products and developing new products through our R&D programme and also our acquisition strategy includes technologies that are new to the Group. Our technical services teams work with our customers to understand and anticipate their future needs and to help them drive efficiencies in their own manufacturing process All sites operate quality management systems including assurance processes to ensure the quality of products meets agreed standards.	We have strengthened our business development teams and expect further projects and new product releases to bring competitive advantage. Our global Customer Relationship Management system (CRM) will enable our sales teams to better identify and secure opportunities. Our integrated business planning process will enable further efficiencies in manufacturing processes and costs.
Intellectual property		
The value of the Group is dependent on our ability to identify and secure our own intellectual property and ensure we do not breach third parties intellectual property rights which could lead to reputational damage. 1	The Group has a dedicated team for management of IP and protects its intellectual property through an active patent programme and monitoring for infringements.	Where appropriate we patent all intellectual property in products, processes and technologies. We will continue to improve our IT Governance to secure IP held within our plant and ERP systems to protect it from theft or unauthorised use.
Manufacturing capacity		
Enhancements to our plants to increase manufacturing capacity to take advantage of growth markets are dependent on project management. Poor execution of our various projects could impact on our ability to deliver the capacity enhancements. 4 V	We have a robust capital appraisal process in place to assess proposed projects to ensure they deliver value which includes regular reporting to the Board. Project Excellence methodology is in place for all significant CAPEX projects and is subject to Internal Audit review. The outcome of completed projects with costs in excess of £1m are reviewed by the Audit Committee.	We have announced three significant capacity enhancements that will deliver volume in late 2018/early 2019. Our Project Excellence methodology is being rolled out across all of our projects in 2018. Return on Invested Capital (ROIC) for our significant capital projects is being introduced to the Long Term Incentive Plan (LTIP) performance measures in 2018.

Link to strategy

1 Research and development and technical expertise to exploit new markets

2 Driving efficiency and excellence through operations

3 Capacity utilisation

4 Investment in capacity

5 Business growth through acquisition

Read more on pages 18-19

Change in risk

No change

Increase

Decrease

Sensitivity for risk made in assessing viability

Risk	Response	2018 Plans
Acquisition strategy The Group's strategic plan involves significant M&A activity to grow our business. There is a risk that we identify the wrong targets, pay too high a price, fail to integrate acquired assets and drive planned synergies, or encounter performance, funding and cashflow issues and potentially unknown liabilities. 5	Executive management has extensive experience of successful M&A transactions including integration of the acquired business. External advice is used to help identify targets, prepare bids and incisive due diligence Detailed integration plans are prepared as part of the due diligence exercise.	M&A activity will continue to be closely scrutinised and challenged by the Board. We will increase the efficiency of our existing processes and continue to invest in our ERP systems to enable smoother integration of acquired businesses. Ongoing review of acquisition process and implementation of lessons learned to future transactions.

Operational Risks

Risk	Response	2018 Plans
Safety, health and environment (SHE) The chemical industry is inherently dangerous involving the safe transport, storage and manufacture of hazardous chemicals. Failure to manage the impact on our staff, manufacturing sites and the environment of these risks could lead to regulatory fines, reputational damage and lost production. 2	Synthomer operates a central safety audit function dedicated to SHE issues and it provides advice to, and monitors, our sites to enable continuous improvement across all major SHE areas. Increasingly the focus is on process safety risk to mitigate the risk of major incidents. Maintenance programmes are undertaken to mitigate the risks.	Our Group SHE audits will continue to focus on higher risk areas including process safety. We will make further progress on our long term ambition to implement a proactive approach to maintenance as a preventable measure. We will focus specifically on completing the actions from our Process Hazard Assessments.
Volatility in raw material prices Volatility in the prices of our key raw materials can affect the profitability of the Group and its working capital position. 2 3	The Group actively manages margins and is focused on recovering input cost increases from customers.	Strategic raw material sourcing teams will continue to broaden and strengthen supplier relationships and secure contracts to enhance optionality in volatile raw materials markets. Incremental offsite storage facilities will be secured to both enhance security of supply and provide greater flexibility in sourcing key raw materials.
Loss or failure of a manufacturing site A site might be unable to operate, whether temporarily or longer term, due to a risk event, including natural disaster, safety incident, failure of a key supplier or the supply chain, sabotage and cyber-attack, and would have an adverse impact on operations and business unit profitability. 2 3 V	Crisis management procedures are in place for all sites to respond to risk events which are reviewed and tested regularly. 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. Single sourced materials are identified and inventory retained, where appropriate, to mitigate risk of supply chain failure.	We will continue to improve existing plans and develop overall business continuity plans including crisis management response, disaster recovery for key systems and data as well as longer term recovery of operations.

Operational Risks continued

Risk	Response	2018 Plans
Security of systems and sites We are reliant on various systems to run our business. As the frequency, sophistication and effect of cyber-attacks continues to grow across the world, all of our systems, including our industrial control systems, Enterprise Resource Planning (ERP), and communications could be targeted. We could lose intellectual property and customer data which might undermine our competitive position or a cyber attack could leave one of our plants out of action or used for sabotage. 1 2 3	Network intrusion detection and prevention has been strengthened with all computers now protected with a consistent anti-virus product. Vulnerability assessments and penetration testing is performed to identify risks in our networks and mitigating actions required to meet the evolving threats.	Further security processes and procedures targeted at these areas are being implemented in 2018 including industrial control systems isolation and secure third party remote access. We will increase our IT resilience through refreshed testing of our disaster recovery arrangements. Physical security standards will be developed in consultation with our SHE teams and Chief Security Officer.

Compliance Risks

Risk	Response	2018 Plans
Product quality Product quality and reliability is a key element of our competitive position. The Group may lose customers and potentially be liable for damages for any quality issues. 2	Technically qualified personnel and control systems are in place around the Group to ensure products meet agreed standards. Synthomer has a Group-wide product liability insurance policy. The Group has a number of leading and lagging performance indicators which are reviewed monthly.	The Group will continue to invest in quality control systems and quality assurance testing.
SHE regulation Failure to comply with extensive and constantly evolving environmental, health and safety laws and regulations could lead to significant fines, reputational damage and loss of operating licences. 2	Detailed safety, health and environmental processes are documented in operating guidance which is updated and communicated to staff on a regular basis.	Our Regulatory Affairs department will ensure we comply with the REACH regulations throughout the European Union and monitor changes in legal requirements in other jurisdictions to ensure we remain compliant.
Ethics The Group could suffer substantial penalties, damage to reputation and other sanctions for any failure to control, for example, anti-competitive behaviour, bribery and corruption, or breaches of trade sanctions. New enhanced rules for data privacy in the European Union with greater potential penalties could impact the Group. 2	All our key employees affirm their understanding of the code of business conduct, covering corruption and anti-competitive business practices. Malpractice reporting and whistleblowing protection are similarly covered in the Group policy on protecting our reputation. Group Legal and local management provide regular training to targeted groups of employees.	We plan to enhance the existing e-learning modules with an improved monitoring process, refresher training, and roll out of additional compliance areas. We will implement a new sanctions screening product to reduce the risk of non-compliance. We are working to ensure our data privacy framework including reporting of breaches meet the new legal requirements.

Link to strategy

1 Research and development and technical expertise to exploit new markets

2 Driving efficiency and excellence through operations

3 Capacity utilisation

4 Investment in capacity

5 Business growth through acquisition

Read more on pages 18-19

Change in risk

No change

Increase

Decrease

Sensitivity for risk made in assessing viability

Financial Risks

Risk	Response	2018 Plans
Financial market volatility A significant proportion of the Group's turnover and assets are in currencies other than UK sterling and fluctuations in currency exchange rates may significantly impact the results of the Group. The Group's balance sheet and cash flow, and also credit market conditions and credit ratings, may restrict the ability of the Group to obtain credit facilities or to refinance its existing debt facilities in the longer term. The Group has funding risks relating to defined benefit pension scheme obligations, the value of which are highly dependent on volatile financial markets. 2 5 V	The Group has a policy of hedging all significant foreign exchange transactional exposure at operating company level. The Group borrows a proportion of its funding in overseas currencies to hedge the net assets held in those currencies. The Group closely monitors its operating cash flow and capital expenditure on a monthly basis and regularly reviews covenant compliance. The UK scheme was closed to future accrual in 2009 and additional contributions and careful asset management should reduce the deficit over the longer term. Overseas schemes are reviewed annually by actuaries to ensure appropriate contributions are made and liabilities are recognised appropriately	We will continue to hedge currency risks. We will continue to monitor our covenants as we pursue our M&A strategy and ensure we pay the right price for acquisitions. Pension deficits are expected to reduce over the longer term as the Group pays the additional contributions agreed with the Trustees in 2016. The timescale will be affected by movements in the financial markets and the discount rate. A Group-wide review of pension and other long term employee liabilities will be undertaken in 2018.

Viability statement

In accordance with the provision of section C.2.2 of the 2016 revision of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a five-year period to December 2022, being the period covered by the Group's approved strategic plan. This plan, which is updated annually, includes analyses of product and profit performance, cash flow, investment programmes and returns to shareholders.

The Directors consider five years to be an appropriate time horizon for the strategic plan, being the period over which the Group actively focuses on its long term product development and capital expenditure investments. A period above five years is considered by the Directors to be too long, given the uncertainties that exist beyond this time frame

In making their assessment, the Directors have considered the Group's current strong financial position, including the existing committed bank facilities, which have been assumed to be refinanced at maturity in July 2019.

Furthermore, a sensitivity analysis has been undertaken, focusing on the impact of the principal risks (detailed on pages 34 to 37) over the five year period The risks have been assessed for their potential impact on the Group's business model, future trading and funding structure. The sensitivity analysis has considered a number of severe but plausible scenarios, linked to the risks considered to have the most significant financial impact In all cases, the impact was considered on both liquidity and borrowing covenants.

The scenarios included trading volatility, increased competition, delays in capacity improvement, failure of new products and the temporary loss of a major manufacturing site. They also included significant foreign currency exchange rate or interest rate movements risks, which are deemed to be outside the control of the Group. A combined sensitivity was also performed, aggregating all of the scenarios considered. The results took into account the availability and likely degree of effectiveness of mitigating actions available.

While this sensitivity analysis did not consider all of the risks that the Group may face, the Directors consider that it is reasonable in the circumstances of the inherent uncertainty involved.

Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five year period.

A solid and sustainable performance, built on a strong and flexible balance sheet

Stephen Bennett
Chief Financial Officer

Strategic highlights

+ Solid and sustainable profits growth driven by acquisitions, unit margins and fx
+ Consistently strong operating cash flows
+ Record investment in growth capex
+ Strong and flexible balance sheet, allowing us to invest in organic and inorganic growth

Overview
2017 has been another progressive year for the Group with solid growth and the successful integrations of PAC (Dispersions) acquired in 2016 and Speciality Additives acquired in 2017.

The key drivers behind the improvement in overall performance were:

- ENA saw good Underlying profit growth as volumes and unit margins increased.
- ARW performed in line with expectations, with stable Nitrile latex margins relative to the final quarter of 2016.
- Speciality Additives, a £66.1m bolt-on acquisition, completed and was integrated into the Group.
- The integration of PAC (Dispersions) was substantially completed and on target to deliver the $12m run rate synergies by end of 2018 with a further incremental $2m run rate synergies to be delivered by the end of 2019. The disposal of our Leuna (Germany) site and the announcement of the restructuring of our Ribécourt (France) site were the last significant steps in the integration.
- The continuing weakness of Sterling has resulted in a positive impact on the Group's reported results, albeit this mainly related to H1.

Alternative performance measures
The Group has consistently used two significant Alternative Performance Measures ('APMs') since its adoption of International Financial Reporting Standards ('IFRS') in 2005:

- Underlying performance, which excludes Special Items from IFRS profit measures
- EBITDA, which excludes Special Items, amortisation and depreciation from IFRS operating profit

The Board's view is that Underlying performance provides additional clarity for the Group's investors and so it is the primary focus of the Group's narrative reporting. Further information and the reconciliation to the IFRS measures are included in notes 2, 5 and 6.

Income statement

Operating profit

The table below bridges the 2016 and 2017 IFRS operating profit, showing the improvement in the existing businesses, the impact of the 2017 acquisition of Speciality Additives, the impact of the weakness of Sterling on translation, and the effect of the Special Items.

	Europe & North America £m		Asia & Rest of World £m		Unallocated corporate expenses £m		Total £m	
2016 – IFRS	75.4		81.3		(12.0)		144.7	
Add/(deduct): 2016 – Special Items	17.9		(32.6)		0 2		(14.5)	
2016 – Underlying performance	93.3		48.7		(11.8)		130.2	
2017 – Underlying business changes	16.0	17.1%	(12.5)	(25.7)%	(1.4)	(11.9)%	2.1	1.6%
2017 – Underlying existing business at 2016 exchange rates	109.3		36.2		(13.2)		132.3	
2017 – Acquisition of Speciality Additives	3.7		–		–		3.7	
2017 – Disposal of South Africa	–		(1.2)		–		(1.2)	
2017 – Impact of 2017 exchange rates	4.1		0.1		–		4.2	
2017 – Underlying performance at 2017 exchange rates	117.1	25.5%	35 1	(27.9)%	(13.2)	(11.9)%	139.0	6.8%
Deduct: 2017 – Special Items	(39.6)		(3.9)		(0.1)		(43.6)	
2017 – IFRS	77.5	2.8%	31.2	(61.6)%	(13.3)	(10.8)%	95.4	(34.1)%

The following should be noted:

- The underlying improvement in the ENA existing business of £16.0m (17.1%) reflects the full year impact of the acquisition of PAC (Dispersions) as well as improvements in margins in most markets.
- ARW Nitrile latex volumes were in line with the prior year and margins were robust and broadly in line with Q4 2016. Further operational investment in the PAC Chonburi (Thailand) site has been made in 2017, impacting Underlying operating profit.
- Underlying unallocated corporate costs increased by £1.4m reflecting the increase in the cost of share-based payments due to the rise in share price during 2017 and the crystallisation of the outcome of strategic targets, and further strengthening of the management team in the London Head Office.
- The continuing weakness of Sterling during the year resulted in an increase in the Group's reported profit in Sterling. For the European businesses, the rate used for translating profit moved from £1:€1.2180 in 2016 to £1:€1.1430 in 2017, with a resulting uplift in the 2017 ENA profit of £4.1m.

Special Items

	2017 £m	2016 £m
Restructuring and site closure	**(11.6)**	(5.2)
Profit on sale of business	**–**	4.7
Profit on sale of land	**1.3**	33.2
Gain on foreign exchange contracts relating to acquisition	**–**	13.1
Acquisition costs	**(2.3)**	(4.3)
Amortisation of acquired intangibles	**(31.0)**	(27.0)
	(43.6)	14.5

The following items of income and expense have been reported as Special Items, in line with the comments above:

- The restructuring and site closure costs included £9.0m in relation to the post-acquisition integration of the PAC (Dispersions) business with the majority being attributable to the rationalisation of the Ribécourt (France) site. A further £1 6m related to the cost of an onerous lease on a site closed during 2017, while £0 8m comprised costs for the post-acquisition integration of Speciality Additives.
- The profit on sale of business relates to the disposal of our South African business in 2016.
- The profit on sale of land in 2017 related to a disposal of land in Hapton, UK. The profit on sale of land in 2016 related to the disposal of tranches of Malaysian land.
- The gain of £13.1m in 2016 resulted from foreign exchange contracts taken out as a hedge against the US dollar purchase consideration of the PAC (Dispersions) acquisition.
- Acquisition costs were incurred in relation to Speciality Additives (2016: PAC (Dispersions)) and for other potential acquisitions which will not occur or had not occurred before the balance sheet date.
- The amortisation of intangibles increased during 2017 due to a full year of amortisation for the 2016 PAC (Dispersions) acquisition, the intangibles acquired with Speciality Additives and due to foreign currency exchange rate movements.

Finance costs & profit before taxation

	2017			2016		
	Underlying performance £m	**Special Items £m**	**IFRS £m**	Underlying performance £m	Special Items £m	IFRS £m
Operating profit (including share of JV's)	**139.0**	**(43.6)**	**95.4**	130.2	14.5	144.7
Finance Costs	**(9.0)**	**–**	**(9.0)**	(8.0)	–	(8.0)
Profit/(loss) before taxation	**130.0**	**(43.6)**	**86.4**	122.2	14.5	136.7
Increase/(decrease) in profit/loss before tax %	**6.4**		**(36.8)**			

Finance costs are higher than 2016, principally reflecting the full year impact of the increase in borrowings to fund the PAC (Dispersions) acquisition, and the further increase in borrowings to fund the acquisition of Speciality Additives.

Taxation

	2017			2016		
	Underlying performance	**Special Items**	**IFRS**	Underlying performance	Special Items	IFRS
Taxation (charge)/credit £m	**(24.7)**	**13.1**	**(11.6)**	(24.5)	9.1	(15.4)
Effective tax rate %	**19.0**	**30.4**	**13.4**	20.0	(62.8)	11.3

The IFRS effective tax rate is impacted by the tax credit on the Special Items It is therefore helpful to consider the underlying and Special Items separately:

- The effective tax rate on Underlying performance has reduced slightly in the year due to prior year adjustments and changes in overseas tax rates.
- The effective tax rate for Special Items is principally driven by the deferred tax credit on the amortisation of acquired intangibles.

Non-controlling interests

	2017			2016		
	Underlying performance £m	**Special Items £m**	**IFRS £m**	Underlying performance £m	Special Items £m	IFRS £m
Non-controlling interests	**0.8**	**–**	**0.8**	1.5	9.4	10.9

The Group continues to have a 70% holding in Revertex (Malaysia) Sdn Bhd and its subsidiaries. This company and its subsidiaries is now a relatively minor part of the Group and hence the non-controlling interests impact on the Underlying performance is not significant.

The Special Item in 2016 reflects the non-controlling interests share (30%) in the land sale referred to in the Special Items section above. The land was owned by Kind Action Sdn Bhd, a 100% subsidiary of Revertex (Malaysia) Sdn Bhd.

Earnings per share

	2017			2016		
	Underlying performance	**Special items**	**IFRS**	Underlying performance	Special items	IFRS
Earnings per share (pence)	**30.7**	**(8.9)**	**21.8**	28.3	4.2	32.5
Growth %	**8.5**	**–**	**(32.9)**			

The Group's issued share capital has not changed for a number of years and therefore the average number of shares in issue remains similar to last year at 340 million. The changes in Underlying and IFRS earnings per share shown in the table is therefore driven predominantly by the same factors that influence the change in profit before taxation and taxation described above.

Cash performance

The consolidated cash flow statement shows a modest increase in cash generated from operations, from £157.0m in 2016 to £162.6m in 2017. After other operating, investing and financing cash flows, cash, cash equivalents and bank overdrafts increased by £10.7m (2016: £43.9m).

The Group's primary focus is on managing net borrowings rather than on cash. The following summarises the movement in net borrowings and is in the format used by management:

	2017 £m	2016 £m
Underlying operating profit (before joint ventures)	**138.0**	128.2
Movement in working capital	**9.5**	10.2
Depreciation and amortisation (underlying)	**37.2**	29.9
Purchase of property, plant and equipment	**(60.3)**	(45.6)
Business cash flow	**124.4**	122.7
Interest paid (net)	**(4.8)**	(3.3)
Tax paid	**(26.1)**	(17.1)
IAS 19 Interest charge	**(4.3)**	(4.5)
Pension funding in excess of IAS 19 charge	**(12.5)**	(12.4)
Share based payments variance to IFRS2 charge	**(0.3)**	1.6
Non-controlling interest and joint venture dividends	**1.5**	(1.1)
Underlying operating cash flow	**77.9**	85.9
Cash impact of restructuring	**(6.0)**	(5.5)
Sale of property, plant and equipment	**2.2**	34.4
Purchase of business	**(66.2)**	(156.7)
Sale of business	**7.6**	12.8
Dividends paid	**(39.1)**	(30.3)
Foreign exchange and other movements	**(6.6)**	(13.5)
Movement in net borrowings	**(30.2)**	(72.9)

Due to the continued strong cash performance of the Group, the Business cash flow at £124.4m (2016: £122.7m) has remained stable, despite a £14.7m increase in expenditure on property, plant and equipment. Further commentary on the other significant cash flows is provided below.

- *Working capital control remained a key focus of Group management, demonstrated by achieving a cash inflow in a year of organic* growth and rising raw material prices.
- The increase in capital expenditure, which is largely being invested in our plants, reflects the cash spend on the previously announced Nitrile latex capacity increase in Pasir Gudang (Malaysia) (£15m), and the made-to-order speciality acrylic lines in Worms (Germany) of £8m.
- The rise in cash tax payments of £9m primarily reflects payments in respect of acquisitions in 2016 and 2017 of £4m and higher payments on account, principally in Italy and Germany of £6m.
- The amount shown as pension funding in excess of IAS19 charge mainly reflects the UK defined benefit deficit recovery funding of £14.7m (2016: £14.5m).
- The outflow for purchase of business of £66.2m primarily relates to the acquisition of Speciality Additives. The prior year outflow of £156.7m mainly relates to the purchase of PAC (Dispersions).
- The business sale proceeds of £7.6m is the amount received ahead of the year end on the disposal of Synthomer Leuna GmbH, as disclosed in note 37. The prior year proceeds of £12.8m related to the net cash consideration received on the disposal of our South African business.
- Substantial amounts of the Group's borrowings have been maintained in Euros and US dollars as a natural hedge against the net asset base in these two currencies. With the devaluation of Sterling referred to above, the translation at the year end rates has resulted in an exchange loss and therefore a higher borrowings amount (offset by a corresponding increase in the net asset base in these currencies).

Financing and liquidity

The Group retains the use of a committed revolving credit facility of £370m, sourced from five banks. This facility provided the necessary funds to complete the acquisition of Speciality Additives, while maintaining substantial headroom. An additional committed short term bank *loan facility of €55m (£48.9m) was entered into in November 2017, to provide extra liquidity in anticipation of the BASF Pischelsdorf SBR* business acquisition on 31 January 2018, for an enterprise value of €30m.

	2017 £m	2016 £m
Committed facilities	**418.9**	370.0
Drawn at 31 December	**246.7**	203.9
Headroom	**172.2**	166.1

In addition to the facility headroom identified above, the Group had cash and cash equivalents at 31 December 2017 of £89.6m (2016: *£117.4m) offset by overdrafts of £24 2m (2016: £65.4m).*

The principal financial covenant in the revolving credit facility remains that net borrowings must be less than 3.0 times EBITDA at 31 December 2017.

	2017 £m	2016 £m
Net borrowings	**180.5**	150.3
EBITDA	**176.2**	160.1
Net borrowings/EBITDA	**1.0**	0.9

The significant facility and covenant headroom demonstrates the continued financial strength of the Group, which is well positioned to fund future organic growth and take advantage of further bolt-on acquisitions.

Pensions

	Charge to income statement		Post retirement benefit obligations	
	2017 £m	2016 £m	**2017 £m**	2016 £m
UK	**5.1**	4.6	**78.3**	112 5
Overseas	**7.2**	6.9	**78.9**	74.2
	12.3	11.5	**157.2**	186.7

The table sets out the total pension charge included in the income statement and the total defined benefit obligation included in the balance sheet.

The following should be noted:

- The overseas pension cost has increased due to the PAC (Dispersions) and Speciality Additives acquisitions. The UK pension cost has increased, mainly due to an increase in net interest expense in the defined benefit scheme.
- The reduction in UK defined benefit pension liabilities of £34.2m primarily relates to an improvement in mortality actuarial assumptions (£18.5m), pension scheme deficit recovery payment of £14.7m, offset by a reduction in the discount rate from 2.7% to 2.5% (£11.4m).

Acquisition and disposal accounting
The accounting for the acquisition of Speciality Additives and the disposal of Synthomer Leuna GmbH are shown in the notes 31 and 37 respectively.

For the acquisition, the assets and liabilities have been included at fair value with the balance of consideration shown as goodwill. KPMG LLP were engaged to advise on the fair value of the Property, Plant and Equipment (PPE). Overall their conclusion was that the total fair value of the PPE should be increased by £4.8m. KPMG LLP also performed a valuation of the intangibles, which mainly comprised customer relationships. Accordingly, on acquisition the Group recognised goodwill and acquired intangibles of £24.1m and £41.4m respectively and the valuation is now final. These intangibles are being amortised over periods of 5 to 14 years.

Post balance sheet events
On 1 January 2018, the Group sold Synthomer Leuna GmbH, comprising the assets of a plant in Germany for a profit of £1.5m.

On 31 January 2018, the Group completed the purchase of the BASF Pischelsdorf SBR business and assets, for €29.3m. The purchase consideration was funded from the Group's existing financial resources

Stephen Bennett
Chief Financial Officer
1 March 2018

Sustainability at the heart of our business

Sustainability Highlights

+ Best ever recordable injury rate, reduced by 56% compared to 2016
+ 10% reduction in VOC emissions
+ Relaunch of Company website, strengthening employee brand
+ Successful launch of mentoring programme

The Group's international operations fulfil their responsibility to record, monitor and make publicly available the potential impact of its activities. In pursuing its corporate strategy, Synthomer's aim is to adopt business practices that are economically, socially and environmentally sustainable, and to promote these to its stakeholders in order to strengthen relationships, share knowledge and encourage best practice.

The Group's risk management processes include consideration of the potential impact of corporate responsibility issues on Synthomer's performance. The Group's investment decisions take into account appropriate evaluations of the potential consequences for its employees, customers and suppliers and the environment.

Introduction
Synthomer recognises the significance and importance of being a responsible Company. We take responsibility for the complete life cycle of our products and for the impact our operations have on people and the environment.

Synthomer considers the issues that are material to its business and seeks to respond to them in a manner appropriate to the interests of all its stakeholders.

We are committed to approaching our business in an ethical and environmentally sound manner and have been committed to the International Council of Chemical Associations' (ICCA) Responsible Care project since the early 1990s.

Our work in this area has been highlighted through the Group's inclusion in the FTSE4Good Index since 2004. The FTSE4Good Index is operated by FTSE and highlights the performance of stock market listed companies against a range of environmental, social and governance criteria. To be eligible for inclusion in the index companies must demonstrate a high level of commitment in areas such as climate change, environmental management and human rights.

To ensure the safe management and use of its products, Synthomer is committed to sharing relevant health and safety information throughout the value chain. To achieve this, we work closely with our suppliers and customers to fully understand the environmental impact of our raw materials, processes and products on the overall product life cycle. We identify potential improvement areas and focus efforts on delivering those improvements. Growing sustainably is a challenge, but it is one that we are committed to taking on.

Our commitment to science and education

This year, Synthomer supported SCI's inaugural Bright SCIdea Challenge – a competition for teams of university students to turn an idea for a scientific innovation into a business pitch. The aim of the competition is to help ambitious young scientists develop their entrepreneurial skills – the essential tools required to translate a scientific idea into a commercially viable business with real-world benefits.

SCI is a multidisciplinary membership organisation where science meets business on independent, impartial ground. Established in 1881 as the Society of Chemical Industry, it supports the translation of science-based innovation into industry for the benefit of society. SCI work through a global network of industrialists and academics in sectors as diverse as food and agriculture, pharmaceuticals and energy.

"Synthomer was excited to take the sponsorship role for the SCIdea initiative. This was a great opportunity for Synthomer to help early career scientists gain exposure and develop some core competencies that will help shape them as future leaders of the chemical industry".

Robin Harrison, Global Innovation Director

Our approach

Our people

We have made good progress in all five pillars of our growth and productivity framework to create an open and positive work environment for our people.

Read more on pages 46 to 49

Employees

2,879

Employees working in R&D

186

Safety, health and the environment

We have continued to focus on reducing accident rates in the past year. Total recordable accident rate fell 56%. We are committed to achieving a zero accident rate.

Read more on pages 50 to 55

Recordable accident rate per 100,000 hours

0.13

Reportable PSEs per 100,000 hours

0.19

Our people

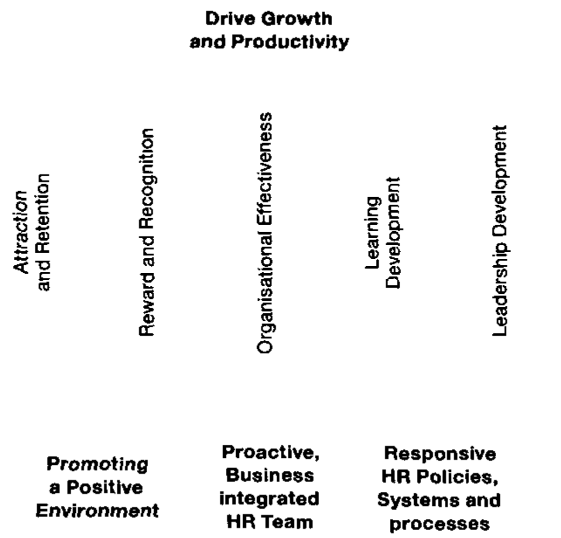
Employees in the emerging markets

24%

Total Group markets

17

Growth and productivity framework



	Male	Female	Total
Board	7	1	8
Senior management	36	4	40
Employees	2,265	566	2,831

Attraction & Retention
In 2017 we relaunched our Company website with a particular focus on strengthening our employee brand. The new website makes it easier for prospective employees to better understand the benefits of joining Synthomer and to access employment opportunities.

We are proud to support a range of initiatives to promote STEM (Science Technology Engineering Maths) careers, working in partnership with industry partners such as the Royal Society of Chemistry (RSC), the Society of Chemical Industry (SCI) and the Chemical Industries Association. Our people attended Chemistry at Work 2017, a careers event organised by the RSC, to promote our business as well as providing Year 10 school students with valuable career advice. Members of the team also visit universities and schools in all of the countries in which we operate as part of promoting STEM and attracting the best people to Synthomer.

Our commitment to employee health & wellness

The employee health & wellness programme is divided into three phases with the phases one and two delivered over 12 months:

Phase one: health and fitness screening and analytics.
Phase two: focuses on reviewing results, goal setting, targeted education and development of a personal plan to improve resilience and performance.
Phase three: provision of the support required to deliver long term behavioural change and subsequent re-evaluation.

"The CorPerformance programme caused me to reflect on personal behaviour and potential consequences. It was a real wakeup call helping me to sustainably shift the balance towards a more active and healthier lifestyle. In the programme cohort that I was part of, not only have individual suit sizes changed drastically but also the spirit in the team, who share the passion for sensible eating and drinking – important in our jobs – and sports. Over a year into the programme and I'm still sometimes to be found running through Hyde Park at 6.00am with an international and cross functional group of colleagues – this is perhaps the most obvious sign – apart from weight and blood pressure – of how fundamentally this programme has changed me as a leader in Synthomer."

Lars Wallstein, SBU Director Functional Solutions

We offer an executive programme to our senior leaders in partnership with CorPerformance, a company dedicated to driving performance, improving personal resilience, enabling lasting behavioural change, while actively reducing the long term risk of disease in individuals as well as organisations. In 2015 a cohort of fifteen of our senior leaders attended the programme and based on the significant success of this first intervention the programme was extended to a further cohort of 30 leaders in 2017 and will continue in 2018.

Reward & Recognition
In 2017 we worked on improving the communication around our Global Bonus Scheme. We are proud to offer a bonus scheme that extends to all levels in our organisation, not just to senior leaders, and having listened carefully to employee feedback have improved our communication so that every employee understands how they contribute to the sustained success of our business.

Given our global focus on delivering and sustaining world class levels of Safety, Health and Environment (SHE) all employees have some elements of their bonus based on safety performance measures which pay out, if targets are met, irrespective of Group financial performance.

Organisational Effectiveness
Building on our focus on Succession Planning in 2016 we have extended our proactive and structured approach to this area further down the organisation to key positions and levels below the senior leadership team. Talent and succession plans continue to be regularly reviewed by leadership teams, by our Executive team and the Board

Our commitment to recognising our people

Our businesses around the world reward and recognise our people in many different ways. Our Four 'I' programme was launched in Asia three years ago and it recognises and rewards employees who can demonstrate Ideas, Innovation, Improvement and Implementation at work. Anyone, irrespective of their level in the organisation, who shows they can translate ideas into practical action will get a chance to present to senior management. The top performers are then duly recognised and rewarded during the annual dinner held in Malaysia.

"Our regional leadership team are very active in supporting not just our Four "I" programme but all our recognitions schemes and are passionate about recognising people who uphold and practise the Group's core values"

Dato' Norashikin Ismail, HR Director Asia

Learning & Development
Our belief is that continuous learning benefits everyone in our organisation and drives the performance of our business. In 2017, Synthomer employees around the globe participated in many thousands of hours of focused learning activities.

In 2017, we launched a European Mentoring Programme pairing 12 of our early career professionals with members of our European Senior Management Team. This scheme is one example of how our leaders take an active role in developing future leaders and how we are investing in learning and development.

We have launched a similar scheme in Asia and will further extend mentoring schemes in 2018.

Our "Fit for Leadership" programme for Shift Leaders and Middle Managers was launched this year in Operations. The programme is designed to support the Synthomer leadership culture and build engagement and performance in our production sites. The programme focuses on empowerment and building self-reliance. The initial training of more the 60 employees took place in Germany and will be rolled out to other countries in 2018.

Our commitment to developing leaders of the future

"The Synthomer European Mentoring Programme gives young professionals the opportunity to interact with the senior team and understand how the business operates in a supportive environment. At the same time it gives that same senior team the opportunity to get new perspectives by connecting with bright, young professionals – frequently from different cultures and functions. The combination of group and one-on-one interactions provides a good mix of both formal and informal networking. In this way it helps to develop the leaders of tomorrow while enhancing the leadership of the business today."

Andy Axford, European Operations Director/Mentor

"The Synthomer Mentoring Programme is a big opportunity for a young professional. It gives the possibility to meet and work with the company's senior leaders. Synthomer has given me this opportunity – and to others – at an early stage of my career. It gives mentees an interesting challenge: dealing with senior managers, having one-to-one meetings, and working with peers from different countries and backgrounds, developing our skills, sharing experiences that deepen our knowledge of and our involvement in the Company."

Clara Colombo, Finance Manager/Mentee

Our commitment to leadership development

Sherace studied an MSc in Advanced Chemical Engineering at the University of Birmingham (2017), and a BEng in Chemical Engineering at the University of Hull (2016). She joined Synthomer in 2017.

"I applied for the Synthomer Graduate Programme because of the emphasis on development. As a graduate I was looking for a company whose ethos matched my own career goals, and Synthomer presented themselves very well as a growing company who wanted to invest in future leaders. Moreover, I had previously undertaken a placement in a Speciality Chemicals company, and specifically wanted to join a Speciality Chemicals company in a graduate role. So for both those reasons, Synthomer ticked my boxes and the opportunity to travel didn't hurt either!

Since I joined in September, I've been working with the production department at the Harlow plant. As promised, I've had the opportunity to take on a diverse portfolio of projects. I've worked as the Commissioning Engineer on some of the key site 2017 projects. I've even spent a month on shift with the site operators. Currently, I'm working as the Project Manager of some key debottleneck projects that yield significant payback to the business.

I love the diversity of my job, and the constant emphasis on leadership and competency development. That diversity helps me as I'm working towards becoming a Chartered Engineer with the IChemE. To qualify, you need to have an extensive experience in different engineering capacities. Before I even joined Synthomer in September, the company sent me on a commissioning course to ensure that I could jump straight into my role after University; and since then, the push for development hasn't stopped."

Sherace Francis, Graduate Engineer

Leadership Development
In 2017 we continued to invest in the recruitment & development of graduates and early career professionals with schemes and structured programmes launched in Europe, Asia and within our Engineering function.

We received over 1,400 applications for our Asian Graduate Programme where we aim to develop and create high calibre graduates by exposing them to different environments within the Group and giving them international assignments. As well as getting exposure to our engineering and commercial operations, the candidates are assessed quarterly through presentations to senior management.

We seek individuals who are action-oriented, resourceful, and have the courage to challenge the norms. The competencies we look for include all-round ability, ambiguity management, the ability to collaborate with others together with good interpersonal skills.

We look to be a valued part of communities in which we operate and, as such, we encourage our employees to engage with their communities. We actively promote STEM in schools and other educational institutes and in 2017 our employees attended and presented at a number of events in the UK, Europe and Asia where positive feedback was received from both our employees and the participants. Our employees are involved in charitable fundraising for good causes in their local communities and one of the ways we have to encourage this, for example, is by having a policy in the UK to match donations raised by employees.

Corporate Responsibility policies
Our global Code of Conduct is governed by a wide range of policies which we adopt to ensure our daily business is conducted in a professional and responsible manner. These policies play a key role in maintaining our reputation with our internal and external stakeholders They also set out the standards to which we hold ourselves, our employees and our business partners.

Diversity and human rights
Our Equal opportunities, diversity and human rights policy includes our responsibility to follow all applicable laws and regulations as well as a complete prohibition of forced, compulsory and child labour. Details of this policy, along with our Modern Slavery Act Statement are available on our website: www.synthomer.com.

Diversity is one of Synthomer's core values. We are a diverse organisation who employ significant numbers of employees in Europe, Asia and North America. Whilst our Group Head Office is based in the UK the majority of employees are based elsewhere around the globe. Major Synthomer locations tend to be characterised by a diverse range of nationalities and in the UK, where we have around 500 employees, we have people from over 20 different countries.

Whilst Synthomer operates in a typically male dominated industry 20% of our employees are female. The rate at which talented women are joining our business is increasing and in 2017 41% of employees who joined Synthomer in the UK were female as were over 30% of our graduate recruits in Europe and Asia. In many of our scientific roles we have achieved a gender balance.

Synthomer will comply with UK Gender Pay Gap legislation and has a Diversity & Inclusion action plan.

Corruption and anti-competitive behaviour
Synthomer is committed to complying with the laws and regulations of all the countries in which it operates (including those covering corruption and anti-competitive behaviour). This applies whether Synthomer is acting directly in a country through employees, or indirectly through agents, distributors or other intermediaries. Synthomer requires any individual or entity acting on its behalf, whether as a consultant, representative, agent or distributor to know, understand and abide by the laws and regulations applicable in the country or countries in which they act for Synthomer. Details of this policy are included in the Synthomer Code of Conduct which is available on our website www.synthomer.com

Application of policies
Our values are visible in all corporate communications and are prominently displayed at all Synthomer sites Around the globe we have multiple ways in which we communicate our values in an engaging way and bring our values to life including induction processes, training interventions, communications and awards and recognition campaigns.

All employees are required to complete online training in relation to our corporate responsibility policies and this certification is renewed annually.

Before a vendor is on-boarded and approved for purchase and use, Synthomer employs multiple assessment processes A periodic review of key suppliers is carried out to assess performance of the supplier against criteria covering technical support, commercial performance, reputation including REACH and local regulatory compliance. We also carry out periodic supply chain risk reviews and continually build and improve the raw materials and vendor on-boarding processes and procedures.

In 2016 we ran an initial awareness training and risk assessment session with our procurement teams from around the globe to assess the risk of modern slavery in our supply chains where we concluded that our business is not facing a high risk of these forms of exploitation. During 2017 we reviewed the effectiveness of our policies and supplier due diligence processes to reduce further the potential for modern slavery within our supply chain.

In 2018 we will provide further awareness training from the lessons learned over the course of the last two years and re evaluate our risk assessment. Our procedures will be updated as a result of the outcome of this work.

Safety, Health and the Environment (SHE)

Our approach
Our primary focus as an employer is to ensure that our employees work safely in a safe and secure environment. Synthomer has policies and procedures in place, which are constantly being improved, to enable this to happen.

In line with our SHE Policy, the Board, Chief Executive and Executive Committee are fully committed to improving SHE performance and engaging and involving employees at all levels in all locations in our SHE programmes. Effective SHE Leadership to deliver SHE performance is a primary duty and expectation of management at all levels in the Group, aligned to our three long term goals:

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

Synthomer is also committed to continually reviewing its activities and identifying how we can positively benefit our employees, the communities in which we operate, and in ensuring that alongside financial performance we identify and manage broader material sustainability issues.

Key practices and programmes
SHE management practices and systems are embedded throughout the Group with the aim of continuously improving SHE performance.

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

Embedding of the SHE Principles and 10 Golden Rules launched in 2016 was a priority for 2017, with a focus on systems linked to permit to work and management of change, as well as refreshing of guidance on "line of fire", circulated in local languages across all operating locations and supported by a short guidance video being incorporated into site inductions.

Key SHE programmes	2017 SHE key actions	2018 SHE key focus
Group's Safety, Health and Environment Management System (SHEMS) standards and policies	Identification and sharing of best practice; refreshing of Group SHE procedures linked to key areas of management of change and permit to work.	Refreshing of further Group SHE procedures; completion of revised permit to work guidance; development of self-assessment questionnaires to assist internal audit process.
Group SHE audits	Completion of 3 year audit cycle on heritage Synthomer sites. Group SHE assurance checks on sites' internal audit process as part of site visits.	New cycle of auditing with continued process safety focus; move to risk based frequency of auditing.
The Group Accident and Incident Management System (AIMS)	Trend analysis undertaken to identify common themes as regards incidents and system failings – loss of containment issues identified and as a result new KPIs introduced. Actions led to 20% reduction in monthly reported losses by year end. Incident root causes identified for further focus included poor risk assessment, human factors and asset integrity issues.	Effective use of lessons learnt and site review of high potential incidents to help prioritise where to focus resource to improve performance.
SHE training, communication and support	Continued roll-out of first line manager competence assurance programme. Ongoing process safety training across the Group. Global SHE Managers' and Site Managers' Workshops – focus on sharing learning and SHE leadership.	Development of modular in-house process safety training tailored to our technologies and processes. Increased level of support vs. audit to achieve targeted improvements in performance based on findings from last audit cycle. Working with sites to develop a programme of standardised SHE routines to back-up all other major SHE initiatives.
Process Hazard Assessment (PHA)	PHA revalidation process facilitated by Group SHE team on several sites to assure the Executive Committee that major accident hazards are being appropriately managed and controlled.	Continuation of PHA revalidation process across lower risk profile sites. KPI tracking of significant actions from 2017 PHAs as high priority SHE Improvement Plan items.

The Group publishes an annual Corporate Social Responsibility (CSR) report which is available on line. 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.

During Q4 work began looking at aligning sustainability reporting to the new Global Reporting Initiative (GRI) Standards. This activity will be covered in more detail in the 2017 CSR Report to be published in Q2 of 2018, with the Group objective to align reporting at a "core" level to the Standards in our 2018 Company Reports.

Safety, health and accident performance

Occupational Safety

The Group's main lagging indicator of SHE injury performance is the recordable injury rate for accidents involving more than first aid treatment. During 2017 we saw a significant improvement with the number of recordable injuries halving from 18 down to 9, with a frequency rate of 0.13 per 100,000 hours worked, a 56% improvement on 2016.

The Group's reportable lost time accident rate improved in 2017 to give Synthomer its best ever performance, with six over-three-day lost time accidents during the year down from 11 the previous year, at frequency rate of 0.09 per 100,000 hours worked.

Our target ultimately is to have no accidents or injuries and whilst 2017 performance is encouraging we will continue to reinforce our SHE Principles and 10 Golden Rules work to achieve a sustained performance and interdependent safety culture. This is being supported by work such as the Line of Fire cards and video roll-out noted earlier.

There were no reported cases of disease attributed to occupational factors during the year.

Process Safety

Ensuring the safety of our operations is of paramount importance to the Group. Alongside our auditing and site support activities, from 2015 onwards, we have recorded, rated and tracked process safety events (PSE) using a 4 tier scoring system where tier 1 and 2 incidents (tier 1 being more severe) meet the definition for a "Reportable PSE" from the International Council of Chemical Association's (ICCA). A Reportable PSE incident rate is now calculated that will allow for future benchmarking of performance against our peers.

Performance in this area during 2017 remained broadly flat against a wider definition of what we classed as a process safety event. There were 13 Reportable PSEs (equivalent to a rate of 0.19 per 100,000 hours, a 13% increase on 2016). Thankfully none of the reported incidents resulted in serious injury. More information will be provided in our CSR Report.

The increase was partly linked to the wider definition and seven of the events occurred at sites acquired in 2016 and 2017. Those sites were adopting our more stringent standards and there is an increased focus on support for all acquired sites to ensure that their process safety management controls and layers of protection are robust.

Permit to Work (PTW) and Management of Change (MOC) system improvements

A PTW and MOC improvement programme was implemented during 2017 with the aim of ensuring that all sites' PTW and MOC systems met Group standard expectations as a minimum.

To support the work, self-assessment questionnaires (SAQ) aligned with each part of the Group Standards, periodic monitoring check-lists, guidance documents or pocket cards were developed to support the sites in this journey and to establish a common ground. Site management teams were directly involved in the process with on-site support from the Group SHE team in reviewing the SAQs and site performance.

High hazard activities in particular were targeted and 4-eyes validation of all such work is now required. Revised training packs were also developed for permit issuers that are being rolled out early in 2018.

New indicators were developed to track and analyse progress, with specific focus on live monitoring of permit controlled work and control of high hazard activities.

By the end of 2017 most of the indicators showed improving trends – however it was clear that there were still some fundamental failings being identified. Activities linked to PTW and MOC will continue to be prioritised during 2018 with the focus on embedding and sustaining improved performance.

Delivery of the programmes of work started in 2017 on PHA revalidation and further strengthening of management of change and permit to work systems will continue in 2018 with the goal of delivering significant improvement in this area.

Environmental performance

For 15 years we have been able to report ongoing reductions in each of our main environmental targets: global warming burden; energy and water consumption per tonne of production; and waste disposal from our sites.

Following the acquisition of 7 sites in 2016 from Hexion and the acquisition of a Belgian site from Perstorp, the Group's baseline for target setting and approach to delivering Group level improvements is being revised to reflect the fact the Group has a far different energy and emissions profile to its previous core polymer technology focused structure.

Going forward the focus will be on Tier 1 operations (the 5-6 that contribute around 75% of the Group total) and some Tier 2 sites (the next 15-20%) implementing projects and efficiency improvement initiatives to meet Group targets. This will include 2% year on year reductions in specific energy consumption from 2018 to 2020 as an initial step against a revised 2017 baseline.

Energy

Based on the sites which formed part of the Group during the year the total net specific energy consumption (SEC, i.e. energy use per tonne of production – with electricity converted to primary energy) rose 2.5%. Most of the increase relates to a rise of 3.5% GJ per tonne at our plant in the Czech Republic that produces monomers and accounts for 25% of the Group total energy consumption.

The new Belgian speciality additives site operates more energy intensive processes compared to our latex and dispersion processes so also contributed to this increase.

Absolute energy consumption (based on primary rather than metered electricity) was up 1.6% whilst Group production output dropped 0.9%. Most of the net increase in GJ used related to the Belgian site (excluding this the increase was 0.2%).

Lower output at some sites combined with switching to some product technologies that are more energy intensive (e.g. more steam stripping on some latex products) offset some significant improvements on sites where the full benefits of a number of energy projects were realised during 2017. This included installation of steam generators to replace old boilers at a plant in the UK during Q4 2016 that led to a more than 10% improvement in performance.

There is a pipeline of energy saving related projects now being progressed on the Tier 1 sites that are designed to help return to an improvement in performance in the coming years.

Water use

Total water consumption per tonne of production decreased 4.5% in 2017, with most of the improvement due to a reduction in "once through" cooling requirements on two German sites and reduced losses due to a replacement reactor in the Middle East.

Excluding river water (used for "once through" cooling and then returned to the river on a number of sites), water usage per tonne improved by 2.4%, reflecting improved operating processes and investment on some sites. Variance is expected year to year since the majority of our products are water based dispersions with some changes down to product mix and volumes. As with energy, opportunities to improve water efficiency will be built in to sites' manufacturing strategies and environmental targets on a prioritised basis.

Waste disposal

Overall there was a 24% increase in total waste generated by the group, 26% on a waste per tonne production basis. Most of this is related to a specific waste stream on the new site in Belgium, which will increase the baseline going forward. Excluding this there was 4% increase per tonne. 600t of this relates to a one-off relocation of cinder waste from our plant in the Czech Republic to offsite landfill.

Looking ahead, with several major capital investment projects underway, one-off construction waste figures are expected to influence 2018 performance.

There was a 34% drop in the amount of hazardous waste sent to landfill on a per tonne basis. This was mainly due to 800t of hazardous waste being processed with other waste streams at an intermediate facility to produce non-hazardous waste. Ongoing projects to improve product quality and reduce process waste should lead to a reduction in overall waste going forward.

Figure 1 All Recordable Accident Frequency Rates
(Accidents per 100,000 hours)

Figure 2 Total Net Primary Energy Use
(Giga Joules per production tonne)

Figure 3 Total Water Consumption
(m^3 per production tonne)

Figure 4 Hazardous Waste Disposal to Land
(Tonnes waste per production tonne)

Figure 5 Global Warming Burden
(Tonnes CO_2 equivalent released per production tonne) (Including CO_2 from energy generation/use)

Figure 6 Recordable Process Safety Event Rate

Greenhouse gas emissions
The Group reports environmental KPIs in the format recommended by the Department of Environment, Food and Rural Affairs (DEFRA), with Annual Reports containing data for each year since 2005 on a three year rolling basis.

Reporting parameters
The 2017 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.

All known emissions from manufacturing process have been included. Specifically this covers direct energy usage and the indirect energy costs of heating, cooling and other site services where these are provided by a third party. They include estimates for the effects of the release of volatile organic compounds (VOCs) and refrigerant gases. The only known emissions which have not been included are direct emissions of CO_2 from on-site waste treatment facilities that have not currently been quantified, but which are not believed to have significant material impact on the overall figures reported.

The Group has no known uses or releases of perfluorocarbons or sulphur hexafluoride. All releases of nitrous oxide or methane are associated with energy production and are not separately quantified. The Group continues to report scope 1 & 2 emissions. No estimate has been made of scope 3 emissions. The Group continues to use emissions per production tonne as its intensity ratio. The data sources for emissions factors (CO_2e) are those from DEFRA (dataset for 2016 reporting published in June 2017) and the IEA (International Energy Authority).

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 for primary fuels.

Electricity has been converted to CO_2e on a country by country basis. For 2015, factors provided by DEFRA for all operating countries were used For 2016 and 2017, factors from DEFRA were used for UK grid electricity and for overseas grid electricity the factors used are those from the relevant IEA "World CO_2 Emissions from Fuel Combustion" databases.

In accordance with UK Government guidance, factors used for 2017 reporting are based on 2015 validated data.

Several sites within the Group purchase certified "green" electricity. Electricity for these locations has been given a CO_2e emissions factor of 0.00 in calculating energy related emissions totals. These sites were Oss (Netherlands), Marl (Germany) and all sites in the UK.

Synthomer's site in Stallingborough, UK takes most of its electricity from an exclusive contract with an adjacent waste incinerator operated by Newlincs. This electricity is certified as "Green" by the UK government. As a mixture of waste is deemed both renewable and non-renewable, it does not have a zero emission factor. For 2017 the applied emission factor for electricity from Newlincs is based around that determined for the site's Climate Change Agreement (CCA) reporting of around 0.50 kg CO_2e per kWh. Work is ongoing to validate the factors applied. The site is also provided with indirect heating in the form of hot water from Newlincs.

VOCs have been aggregated on a Group basis and converted to CO_2e using a factor of 11. This figure has been used by UK CIA member companies since 2005 and is at the upper end of the range for VOCs. Information on the release of refrigerant gases has been collected for the past 5 years. Releases of each individual gas have been aggregated each year to give a Group release total and then converted to CO_2e using the equivalence factors given by DEFRA for each gas. The emissions factors applicable to refrigerant release in 2017 are as per those in 2016 as no changes were reported by DEFRA–Global Warming Potential (GWP) factors from the IPCC 4th assessment report.

Performance in 2017
An increase in energy consumption and associated emissions from the plant in the Czech Republic that uses brown coal and accounts for 31% of Group emissions meant that overall emissions also rose in 2017 compared to 2016.

However, a reduction in reported VOC emissions, implementation of energy related projects and the purchase of "green" grid electricity for all UK sites meant the overall emissions increase at Group level was 1.1% tonnes CO_2 equivalent/tonne production against the 2.5% increase in GJ/tonne energy used.

Changes in the emissions factors in different countries have a significant impact over which the company has no control. For 2017 reporting the emissions factors for the Czech Republic, Italy and Malaysia (countries whose sites all contribute >2% of overall emissions) all increased by more than 3%. Some benefit was gained in Germany where there was a 5% reduction in the factor applied.

Refrigerant losses in the larger Group were up 5% compared to 2016, mostly linked to equipment failures on one site where replacement equipment has now been purchased. However, owing to the refrigerants involved having less global warming potential, the CO_2 equivalent tonnage loss was 24% lower than 2016

VOC emissions reduced by 10% in 2017 due mainly to better operation of the cryogenic VOC system in Harlow.

Environment KPIs

This table presents environmental KPIs for 2015–17, 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 Report of the Directors' Report) Regulations 2013.

	2017	2016	2015	% change 2015 – 17[6]	% change 2016 – 17[6]
Energy consumption[1]					
GJ	**5,411,367**	5,328,447	3,458,905	56.4%	1.6%
Gas	**1,455,681**	1,375,411	701,901		
Light oil	**24,990**	24,933	26,930		
Heavy oil	**4,651**	4,452	0		
Steam (metered)	**756,890**	792,785	746,797		
Electricity (primary basis)	**2,586,196**	2,600,153	1,969,619		
GJ/tonne production	**3.459**	3.374	2.618	32.1%	2.5%
Emissions to Air[2]					
Carbon Dioxide (CO_2) equiv. from Energy tonnes[3]	**301,353**	299,123	199,011	51.4%	0.7%
Tonnes CO_2 equivalent/tonne production	**0.193**	0.189	0.151	27.9%	1.7%
Sulphur Dioxide (SO_2) (tonnes)	**158.3**	140.6	22.8	595.0%	12.6%
Kilos SO_2/tonne production	**0.1012**	0.0890	0.0172	486.8%	13.7%
Nitrous Oxides (NOx) tonnes[4]	**121.33**	112.54	24.61	392.9%	7.8%
Kilos NOx/tonne production	**0.0775**	0.0713	0.0186	316.2%	8.8%
Volatile Organic Compounds (VOC) tonnes	**164**	184	222	-26.1%	-10.9%
Kilos VOC/tonne production	**0.105**	0.117	0.168	-37.6%	-10.1%
Refrigerant Releases (HCFC and others) Kgs	**1,773**	1,681	1,958	-9.5%	5.4%
Tonnes CO_2 equivalent	**4,485**	5,930	5,383		
Kilos Refrigerant/tonne production	**0.0011**	0.0011	0.0015	-23.6%	6.4%
Total Carbon Dioxide (CO_2) equiv. tonnes[5]	**307,645**	307,081	206,840	48.7%	0.2%
Tonnes CO_2 equivalent/tonne production	**0.197**	0.194	0.157	25.6%	1.1%

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 & 2)
3. CO_2 equivalent emissions include contributions from CH4 and N2O associated with combustion
4. NOx emissions are predominantly those from combustion processes The CO_2 equivalent Global Warming Potential contribution from these releases is already included in the CO_2 from energy figure above
5. The total CO_2e figure is the total of the CO_2 equivalent from energy + the VOC contribution (assuming an average factor of 11 kg CO_2e per kg VOC) + the refrigerant contribution.
6. Percentage changes are calculated from the base data and may differ slightly from changes calculated from the data in the tables because of rounding

By order of the Board

R Atkinson
Company Secretary
1 March 2018

Letter from the Chairman

Board well prepared for forthcoming governance changes

Neil Johnson
Chairman

Dear Shareholder

I am pleased to report on our corporate governance compliance for 2017 and give an update on the Board's ongoing programme to improve its effectiveness.

We were once again in full compliance with the applicable UK Corporate Governance Code (being the April 2016 version effective for the Company from 1 January 2017) throughout the year. The Board composition remained unchanged until the end of the year and therefore we maintained a balanced position between independent and non-independent directors throughout that period. Our 2017 AGM resolutions received overwhelming support and it was particularly pleasing to achieve greater than 99% in favour of the new remuneration policy which has subsequently been fully implemented by the Remuneration Committee. The Board supported the work of the Audit Committee during the year in the development of its remit in connection with the oversight of risk management processes and review of tax matters.

In accordance with the commitment given in my 2016 letter, an externally facilitated evaluation of the Board and its Committees was carried out in 2017. The online surveys were completed by non-Board members who are regular attendees at Board and Audit Committee meetings as well as the Directors themselves, in order to gain a broad range of opinions on Board and Committees performance. The feedback report recognised the Board's progress in promoting a culture of openness and mutual respect, developing good boardroom dynamics and increasing exposure to wider management. Areas identified for focus in 2018 include development of the Board's oversight of employee management and provision of tailored training and workshops on aspects of the Group's business and operations. In addition, an updated code of business conduct will be launched in 2018 in order to promote the setting of the correct tone in which the Group's business and its employees are required to operate.

Other governance activity carried out by the Board and its Committees in 2017 included the review and approval of the Group's Modern Slavery Act Statement and tax strategy. Reports were also received on gender pay gap data and the proposed reporting for external publication will be approved by the end of March 2018.

Jinya Chen retired as an independent non-executive director on 31 December 2017 after 5 years' service on the Board. The Nomination Committee has initiated a search for a replacement independent non-executive director in order to bring the Board composition back into balance.

As we enter 2018, I believe the Board is well positioned to adapt to the changes in the corporate governance landscape envisaged by the new Code proposals and board guidance, currently under consultation and likely to be effective from 1 January 2019.

I do hope you find the information contained in the following pages of this report helpful and informative.

Neil Johnson
Chairman
1 March 2018

Compliance with the UK Corporate Governance Code

The Board considers that it has complied throughout the financial year ended 31 December 2017 with the provisions set out in the April 2016 UK Corporate Governance Code ("the Code").*

Application of the Code

The main principles of the Code were applied as follows:

Leadership and effectiveness

Operation of the board

The activities of the Company are controlled by the Board which, during 2017, comprised two executive directors and seven non-executive directors. The roles of Chairman and Chief Executive Officer are clearly divided between Neil Johnson who heads the Board in his capacity as non-executive Chairman and Calum MacLean who has responsibility for the running of the Company's business as Chief Executive Officer. The non-executive directors all have wide business and boardroom experience gained in a broad range of business sectors, details of which are given on pages 58 and 59.

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. The Board has* delegated to the Chief Executive Officer responsibility for the development and preparation of the business plan and the annual 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 management report comprising business, financial and safety, health and environmental reviews from the Chief Financial Officer.

The Board has established Audit, Nomination, Remuneration and Disclosure Committees which are discussed on page 63.

Note

* A full version of the Code can be found on the Financial Reporting Council's ('FRC') website www frc org uk

Governance snapshot

Board membership and balance

Board composition

Board tenure

Board of Directors

1. N A Johnson (68)
Chairman
Nationality: British
Position and date of appointment: Chairman of the Board and the Nomination and Disclosure Committees. Neil joined the Board in 2011 and was appointed Chairman in May 2012.
Key appointments: Neil is Chairman of Motability Operations Group plc, Centaur Media plc and Electra Private Equity plc and the senior independent non-executive director of the Business Growth Fund.
Skills and experience: Neil held senior executive positions at British Aerospace and in the UK motor manufacturing industry before becoming Chief Executive of RAC Holdings from 1995-1999. Neil has considerable experience as an independent non-executive director and public company chairman gained in multiple sectors and geographies.

2. C G MacLean (54)
Chief Executive Officer
Nationality: British
Position and date of appointment: Chief Executive Officer since January 2015; member of the Disclosure Committee.
Key appointments. Calum was appointed as a non-executive director of Saudi Basic Industries (SABIC) headquartered in Riyadh in October 2017.
Skills and experience: Calum was previously a senior board executive of INEOS and was a founder member of the business in 1998 At INEOS he was most recently executive chairman of INEOS Olefins and Polymers Europe and chairman of Styrolution, INEOS's joint venture with BASF, and Petroineos Refining, INEOS's joint venture with PetroChina. Calum had been Chief Executive of a number of its principal business units and actively involved in merger and acquisitions, strategy and implementation Prior to INEOS, he spent six years at Inspec (International Speciality Chemicals), a publicly listed company on the London Stock Exchange that was originally formed through a management buyout of BP Chemicals.

3. S G Bennett (53)
Chief Financial Officer
Nationality: British
Position and date of appointment: Chief Financial Officer since May 2015, member of the Disclosure Committee
Key appointments. No external appointments
Skills and experience: Stephen was previously at INEOS where he had been chief financial officer at Petroineos Refining since 2006. In addition to this role, Stephen had acted as chief financial officer of INEOS Upstream Limited, a start-up oil and gas exploration business, and of INEOS Olefins and Polymers South and INEOS Phenol. He joined Coopers & Lybrand in 1986 and is a qualified chartered accountant. He was at Full Circle Industries plc as company secretary and group controller before moving to PricewaterhouseCoopers LLP (PwC) in 1997 as a director in transaction services. At PwC, he specialised in public and private equity transactions across a variety of sectors including chemicals.

4. Dato Lee Hau Hian (64)
Non-executive director
Nationality: Malaysian
Position and date of appointment: Non-executive director since 2002, first joined the board in 1993 and stood down in 2000 to become an alternate director
Key appointments: Hau Hian is a Director of Kuala Lumpur Kepong Bhd and is the president of the Perak Chinese Maternity Association. He also serves as a Director of Yayasan De La Salle.
Skills and experience. Hau Hian is the Managing Director of Batu Kawan Bhd, a listed Malaysian investments holding company, with interests in plantations and chemicals manufacturing

5. Dr J J C Jansz (61)
Non-executive director
Nationality: Dutch
Position and date of appointment: *Independent* non-executive director since April 2012, member of the Audit and Remuneration Committees.
Key appointments: Just is founder and managing director of Expertise Beyond Borders BV, an independent business and technology management consultancy, providing services globally to chemical and polymer companies He is a senior advisor at Natrium Capital (UK) and Siluna Technologies (US)
Skills and experience: Just has over 30 years chemical industry experience at Shell, Basell and LyondellBasell. Until July 2010 Just was President, Technology Business, and a member of the management team of LyondellBasell, overseeing process technology licensing, polyolefin catalysts and new ventures Just has previous experience as a non-executive director in the US and as an advisor in Saudi Arabia.

6. The Hon. A G Catto (65)
Non-executive director
Nationality: British
Position and date of appointment.
Non-executive director since 1981.
Key appointments: Alex is managing director of CairnSea Investments Limited, a private investment company, and a non-executive director of several early stage companies that have been backed by CairnSea His current other directorships include Neptune Investment Management Limited.
Skills and experience: Prior to the establishment of CairnSea Alex was a director of Morgan Grenfell & Co and then Lazard Brothers & Co Ltd.

7. B W D Connolly (61)
Senior Independent Director
Nationality: British
Position and date of appointment: *Independent* non-executive director since January 2014; Chairman of the Remuneration Committee, member of the Audit, Disclosure and Nomination Committees Senior Independent Director since April 2015
Key appointments: Brendan is a non-executive director of Victrex PLC and two private equity backed companies, one of which he chairs.
Skills and experience: Until June 2013 Brendan was a senior executive at Intertek Group plc and had previously been chief executive officer of Moody International (which was acquired by Intertek in 2011) Prior to Moody, he was managing director of Atos Origin UK, and spent more than 25 years of his career with Schlumberger in senior international roles over three continents. Brendan has previous experience as chairman of the remuneration committee of a UK listed company.

8. C A Johnstone (57)
Non-executive director
Nationality: British
Position and date of appointment: *Independent* non-executive director since March 2015, Chair of the Audit Committee, member of the Nomination and Remuneration Committees
Key appointments. Caroline is non-executive director and Chair of the Audit Committee of Shepherd Building Group Limited and is a member of the governing council of the University of Leeds. She also provides extensive consulting services to a range of global chemical and industrial organisations Until January 2018 Caroline was deputy chair, non-executive director and Chair of the Audit Committee of Leeds Teaching Hospitals Trust.
Skills and experience: Caroline is a chartered accountant and member of the Institute of Chartered Accountants of Scotland. She was a partner in PricewaterhouseCoopers (PwC) until 2009, having worked extensively with large global organisations on turnaround, culture change, delivering value from mergers and acquisitions and cost optimisation programmes She sat on the board of the Assurance practice of PwC in the UK.

9. R Atkinson (54)
Chief Counsel & Company Secretary
Nationality: British
Position and date of appointment: Company Secretary since 1998; Group Chief Counsel
Key appointments. No external appointments.
Skills and experience: Richard qualified as a solicitor in 1988 practising as a corporate lawyer before moving into industry.

	Division of Responsibilities
Chairman	• primarily responsible for the working and effectiveness of the Board • facilitating an effective contribution from the non-executive directors and a constructive relationship with the executive directors • ensuring the balance of membership of the Board is appropriate • ensuring that the Board is in full control of the Company's affairs and has an effective dialogue with its shareholders • leading on all aspects of corporate governance
Chief Executive Officer	• senior executive responsible for operational management of the Group • development, preparation and implementation of the Group's strategy as approved by the Board • communication of the Group's culture and values • communicating the Group's financial performance to investors in conjunction with the Chief Financial Officer • keeping the Board fully informed of all material issues
Senior Independent Director	• to be available to shareholders when concerns have not been resolved through normal channels • to lead the annual appraisal of the Chairman • to develop a balanced understanding of the issues and concerns of major shareholders • to provide a sounding board for the Chairman
Non-executive Directors	• to bring an independent and objective judgement to bear on issues of strategy, performance and resources of the Group • to challenge constructively and scrutinise management performance
Board reserved matters	• setting of long term objectives and strategies to be employed in achieving them including the approval of annual budgets • policy setting for safety, health and environmental matters, business conduct, diversity and human rights, recruitment and employment, risk management and treasury • material decisions on capital raising, financial commitments, capital expenditure, acquisitions and disposals and the prosecution, defence and settlement of litigation • approval of information contained in communications to shareholders • the review and monitoring of performance

Board structure

Board

Audit Committee

Disclosure Committee

Remuneration Committee

Nomination Committee

Company Secretary

provides advice and services to the Board and its Committees

supports the Chairman in all governance matters

CEO
Executive Committee

Chief Financial Officer

Company Secretary & Chief Counsel

Executive Vice President – Asia

Vice President – Europe

Vice President – Americas and Middle East, Investor Relations and Communications

Vice President – Specialities, Business Development & Global HR Director

Vice President – Operations

During 2017 the Board held seven meetings with a full day dedicated to an annual strategy development review. The directors receive in advance full information on all matters to be discussed at Board meetings as well as a detailed review of performance. The non-executive directors met once without the Chairman to appraise his performance. The Board met once without the executive directors to appraise their performance.

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 2017 the Board held one of its meetings in Belgium and in conjunction with that Board meeting visited the Company's newly acquired plant near Ghent where presentations were given by local senior management and a plant tour took place.

Board activity in 2017

Safety, health and environment

Investing in organic growth

Growth through acquisition

Financial performance

Leadership and people

Governance and stakeholder relations

Internal control and risk management

Innovation

Board activity in 2017 – Supporting our strategy

Safety, Health and Environment (SHE)
SHE performance and initiatives are reviewed at every meeting supported by a written report and presentation by the Vice President for Operations.

Investing in Organic Growth
Material capital expenditure projects are subject to Board review and approval. During the year investment in capacity expansion projects were approved at sites in Finland, Italy and the USA. Progress on the major capacity expansion projects approved in 2016 at sites in Malaysia and Germany were monitored throughout the year

Growth Through Acquisition
The acquisition of Speciality Additives and of BASF Pischelsdorf were subject to detailed review and approval. The post completion progress on integration and synergy achievement of the PAC (Dispersions) acquisition which completed in June 2016 was monitored throughout the year. Several acquisition opportunities were reviewed and the 'deal log' was considered at each meeting.

Financial Performance
Financial and operational performance and strategic initiatives are reviewed at every meeting supported by reports and presentations from the executive directors and vice presidents Detailed reviews of specific business areas were provided by the responsible vice president or functional head in conjunction with budget and strategy discussions and capital expenditure project reviews.

Leadership and People
Succession planning processes and progress were reviewed with support from the Global HR Director.

Governance and Stakeholder Relations
Routine reports on governance and investor relations matters were given at each meeting and developments in Corporate Social Responsibility and non-financial reporting were reviewed periodically. The new remuneration policy was implemented following shareholder approval at the 2017 AGM. An externally facilitated evaluation of the Board and its Committees was carried out

Internal Control and Risk Management
As well as receiving regular reports from the Audit Committee on the Company's internal control and risk management processes particular attention was paid to cyber and information systems security.

Innovation
As a core pillar of business growth the global Innovation function and its resources together with the product development pipeline was reviewed at the annual strategy development day

Site Visits
The Board visited the Speciality Additives plant near Ghent Belgium acquired in March 2017. Visits were made by individual non-executive directors to the Group's plants in Sokolov (Czech Republic) and Langelsheim (Germany).

Board membership and balance
The Chairman, Chief Executive Officer, Chief Financial Officer and Senior Independent Director together with Chairs and members of the Audit, Nomination, Remuneration and Disclosure Committees are identified on pages 58 and 59. The Board considers that Caroline Johnstone, Just Jansz and Brendan Connolly are independent in accordance with the provisions of the Code. The Board considered that Jinya Chen was independent until the date of his retirement on 31 December 2017. The Board composition remained unchanged until 31 December 2017 and therefore maintained a balanced position between independent and non independent directors throughout 2017. As there has been an imbalance between the number of independent and non-independent directors since 1 January 2018 the Nomination Committee has initiated a search for a replacement independent non-executive director in order to bring the Board composition back into balance.

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

A balanced Board during 2017

Chairman

Independent non-executive directors	Executive and non-independent non-executive directors
Caroline Johnstone	Calum MacLean
Just Jansz	Stephen Bennett
Jinya Chen (retired 31/12/2017)	Alex Catto
Brendan Connolly	Lee Hau Hian

The adjacent table shows the number of meetings of the Board, Audit, Remuneration, Nomination and Disclosure 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 or her views on agenda items are canvassed in advance of the meeting and incorporated into the discussions. The non-executive directors disclose to the Board their other significant commitments.

		Committees			
	Board	Audit	Remuneration	Nomination	Disclosure
Number of meetings held	7	4	3	1	9
Number of meetings attended					
Stephen Bennett	7/7	N/A	N/A	N/A	9/9
Alex Catto	7/7	N/A	N/A	N/A	N/A
Jinya Chen	7/7	N/A	N/A	N/A	N/A
Brendan Connolly	6/7	4/4	3/3	1/1	8/9
Just Jansz	6/7	4/4	3/3	N/A	N/A
Neil Johnson	7/7	N/A	N/A	1/1	9/9
Caroline Johnstone	7/7	4/4	3/3	1/1	N/A
Lee Hau Hian	7/7	N/A	N/A	N/A	N/A
Calum MacLean	7/7	N/A	N/A	N/A	8/9

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, workshops and seminars offered by external advisers. During 2017 briefings were delivered to the Board on developments in corporate governance reporting and governance and best practice in remuneration. The Audit Committee was provided with updates and workshop training provided by PwC LLP. As no directors were appointed during the year no induction training was required to be given.

Performance evaluation
In 2017, Lintstock were engaged to undertake an evaluation of the performance of the Board of Directors. Lintstock is an advisory firm that specialises in Board performance reviews and has no other connection with the Company.

The first stage of the review involved Lintstock engaging with the Chairman, the Chairs of the Audit and Remuneration Committees and Company Secretary to set the context for the evaluation, and to tailor survey content to the specific circumstances of the Company. All Board members were then requested to complete online surveys addressing the performance of the Board, its Committees, and the Chairman. Non-Board members of the Executive Committee, as regular attendees at Board meetings, were also invited to complete the online survey relating to the Board. Members of the Group Finance Department who attended Audit Committee meetings during the course of 2017 were invited to complete the online survey relating to that Committee. The surveys were distributed following the Board and Annual Strategy review meetings held in November 2017. The anonymity of the respondents was ensured throughout the process in order to promote an open and frank exchange of views.

Lintstock subsequently produced a report addressing the following areas of Board performance:

- The appropriateness of the Board's composition was assessed, and respondents were asked to identify any changes that ought to be made to the profile of the Board.
- The Board's understanding of the views of key stakeholders and the markets in which the Company operates was considered, and the Board's oversight of relevant technological developments, and the culture and behaviours throughout the Company, was reviewed.
- The relationships between Board members and management, and the atmosphere in and management of meetings, were assessed, as was the quality of the Board packs and management presentations.
- The effectiveness of the Board in reviewing the Group's current performance, and influencing future performance, was considered, and respondents were asked to identify areas upon which they feel the Board should spend more or less time focusing over the coming year.
- The Board's oversight of strategy and progress against each of the Company's strategic priorities was considered, as was the flow of information to the Board around potential acquisition opportunities, and the integration of acquired businesses. Respondents' views as to the top strategic issues facing the Company were also identified.
- The Board's focus on risk was assessed, as was the adequacy of succession plans for members of top management Respondents were asked to consider the top Human Resources priorities facing the Group over the coming years.

The performance of the Audit, Nomination and Remuneration Committees of the Board was also reviewed in separate reports. The report on the performance of the Chairman was provided to the Senior Independent Director who discussed it with the Chairman and the report on individual Board members was provided to the Chairman.

The Lintstock reports on the Board and its Committees were distributed to Board members in early January 2018 and were discussed and considered in detail at the Board meeting held later that month. A representative of Lintstock attended that Board meeting in order to assist with the Board's consideration of the reports. The findings of the evaluation are reviewed in the letter from the Chairman on page 56.

Board Committees
The Board has formally established Audit, Nomination, Remuneration and Disclosure Committees, each with their own terms of reference which set out their respective roles and the authority delegated to them by the Board. Copies of the terms of reference are available upon request from the Company Secretary and can also be downloaded from the Company's website. All non-executive directors have a standing invitation to attend Committee meetings unless they are notified otherwise

The Audit, Nomination and Remuneration Committee reports are set out at the end of this Corporate Governance report.

Relations with shareholders
Dialogue with institutional investors is conducted on a regular basis by the Chief Executive Officer and the Chief Financial Officer and meetings take place following the announcement of half and full year results and at other times according to circumstances. In addition to half and full year reporting, the Board has decided to continue with the practice of providing interim management statements notwithstanding that it is no longer a regulatory requirement to do so.

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 Chairs of the Audit and Remuneration Committees. Reports on all meetings between non-executive directors and institutional shareholders and their representative bodies are given 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 and where contact through the normal channels of the Chairman or the Chief Executive Officer has failed to resolve or for which such contact is inappropriate.

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

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

Information on the Company's major shareholdings and share capital is included in the Report of the Directors on pages 85 to 87.

Accountability
An explanation of the directors' responsibilities for preparing the financial statements, their report that the business is a going concern, a viability statement, a responsibility statement and their statement as to disclosure of information to the auditor are set out on pages 86 to 88 respectively. Statements by the auditor about its reporting responsibilities are set out on pages 89 to 94.

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 systems of risk management and internal control and for reviewing their effectiveness and sets appropriate policies to ensure that the Code requirements are met. The systems of risk management and internal control deployed within the Group are designed to reduce the risks of failure to meet business objectives, but these risks cannot be eliminated. The risk management and internal control systems adopted can therefore only provide reasonable, not absolute, assurance about meeting such business objectives or against material misstatement or loss. The Group risk management framework is set out on pages 32 to 37. Risks associated with safety, health and the environment are, by the nature of the Group's business, always of the utmost concern and the Sustainability report on pages 44 to 55 reviews the Group's performance in this regard in 2017. The Board confirms that a robust assessment of the principal risks facing the Group has been carried out and that it has monitored and reviewed the effectiveness of the Group's risk management and internal control systems in 2017.

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.

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 in relation to the financial reporting process and the process for preparing consolidated accounts include the following:

- a review of the external and internal audit work plans;
- consideration of reports from management and external parties, including the internal and external auditors, on the system of internal financial control and any material control weaknesses;
- discussion with management of the actions taken on any possible problem areas for the business that are identified.

In addition, the Board:

- receives copies of the minutes from all Audit Committee meetings;
- receives regular written and oral reports from management on all aspects of production, operations, financial and risk management matters.

Environmental matters
The maintenance of high standards of environmental (together with health and safety) protection is central to the Group'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 Sustainability report on pages 44 to 55 includes a report on the initiatives the Group has adopted regarding sustainable development.

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

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

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

The Group's operating activities are highly regulated in all territories and largely carried out in countries that have established legislation on human rights issues. As such, information on human rights issues is not considered to be necessary for an understanding of the development, performance or position of the Group's business. The Group has nonetheless adopted a policy on equal opportunities, diversity and human rights which is available at www.synthomer.com. The Company is a member of the FTSE4Good Index.

Further details of the Group's social and community activities can be found on pages 48 and 49.

Audit Committee

Audit Committee
Membership since 1 January 2017

	Position	Appointment Date	Number of meetings attended
Caroline Johnstone	Chair	April 2015	4/4
Just Jansz	Independent non-executive director	May 2012	4/4
Brendan Connolly	Senior independent non-executive director	March 2014	4/4

Other attendees	
Chief Executive Officer	Company Secretary
Chief Financial Officer	Group Operational Review Manager
Director of Group Finance	External Auditors

Dear Shareholder
In another year of progress for Synthomer, the Audit Committee has continued to develop its programme of work in 2017. Alongside our formal meetings, members of the committee visited our new facility in Ghent with the rest of the Board and we also separately visited the Langelsheim plant to meet with managers and staff there and hear about the plant's approach to risk management.

Our core remit is assessing the integrity of the Group financial reporting, internal controls and risk management systems and overseeing the work of the external and internal audit functions. The Committee has also continued to focus on our oversight of the Group's internal control and risk management processes and the development of our finance, internal audit and other functions which are important in an organisation with a growth strategy. The terms of reference of the committee have been expanded to include the review of taxation matters to support the Board in monitoring the Company's approach to transfer pricing and the Base Erosion and Profit Shifting legislation

During 2017, as part of the Committee's oversight of the risk management processes, senior management from Procurement, IT and R&D met with us to present how they embed the Group's risk management approach and mitigating controls across all aspects of their function. We asked for regular updates to the Board on particular aspects from the developing procurement function and the review of our business information processes and systems. The recently appointed Group Head of Tax presented the Group's proposed tax strategy to the Committee, which, after discussion, we approved ahead of publication on the Company's website. We revisited the Group's risk appetite statement during the year resulting in a formal discussion at the Board's strategy day in November 2017. This will continue to form part of the Committee and Board discussions in 2018.

The Committee has been pleased to support the Chief Financial Officer as he has continued to strengthen finance, IT and tax teams across the group with a small number of senior appointments during the year bringing additional and relevant talent and experience into the organisation.

The Group's 2016 Annual Report was included in the Financial Reporting Council's thematic review of Alternative Performance Measures ("APMs"). Executive management and the Committee reviewed all aspects of how we report APMs, discussed our approach with the external auditor and, where appropriate, made some changes to enhance our presentation of our reported performance measures. The FRC's review concluded that there were no issues to raise regarding the Group's approach to Alternative Performance Measures.*

In 2018, alongside our core remit, the Committee will continue to focus on the Group's internal control and risk management processes as well as reviewing recent acquisitions and capital investments. We will also oversee the development of underlying business information systems – and to look at risk assurance mapping.

We set out further details of our work in the following pages.

I am happy to answer any questions the shareholders may have at any time and look forward to meeting those who attend the AGM.

Caroline Johnstone
Audit Committee Chairman
1 March 2018

* The FRC's review only covered the specific disclosures relating to this thematic review and provides no assurance that the report and accounts for the year are correct in all material respects, the FRC's role is not to verify the information provided but to consider compliance with reporting requirements

Committee membership and meetings
The Committee is made up of Caroline Johnstone (chair), Brendan Connolly and Just Jansz – their experience is set out on page 59. Mrs Johnstone is considered by the Board to have 'recent and relevant financial experience' for the purposes of Provision C 3.1 of the Code as a Chartered Accountant, her roles chairing other Audit Committees and her previous position as a partner at PwC. Together, the Committee members have a wide range of financial, operational and commercial experience across the chemicals and engineering sectors.

Both the Chief Executive and Chief Financial Officer attend our Committee meetings as well as other senior members of the finance team and the Group Operational Review Manager (who leads the Internal Audit function). PwC, led by audit partner Matthew Mullins, also attend our meetings. Other senior managers have regularly attended Committee meetings in 2017, at our request. Other members of the Board have a standing invitation to attend meetings unless notified otherwise and we regularly have the full board in attendance.

The Committee meets on a regular basis with PwC and with the Group Operational Review Manager without management present. The Committee also had a private meeting to discuss forthcoming agendas.

In addition, outside of the formal meetings, Caroline Johnstone had regular dialogue with the Chief Executive, the Chief Financial Officer, other senior members of the head office finance team and PwC to develop the Committee's programme of work as well as review progress in addressing actions agreed by the Committee.

As set out in the Chair's introductory comments, members of the Committee visited both the Ghent and Langelsheim sites during the year as part of an ongoing programme of engagement with the business.

The role and responsibilities of the Audit Committee
The Committee has established a detailed remit focused on the integrity of our financial reporting, internal controls and risk management systems:

- Monitoring the integrity of the Group's financial reporting, financial reporting procedures and the quality of the external audit.
- Reviewing and challenging significant financial estimates and judgements.
- Supporting the Board in considering whether the annual report, taken as a whole, is fair, balanced and understandable.
- Reviewing the adequacy and effectiveness of the Group's internal controls and risk management systems, including the Group's internal audit function and the Group's whistle blowing and fraud detection arrangements.
- Reviewing and monitoring the independence, objectivity and the effectiveness of PwC, approving their remuneration and any non-audit services.
- Reviewing and monitoring the implementation of the Group's tax strategy.

The full terms of reference, which were updated during the year, are included on the Company's website.

Activities during the year
The Committee met formally four times during 2017 and carried out the following principal activities:

	Mar	Apr	Aug	Nov
Financial Reporting				
Full year results, announcement and Annual Report	✓			
Half year results and announcement			✓	
Significant accounting judgements	✓		✓	
Going concern statement	✓		✓	
Viability statement	✓			
Fair, balanced and understandable statement	✓			
Update on new accounting standards		✓		✓
Internal Controls and Risk Management				
Update and specific areas of risk review*	✓	✓	✓	✓
Formal assessment of internal controls and risk assessment processes	✓			
External audit				
Assessment of external auditor's independence, objectivity and effectiveness	✓			
Reappointment of external auditor	✓			
Management representation letter	✓		✓	
Non-audit fees	✓	✓	✓	✓
Non-audit fees policy	✓			
External audit plan				✓
Internal Audit				
Reviewing IA reports, progress against plan and implementation of actions	✓	✓	✓	✓
Assessment of internal audit effectiveness				✓
Internal audit plan	✓			✓
Other				
Tax Strategy				✓
Review of compliance with group IT standards			✓	
Report on whistleblowing and fraud prevention policies	✓			
Committee training, including developments in forthcoming accounting standards				✓
Review and update on the funding arrangements of the Group's UK pension scheme			✓	
Consideration of compliance policies including Gifts and hospitality, sanctioned countries, code of business conduct and General Data Protection Regulation				✓
Review of transfer pricing arrangements across the Group				✓
Audit Committee terms of reference update				✓

* Specific areas of risk management review during the year included Working Capital, Capital Expenditure reviews, R&D, IT and Procurement – other areas such as Project Excellence were presented at full Board meetings

Addressing our remit

Systems of risk management and internal controls effectiveness

Each year, the Board is required to conduct a review of the effectiveness of the Group's systems of risk management and internal control. The Board's statement about this review is set out on page 64. At its meeting in February 2018, the Committee reviewed management's assessment of the key elements of these systems and confirmed their overall effectiveness. In forming its conclusion, the Committee reflected on matters such as:

- The internal audit programme completed during 2017 and the progress in implementing actions arising therefrom.
- The risk management processes rolled out across the Group in 2016 and 2017 and implemented in new acquisitions as soon as practical.
- Our own programme of risk reviews and discussions with senior managers across the Group throughout the year.
- Assurance (Committee papers, Board and Committee presentations and discussions) that management continued to review the Group's key financial controls to ensure that they supported the Group's continued growth.
- The key controls questionnaire developed in 2017, which is completed and signed by each operating unit across the Group on a quarterly basis.
- Half yearly representations from financial and commercial management in the business to the Chief Financial Officer.

Whistle-blowing

At each Committee meeting during the year, the Committee was provided details of the issues reported during the period and how management had investigated them, together with any update on ongoing investigations. No material issues were reported during the year.

2017 Annual report and accounts

Fair, balanced and understandable

The work undertaken by management and the Committee to support the Board's statement included:

- establishing a working group of key individuals, who are appropriately qualified, within the Group to oversee the drafting of the Annual Report;
- the CEO and CFO confirming that, in their opinion, the drafting of the Annual Report was 'fair, balanced and understandable',
- where appropriate, requesting that certain key contributors to sections of the Annual Report (for example, Vice Presidents and Finance Directors of business units) sign a declaration confirming the accuracy of the information provided;
- arranging for Deloitte LLP, the Company's remuneration consultants, to review the Directors' Remuneration Report;
- requesting that an audit trail was completed by the Director of Group Finance for material data underpinning non financial information in the Annual Report;
- circulating drafts of the Annual Report to PwC, the Committee and the Board for review; and
- discussing material disclosure items at a meeting of the Committee held in February 2018.

The Committee discussed the 'fair, balanced and understandable' statement at its meeting in February 2018 in the light of the above and, having done so, recommended that the Board provide it in the form set out on page 88.

Going concern

The principal aspects of the review process conducted by the Committee and management to support the Board's statement were:

- Reviewing the Group's available sources of funding and, in particular, testing the covenants and assessing the available headroom using a range of assumptions
- Reviewing the short, medium and long-term cash flow forecasts in various material downside scenarios.
- Assessing the level of available facilities, which are considered necessary to support the Group's ability to trade and deliver future growth.
- Assessing the Group's current and forecast activities, including any long-term contracts and order books, and those factors considered likely to affect its future performance and financial position

The Committee discussed the going concern statement at its meeting in February 2018 and, having done so, recommended that the Board provide it in the form set out on page 87.

Viability statement

The Board has chosen to consider the prospects of the Group over a five year period ending 31 December 2022, consistent with the five year Strategic Plan of the Group, as they consider it to be a period over which the Group actively focuses on its long term product development and capital expenditure investments

The Committee's robust assessment of the principal risks facing the Group included a review of the potential impact of severe but plausible scenarios that could threaten the viability of the Group and the potential mitigations that management believes would be available. These scenarios included trading volatility, increased competition, delays in capacity improvement, failure of new products and the temporary loss of a manufacturing site. They also included significant foreign currency exchange rate and interest rate movements, which are deemed to be outside the control of the Group. The Committee discussed the viability statement at its meeting in February 2018 and, having done so, recommended that the Board provide it in the form set out on page 37.

External audit
At its meetings in November 2017 and February 2018, the Committee discussed the 2017 audit process:

November 2017	Outcome/action taken by the Committee
• PwC's audit plan	• Challenged and agreed by the Committee
• PwC's audit risk assessment	• Discussed with PwC (including the approach to identified risks)
• Materiality level for the audit	• Agreed with PwC (at a similar level to 2016)
• PwC's resources	• Reviewed and discussed with PwC
• Audit fee and terms of engagement	• Reviewed, challenged and approved by the Committee
February 2018	
• Confirmation of PwC's audit plan	• PwC confirmed no material changes made to agreed plan
• Audit findings, significant issues and other accounting judgements	• Discussed with PwC and management
• Management representation letter	• Reviewed and approved by the Committee
• PwC's independence and objectivity and quality control procedures	• Independence and objectivity confirmed, quality control procedures reviewed

The chair of the Committee was in discussion regularly with PwC's lead audit partner to discuss the progress of the audit. Ahead of and following the conclusion of the February 2018 meeting, the Committee met PwC without management being present: no significant issues, other than those discussed at the Committee meeting, were raised.

Financial reporting and significant judgements
As part of their monitoring of the integrity of the financial statements, the Committee assesses whether suitable accounting policies have been adopted and considers particular areas where management has had to exercise judgement or make estimates. The main areas which we reviewed in the year ended 31 December 2017, together with a summary of our work, are set out below:

- **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 given that 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 Group Head of Tax presented to the Committee on the rationale and judgement on each of the provisions held by the Group and the Committee considered whether these provisions were appropriate and in line with the Group tax strategy and took the external auditor's conclusions into consideration. The Committee concurred with management's views and in addition reviewed the adequacy of the tax disclosures in the financial statements.

- **Defined benefit pension accounting:**
  The Group operates a number of defined benefit schemes which have significant liabilities as outlined in note 26 to the Group financial statements. Although the UK schemes are closed to future accrual, they are sensitive to changes in actuarial assumptions. The Group uses appropriately qualified external actuarial advisers to help establish the actuarial assumptions used in the valuation of the Group's pension assets and liabilities. During their audit, the external auditor evaluated the assumptions and methodologies used by the Group's actuarial advisers and management and assessed whether the assumptions made were appropriate and not materially different from external benchmarks for similar types of schemes. 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 and methodology used by the management and concurred with their conclusions.

- **Purchase of business:**
  The accounting for the acquisition of the Speciality Additives business is shown in the note 31 to the accounts. For the acquisition, the assets and liabilities have been included at fair value with the balance of consideration shown as goodwill. KPMG LLP were engaged to advise on the fair value of the Property, Plant and Equipment (PPE). Overall their conclusion was that the total fair value of the PPE was higher than the carrying value mainly in relation to Land and Buildings. KPMG LLP also performed a valuation of the intangibles, of which the only one of significant value was the customer relationships. The external auditors reviewed the work undertaken by KPMG LLP. The Committee reviewed the methodology used by KPMG LLP along with their conclusions and discussed them with the external auditor. The Committee concurred with management's view on the fair value of the acquired business.

Internal audit
The Group Operational Review Manager (who leads the Internal Audit function) was appointed in 2016. We now have a dedicated and focused in-house internal audit function, which draws on specialist resources as required. At each meeting, the Committee reviewed progress against the internal audit annual plan and explored areas identified for action.

To assess the effectiveness of Internal Audit, the Committee reflected on:

- Internal Audit reports during the year.
- Feedback from operational and finance functions on the quality of the Internal Audit reports and activities.
- Compliance with appropriate Internal Audit professional standards.
- Implementation of Internal Audit recommendations.

There was positive feedback regarding the constructive and challenging approach of Internal Audit as well as the development of new internal audit reporting, with clear summaries and recommendations. In the coming year, the function will focus on agreeing the scope of each audit and continuing to ensure implementation of recommendations on a timely basis. On the basis of our review, the Committee concluded that the function was operating effectively although we continue to review the resources required for the developing Group.

The internal audit plan for 2018 was reviewed at our meeting in November 2017 and includes auditing areas which account for more than 75% of operating profit as well as certain key central functions such as the financial consolidation process. Specialists will be included in a number of audits such as IT security.

External audit

Auditor objectivity and independence and non-audit services provided by the auditor

With effect from 1 January 2017, the Committee adopted a new policy on the provision of non–audit services by the external auditor. We have defined the very limited non audit services which can be provided by the external auditors. Services can only be provided if approved by the Committee and subject to a cap of 70% of the average of audit fees for the preceding three years – with discretion to exceed this until January 2020. The policy is in compliance with the FRC Ethical Standard for Auditors issued in August 2016 and a full copy of the policy on the provision of non-audit services by the external auditor is available on the Company website.

Details of audit and non-audit fees paid to the auditor in 2017 are set out in note 8 on page 111. Non-audit fees principally relate to the interim review at the half year and providing factual understanding about work performed for the Group prior to 1 January 2017 in relation to an overseas tax investigation. The Committee concluded that PwC's independence and objectivity was not compromised by it providing these services and that, as a result of its knowledge of the Group and its financial statements, it was in the Group's interests to engage PwC to do so

As part of the 2017 audit, PwC confirmed that it was independent within the meaning of applicable regulatory and professional requirements Taking this into account and having considered the steps taken by PwC to preserve its independence, the Committee concluded that PwC continues to demonstrate appropriate independence and objectivity.

Effectiveness of the external audit

During the year the Committee evaluated the performance and effectiveness of the external auditors. Feedback was obtained from people across the business who were involved with the external audit and the Committee reflected on the effectiveness of the external audit partner and team members, both in Committee meetings and in discussions with the chair. A review of performance against an evaluation checklist was also conducted by the Audit Committee Chair and the Chief Financial Officer. The Committee assessed the robustness of the audit, the quality of delivery of the audit against the agreed plan and the competence with which the auditors handled key accounting estimates and judgements. Having considered all of these factors the Committee concluded that the external auditors were effective.

Re-appointment of the auditor

PwC was re-appointed external auditor in 2016, following a full retender process, having been the Group's auditors since 2012. Having assessed the effectiveness of the external audit referred to above and the independence of PwC, the Committee recommends the re-appointment of PwC at the 2018 Annual General Meeting.

Committee performance evaluation and future focus

We addressed the areas of development for 2017 as planned and reviewed the risk appetite as part of a wider programme of risk reviews. In 2017, we decided to undertake an evaluation of the Committee's performance using an external questionnaire process. The feedback was positive about our progress in overseeing and challenging the systems of risk management and supportive of continuing to develop this in 2018.

Nomination Committee

Nomination Committee membership
Since 1 January 2017

	Position	Appointment Date	Number of meetings attended
Neil Johnson	Chair	May 2012	1/1
Brendan Connolly	Senior independent non-executive director	March 2014	1/1
Caroline Johnstone	Independent non-executive director	April 2015	1/1

Role

The Committee's remit includes responsibility for·

- the regular review of the structure, size and composition (including the skills, knowledge, experience and diversity) 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 for directors and senior executives and reviewing the succession plans put forward for ensuring the executive leadership needs of the Company are met.

Activities in 2017

The Nomination Committee held one formal meeting during 2017.

The Committee reviewed senior management succession planning within the Group during the course of the year. Following Mr Jinya Chen's retirement from the Board at the end of 2017 the Committee has initiated a search for a replacement independent non-executive director. There were no appointments to the Board during the year and accordingly the Committee was not involved in any recruitment activity and did not appoint or work with any advisers.

Diversity

The Board adopted its current policy on diversity in 2014 in recognition of the importance of diversity in strengthening decision making and competitiveness. 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.

Gender and ethnicity are acknowledged as significant elements of diversity and the Committee is mindful of the recommendations of the Hampton-Alexander, Parker and McGregor-Smith Reviews but has not recommended to the Board the setting of quotas for female or other representation at this time.

As there were no changes to the composition of the Board during 2017, the Committee did not actively seek to implement the diversity policy and accordingly has not reported on its results.

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

Neil Johnson
Chairman
1 March 2018

Remuneration Committee

Remuneration Committee membership
Since 1 January 2017

	Position	Appointment Date	Number of meetings attended
Brendan Connolly	*Chair*	*March 2014*	*3/3*
Just Jansz	Independent non-executive director	May 2012	3/3
Caroline Johnstone	Independent non-executive director	April 2015	3/3
Other attendees			
Chief Executive Officer		Company Secretary	
VP Global HR		Deloitte LLP	

Dear Shareholder
I would like to take this opportunity to thank our shareholders for their support for our new remuneration policy at the 2017 AGM where we were pleased to receive greater than 99% support.

I also take this opportunity to thank the Committee and Board members, our advisors and the wider remuneration community for their input, discussion and debate.

Our Policy
The Policy was approved at the 2017 AGM and implemented across all elements of remuneration in the year. The Policy, details of which are summarised in the subsequent pages of this report, will remain in force until the 2020 AGM unless new regulation or guidance requires us to review or change the policy at an earlier date.

Remuneration outcomes in 2017

- **Base salaries:** In 2018 both the Chief Executive Officer and Chief Financial Officer remain on 2016 salary levels as per the policy. This will be the second year that no increase has been given, and at the end of 2018 they will have been on the same salary for three years. The Committee has the option to increase salaries for 2019 as per the policy.
- **Bonus plan:** The 3 parts of the bonus plan were met in full.
  - Financial – 80%: The +10% above budget Adjusted Underlying PBT target was exceeded with Adjusted Underlying PBT of £121.5m being delivered (with adjustments relating to M&A activity in the year and the impact of currency). The Board challenged management to offset the softening Asian Nitrile latex market during the budget process and in 2017 they have managed to fill the gap through a number of market focused initiatives. Overall performance was above budget expectations. More detail on performance is available in the Chief Executive Officer and Chairman reports, the segmental reviews and the Chief Financial Officer's review.
  - Safety, Health and Environmental (SHE) – 10%: The two targets were exceeded, which represents an excellent outcome in the journey towards 'best in class' performance. The Recordable Injury Rate (RIR) target of 0.25 or less and the Process Safety Event rate (PSER) of 0.2 or less were set to challenge the organisation through the integration of the PAC (Dispersions) acquisition whilst keeping the legacy organisation on an improvement path. The results of 0.13 (RIR) and 0.19 (PSER) demonstrate the efforts made during the year.
  - Personal strategic goals – 10%: Both the Chief Executive Officer and Chief Financial Officer are deemed to have fully achieved their personal strategic goals. For both the Chief Executive Officer and Chief Financial Officer, the improvement and development of the risk management process was a focus. This has improved substantially with more frequent risk reviews, a wider risk process and more Board involvement. Furthermore, for the Chief Executive Officer, the other goals of improved information flow to investors, which was based on feedback has been positively received and, ensuring major capital projects are delivered to plan were considered to have been fully met during the year. It is too early to determine if the promised returns from these projects will be delivered and for that reason we will be adding this objective into the 2018 LTIP as part of the strategic measures. For the Chief Financial Officer , the pension review was timely, strategic and well received, and the Chief Financial Officer's involvement in the full M&A process was evident and impactful.

- **LTIP:** EPS and TSR performance resulted in maximum (80%) vesting of that part of the 2011 performance share plan awards made in 2015 relating to these performance conditions. The three part strategic measures condition was partially met (see details on page 80 of the following report) resulting in 96.3% of the 2015 award vesting in aggregate. As a result of the 2017 outcomes, together with the vesting in May 2018 of the "buyout" award of 100,000 shares granted to the Chief Financial Officer in 2015, the Chief Executive Officer will exceed and Chief Financial Officer will substantially meet the shareholding guidelines requirements to hold shares equal in value to at least 200% and 150% of salary respectively (based on the share price at the end of 2017) during the course of 2018.

- **Chairman's fee:** We reviewed the Chairman's fees at the end of 2017 and concluded that no increase was required at this time.

Committee evaluation
An evaluation of the performance of the Committee was undertaken in 2017 by Lintstock and formed part of the wider evaluation of the performance of the Board of Directors. Further details of this process are given in the Governance section on page 56.

Other activities in the year
The Committee reviewed gender pay gap data and will approve the proposed reporting for external publication in the first quarter of 2018. CEO/average employee pay ratio data was discussed and reviewed and will form part of our reporting remit from 2019 onwards

The Committee's Terms of Reference were reviewed and the annual schedule of business will be adjusted to accommodate consideration of forthcoming changes to the governance and legislative remuneration landscape.

Alignment to Group strategy
We continue to strengthen the link and alignment between the remuneration structure and the Group strategy of innovation, excellence and growth.

Innovation; through R&D and process engineering delivering new and improved products in the medium and long term, to successfully compete in the speciality chemical sector which is reflected in the LTIP where the management and all the LTIP participants are challenged to deliver a percentage of revenue from new products over a five year period.

Excellence; safety, health and environmental performance are critical for risk management and being able to deliver a safe and environmentally controlled workplace, avoiding potential physical and reputational damage. Measures for both personal and process safety are captured in the bonus plans of the CEO and CFO and the wider organisation. Excellence also includes operational processes, efficiency, cost management, utilisation, product quality and an array of other measures which are all captured through objectives for the key operational executives and those directly involved in managing the plants.

Growth; organic year on year growth, M&A and internal capital investment remain important strategic initiatives to drive financial growth, increased capacity and a wider specialty product base to achieve increased market share. The bonus plan and the LTIP through PBT, EPS, TSR and specific expansion objectives are aligned and weighted heavily towards driving a healthy growth.

Remuneration Report
The Directors Remuneration report will not require a binding vote for the policy at the 2018 Annual General Meeting, however the Annual Report on Remuneration, will, as in previous years, be subject to an advisory vote.

Brendan Connolly
Chairman
1 March 2018

At a glance
2017 outcomes:

- *Base salaries in 2018 unchanged for Chief Executive Officer and Chief Financial Officer (frozen at 2016 levels).*
- Annual bonus targets fully met.
- 2015 LTIP award vested at 96.3% – Total Shareholder Return and EPS measures exceeded; strategic measures partially met.

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 reviews of the effectiveness of internal controls and risk management when assessing performance.

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

Key elements of reward

Base salary	Pension & benefits	Annual bonus	Performance Share Plan
		At least 70% Profit before tax **Up to 30%** Strategic and operational measures, including personal objectives **2018 awards:** 80% Profit before tax 10% Health & Safety 10% Individual strategic and operational goals	**At least 80%** Based on financial measures **Up to 20%** Strategic measures **2018 awards:** 40% Relative TSR 40% EPS growth 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, and received shareholder approval, at the Company's 2017 AGM in accordance with section 439A of the Companies Act 2006. The Policy has been effective from 27 April 2017 and is available in full at www.synthomer.com.

Future 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.	There is no overall maximum for salary opportunity or increases. Salary increases will normally be in-line with the increases awarded to other employees within the Group. Larger increases may be made under certain circumstances, including, but not limited to: • an increase in the scope and/or responsibility of the individual's role; • the development of the individual within the role; • alignment to market levels; and • corporate events such as a significant acquisition or Group restructuring which impacts the scope of the role For 2018, executive director salaries remain at the 2016 level: • C G MacLean: £535,500 • S G Bennett: £334,560 and will be frozen at this level until at least the end of 2018.	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 or car allowance. From time to time the Committee may review the benefits provided. The 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 Committee may offer additional benefits or vary benefits according to local practice. Executive directors may participate in any all-employee share schemes or other benefit arrangements on the same basis as other employees.	There is no overall maximum for benefits, as the cost of insurance benefits may vary from year-to-year depending on the individual circumstances and the level of any relocation benefits, allowances and expenses will depend on the specific circumstances.	None

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. The Committee may reduce or defer the level of payment of an award to take into account exceptional business circumstances. A proportion of any bonus earned is deferred for two years. For current executive directors this is 20% and 13% of any bonus for C G MacLean and S G Bennett respectively. The Committee may claw back awards up to three years after payment if the Group's accounts have been materially misstated, there has been an error in the calculation of any performance conditions which results in over payment or if there are circumstances giving rise to material reputational damage to the Group.	The maximum opportunity is up to 125% of salary. Opportunities for current executive directors are: • C G MacLean: 125% of salary • S G Bennett: 115% of salary	At least 70% of awards are subject to underlying profit before tax (or other relevant financial measure) targets. Up to 30% of awards are subject to strategic and operational measures, including personal objectives. For 2018 awards, performance measures will be 80% Underlying profit before tax, 10% health and safety objectives, 10% personal strategic and operational objectives. The award for threshold performance is normally 0% of maximum.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
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.	The vesting of awards is conditional on the Company's performance against long-term targets over performance period of at least three years. 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. The Committee may claw back awards up to three years after vesting if the Group's accounts have been materially misstated, there has been an error in the calculation of any performance conditions which results in overpayment or (for awards from 2017 onwards) if there are circumstances giving rise to material reputational damage to the Group Vested awards relating to grants made from 2017 onwards are subject to a holding period post vesting of an additional two years.	Under the plan rules approved by shareholders, the value of shares awarded to an individual in respect of any one year may not normally exceed 150% of salary. Annual awards to current executive directors are: • C G MacLean: 150% of salary • S G Bennett: 120% 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 80% based on financial measures This may include TSR, EPS, Return on Invested Capital (ROIC) or any other measure considered appropriate by the Committee. Any change to the financial measures used would be subject to prior shareholder consultation. • 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 For 2018 awards, performance measures will be 40% Relative TSR, 40% EPS and 20% strategic measures, including ROIC. 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.
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. Allowances for current executive directors are: • C G MacLean: 25% of salary • S G Bennett. 20% of salary	None
Shareholding guidelines	The Company operates shareholding guidelines for executive directors to strengthen the alignment between the interests of the executive directors and the shareholders. The Chief Executive Officer and the Chief Financial Officer are required to build interests in shares of at least 200% and 150% of salary respectively All vested awards under the 2011 Performance Share Plan (net of tax if applicable) must be retained by executive directors until this requirement is met. If the requirement is not met within three years of appointment the executive directors would be required to defer 50% of any bonus to buy shares until the guidelines are met.			

Provisions to withhold or recover sums paid under incentives are as detailed in the table above. No other elements of remuneration are subject to recovery provisions.

Illustrations of Application of Remuneration Policy
The following charts illustrate the different elements of the executive directors' remuneration under three different performance scenarios: 'Minimum, 'Target' and 'Maximum'. The assumptions used are provided below the charts. The illustrations are based on annual bonus *awards for 2018 and Performance Share Plan awards to be made in 2018.*

C G Maclean

S G Bennett

	Component	Minimum	Target	Maximum
Fixed	Base salary	Base salary for 2018		
	Pension	Value of cash supplement for 2018		
	Benefits	Taxable value of annual benefits provided in 2017		
Variable	Annual bonus	0% of maximum	60% of maximum	C G MacLean 125% of salary S G Bennett 115% of salary
	2011 Performance Share Plan[1]	0% vesting	25% vesting	C G MacLean 150% of salary S G Bennett 120% of salary

Note:
1 The value for the Performance Share Plan is based on the face value of annual PSP awards under the Policy and base salaries for 2018 The calculation excludes share price growth or dividends during the performance period

Annual Report on Remuneration for the year ended 31 December 2017

Operation of the executive director Remuneration Policy for 2018

The current Policy has been in force since 27 April 2017. The specific remuneration arrangements for 2018 are described below

Base salary	There were no salary increases awarded for 2018. This will be the second year that no increase has been given and accordingly salaries remain at 2016 levels as follows: • C G MacLean: £535,500. • S G Bennett: £334,560.
Pension and benefits	No changes. Executives receive a cash allowance in lieu of pension contributions, a fully expensed car or car allowance and private health insurance. 2018 cash allowances in lieu of pension contributions: • C G MacLean: 25% of salary • S G Bennett: 20% of salary
Annual bonus	For 2018, performance under the annual bonus will be measured on the following basis. • 80% subject to performance against Underlying profit before tax targets. • 10% subject to performance measures against key health and safety targets • 10% subject to performance against individual strategic and operational goals. • Targets and objectives for 2018 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. 2018 maximum award opportunity: • C G MacLean: 125% of salary • S G Bennett: 115% of salary

Performance share plan	For awards made in 2018, performance will be measured on the same basis as for awards made in 2017 other than in relation to the business strategy target as follows:
	
	• 40% based on relative TSR performance versus FTSE 250 (excluding investment trusts and financial services companies):
	  – 25% of this element will vest for median performance.
	  – 100% vesting for upper quartile performance.
	  – Vesting on a straight-line basis between these points.
	• 40% based on underlying EPS growth:
	  – 25% of this element will vest for EPS growth of 4.5% per annum.
	  – 100% vesting for EPS growth of 10% per annum.
	  – Vesting on a straight-line basis between these points.
	  – This target range was set following consideration of the long-term strategy and the outlook for the markets in which we operate.
	• 20% based on performance against three equally weighted measures directly linked to the delivery of the business strategy:
	  – Proportion of sales volumes (excluding monomers and speciality additive products) from new products together with products covered by patents and patent applications derived from new products launched in the five years to the end of the performance period – incentivising greater innovation through new product development.
	  – Cumulative Underlying profit before tax growth in respect of acquisitions in line with the strategic plan as approved by the Board – incentivising the delivery of profitable growth.
	  – ROIC generated from the most significant growth projects being commissioned in 2018 measured in the third year of the performance period – incentivising the delivery of profitable organic 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.
	
	2018 maximum award opportunity:
	
	• C G MacLean: 150% of salary
	• S G Bennett: 120% of salary

Shareholding guidelines	The Chief Executive Officer and the Chief Financial Officer are required to build interests in shares of at least 200% and 150% of salary respectively. The Committee will keep the level under review.

The following information is audited:

Single figure of remuneration for executive directors

	Year	Base salary £	Benefits[1] £	Annual bonus £	Long-term incentives[2] £	Pension £	Total £
Executive directors							
C G MacLean	**2017**	**535,500**	**13,200**	**669,375**	**1,163,614**	**133,875**	**2,515,564**
	2016	535,500	13,200	535,500	–	133,875	1,218,075
S G Bennett	**2017**	**334,560**	**22,397**	**384,744**	**343,887**	**66,912**	**1,152,500**
	2016	334,560	21,125	334,560	–	66,912	757,157

Notes
1 This is the total taxable value of benefits received by each executive director during the year The table below provides details of the main component of the relevant benefits paid to executive directors
2 For 2017 the values relate to awards granted under the 2011 PSP and made in 2015 and which vested in February 2018 for CG MacLean and will vest in May 2018 for SG Bennett Further information about the level of vesting is provided in this report

	Car expenses/benefit £	Others £	Total £
C G MacLean	13,200	–	13,200
S G Bennett	21,258	1,139	22,397

Additional information for single figure remuneration
Base salary
The base salary levels for 2018 have been frozen at those effective 1 January 2016 and are set out below.

Executive directors	**2017 base salary**	2018 base salary	% change
C G MacLean	**£535,500**	£535,500	0%
S G Bennett	**£334,560**	£334,560	0%

Annual bonus
2017 award
For 2017 the Company operated a cash bonus plan for the executive directors related to the achievement of Underlying profit before tax targets, health and safety targets and individual strategic and operational goals.

The achievement of the Underlying profit before tax target represented up to 80% of the maximum bonus opportunity achievable of 125% and 115% of annual basic salary for CG MacLean and SG Bennett respectively.

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

Overall bonuses for the year ended 31 December 2017.

Executive directors	Maximum bonus as a % of salary	Total bonus as a % of maximum	Total bonus £
C G MacLean	125	100	669,375
S G Bennett	115	100	384,744

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

1. Underlying profit before tax (80%)

The Underlying profit before tax targets set and achievement are set out below:

	Threshold	Target	Maximum	Achieved[2]
Level of award (% of element)	0%	60%	100%	100%
Underlying profit before tax[1]	£103.55m	£109.00m	£119.90m	£121.10m

Notes
1 Targets are set by reference to the Board approved internal budget for the Group and measured on a constant currency basis
2 For the purposes of calculating Achieved Underlying profit before tax the contribution from the acquisition of Speciality Additives was deducted from 2017 Underlying profit before tax

2. Health & Safety (10%)

Targets with an aggregate weighting of 10% related to improvements in personal and process safety.

	Personal Safety (measured as injury rate)	Process Safety (measured as process safety event rate)
Target	0.25 or less	0.20 or less
Level of award	0% for a rate greater than 0.25 5% for a rate less than 0.25	0% for a rate greater than 0.20 5% for a rate less than 0.20
Rate achieved	0.13	0.19
Award outcome	5%	5%

As a result of out-performance against both measures the maximum award of 10% was achieved. Further details of the definition and measurement of the recordable injury rate and the process safety incident rate are given on page 51.

3. Individual strategic and operational goals (10%)

Individual goals and achievements against them considered by the Remuneration Committee with an aggregate weighting of 10% included:

	Chief Executive Officer	Chief Financial Officer
Target	Development of risk management processes and controls. Delivery of major capital projects and achievement of returns. Upgrade investor communications approach.	Development of risk management processes and controls. Performance relating to merger and acquisition activity. Undertake pensions review and define any new strategy or changes required.
Level of award	Up to 10%	Up to 10%
Performance against targets	More frequent and wider risk reviews delivered; wider risk process implemented with more Board involvement. Major capital projects delivered to plan. Improved information flow to investors.	More frequent and wider risk reviews delivered; wider risk process implemented with more Board involvement. Full and impactful involvement in merger and acquisition activity. Pensions review delivered.
Award outcome	10%	10%

The maximum opportunity was awarded.

2011 Performance Share Plan
2015 award included in single figure of remuneration for 2017.

The awards made on 27 February 2015 for CG MacLean and for SG Bennett under the 2011 PSP were subject to relative shareholder return performance condition, an absolute earnings per share performance condition and a strategic measures 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 2017	EPS for the 2017 financial year	Percentage of award that vests	Performance achieved
Upper quartile	25.95 pence or more	40%	EPS of 30.7 pence gives full vesting for that condition.
Between median and upper quartile	Between 22.25 pence and 25.95 pence	On a straight-line basis between 10% and 40%	
Median	22.25 pence	10%	TSR performance at the 16th percentile gives full vesting for that condition
Below median	Less than 22.25 pence	0%	

A further 20% of the award was subject to three strategic measures which comprised three equally weighted strategic measures:

- Percentage of Group sales (by volume) in the 2017 financial year derived from new products launched in the five years ended 31 December 2017.

New product percentage	Percentage of award that vests	Percentage achieved
< 13.2%	0%	20% gives vesting of 6 66% of award
13.2% – – 20%	1.66% – 6.66%	
> 20%	6.66%	

- Cumulative EBITDA for Europe and North America for the three years ended 31 December 2017.

Cumulative Europe and North America EBITDA	Percentage of award that vests	Percentage achieved
< €374.1m	0%	€414.7million gives vesting of 6.66% of award
€374.1m – €396.7m	1.66% – 6.66%	
> €396.7m	6.66%	

- Growth in Asia and Rest of World EBIT by the 2017 financial year

2017 Asia and Rest of World EBIT	Percentage of award that vests	Percentage achieved
< £32.5m	0%	£35.1million gives vesting of 3% of award
£32.5m – £42.3m	1.66% – 6.66%	
> £42.3m	6.66%	

In aggregate 96.3% of the 2015 award vested.

The 2015 award vested for CG MacLean in February 2018 and will vest for SG Bennett in May 2018 as follows:

	No of shares in original award[1]	No of shares that lapse	No of shares that vest
C G MacLean	231,726	8,574	223,152
S G Bennett	68,483	2,534	65,949

Notes
1 Award reduced on a time apportioned basis for SG Bennett calculated from commencement of employment on 1 May 2015

2017 award

The awards made on 4 May 2017 to C G MacLean and S G Bennett were as follows:

Executive Directors	Scheme	Basis of award	Number of shares	Face value	Percentage vesting at threshold performance	Performance period end date
C G MacLean	2011 PSP – nil-cost options	150% of salary	161,644	£803,250	25%	31/12/2019
S G Bennett	2011 PSP – nil-cost options	120% of salary	80,791	£401,472	25%	31/12/2019

The face value of the awards was calculated using a share price of 496.925 pence per share, the average share price on the four dealing days prior to the date of grant.

The awards made on 4 May 2017 under the PSP are subject to the following performance conditions:

Relative total shareholder return condition	EPS condition	
Company relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over three year period ending 31 December 2019	EPS for the 2019 financial year	Percentage of award that will vest
Upper quartile	37.7 pence or more	40%
Between median and upper quartile	Between 32.3 pence and 37.7 pence	On a straight-line basis between 10% and 40%
Median	32.3 pence	10%
Below median	Less than 32.3 pence	0%

A further 20% of the award is subject to strategic measures as referred to on page 75, 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)
C G MacLean	25
S G Bennett	20

Single figure of remuneration for non-executive directors

Non-executive directors		Base fee	Committee membership fee	Committee chair fee	Total
N A Johnson	**2017**	**170,000**	–	–	**170,000**
	2016	160,000	–	–	160,000
The Hon A G Catto	**2017**	**40,000**	–	–	**40,000**
	2016	40,000	–	–	40,000
J Chen	**2017**	**40,000**	–	–	**40,000**
	2016	40,000	–	–	40,000
B W D Connolly[1]	**2017**	**45,000**	**10,000**	**5,000**	**60,000**
	2016	45,000	5,000	5,000	55,000
Dr J Jansz	**2017**	**40,000**	**10,000**	–	**50,000**
	2016	40,000	5,000	–	45,000
C A Johnstone	**2017**	**40,000**	**10,000**	**5,000**	**55,000**
	2016	40,000	5,000	5,000	50,000
Dato' Lee Hau Hian	**2017**	**40,000**	–	–	**40,000**
	2016	40,000	–	–	40,000

Notes
1. Base fee includes an amount of £5,000 per annum for role as Senior Independent Director

The fees of the non-executive directors and the Chairman were reviewed in 2017 and as a result no increase will be made in 2018.

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

Directors	Interests in Company shares 31 December *2017*	Vested unexercised performance related options 31 December *2017*	Total unfettered interests in shares and vested options 31 December *2017*	Unvested performance related options 31 December *2017*[1]	Share options exercised during *2017*	Share ownership requirements *(% of salary)*	Interests in shares at 31 December 2017 *(% of salary)*[2]
C G MacLean	223,217	–	223,217	575,786	–	200%	205%
S G Bennett	–	–	–	240,447	–	150%	0%
The Hon. A G Catto	1,492,392						
	*6,697,500**						
B W D Connolly	2,200						
Dato' Lee Hau Hian	44,763						
Dr J J C Jansz	10,000						
N A Johnson	100,000						
C A Johnstone	–						
J Chen	–						

Notes

* Non-beneficial interest

1 Unvested performance related options comprise the awards made under the 2011 PSP in 2015, 2016 and 2017 Details of the performance conditions attaching to the 2017 awards are set out on page 81 As disclosed in the 2015 Annual Report, in addition to his performance related award S G Bennett was granted a 'buyout' award of 100,000 shares in 2015 which will vest subject to continued employment until 1 May 2018

2 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 share ownership guidelines. As a result of the 2017 remuneration outcomes together with the vesting of his 'buyout' award S G Bennett will substantially meet his share ownership requirement during 2018 based on the share price at the end of 2017.

The performance conditions attaching to the PSP awards granted in 2016 are 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 three year period ending 31 December 2018	EPS for the 2018 financial year	Percentage of award that vests
Upper quartile	*28.6 pence or more*	40%
Between median and upper quartile	Between 24.5 pence and 28.6 pence	On a straight-line basis between 10% and 40%
Median	24.5 pence	10%
Below median	*Less than 24.5 pence*	0%

A further 20% of the award is subject to strategic measures as referred to on page 75, the targets for which will be disclosed following the end of the performance period.

Payments to past directors
No payments were made to past directors.

Payments for loss of office
No payments for loss office were made during the year.

The following information is unaudited:

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 nine years.

The graph above compares the total shareholder return performance of the Company with that of the FTSE 250 (excluding investment and financial services companies) which is considered to be the most appropriate index against which to make a comparison.

	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
CEO total single figure of remuneration (£000)	786	1,484	3,934	1,487	923	967	1,246	1,218	**2,516**
Bonus (% of maximum awarded)	100	100	100	27	0	57.3	96.7	100	**100**
LTIP (% of maximum vesting)	0	100	100	100	50	0	n/a	n/a	**96.3**

The Chief Executive Officer 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 349 employees. The directors consider that this employee population is the most relevant for comparison purposes taking into account geographical location and remuneration structure

	Salary % increase	Taxable benefits % increase	Annual bonus % increase
C G MacLean	0	0	25
Total employee pay, benefits and bonuses	4.6	(0.4)	12.2

Relative importance of spend on pay

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

	2017 £m	2016 £m	% change
Dividends	**39.1**	30.3	29.0
Total employee remuneration	**116.3**	93.5	24.4

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

Emoluments*	**2017 £000**	2016 £000
The total amounts for directors' remuneration and other benefits were:		
Emoluments	**2,415**	2,204

Note

* Emoluments are recognised on a pro-rata basis for the period they were Directors

External appointments
Executive directors are permitted to accept external appointments with the prior approval of the Board provided that there is no adverse impact to their role and duties to the Company. Any fees arising from such appointments may be retained by the executive directors where the appointment is unrelated to the Group's business. SG Bennett does not currently hold any external appointments. CG MacLean was appointed as a non-executive director of Saudi Basic Industries (SABIC) headquartered in Riyadh in October 2017 and receives a fee of US$157,500 per annum.

Remuneration Committee
Remuneration Committee membership since 1 January 2017:

Brendan Connolly	Chairman
Just Jansz	
Caroline Johnstone	

Attendance at Committee meetings is set out on page 70.

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, Company Secretary and the Vice President – Global HR are invited to attend Committee meetings to contribute to the Committee in its deliberations. However, no individual is involved in discussions, or is part of any decisions, relating to their own remuneration.

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

During the year, Deloitte provided advice on governance and market trends and other remuneration matters that materially assisted the Committee. The fees paid to Deloitte in respect of this work were charged on a time and expenses basis and totalled £17,400 for advice in 2017. Deloitte also provided tax services to part of the Group in the year. The Committee was satisfied that this did not compromise the independence of the advice received.

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

Statement of voting at general meeting
The table below sets out the results of the votes on the Directors' remuneration report and remuneration policy at the 2017 AGM.

	Votes for		Votes against		Votes withheld
Member	Number	% of vote	Number	% of vote	Number
2016 Annual Report on Remuneration	266,705,753	>99	1,907,930	<1	14,926
2017 Directors' Remuneration Policy	265,001,288	>99	1,980,697	<1	1,657,331

By order of the Board

R Atkinson
Company Secretary
1 March 2018

Report of the Directors

The Directors submit their Annual Report and the audited consolidated financial statements for the year ended 31 December 2017. The Report of the Directors comprises pages 85 to 87 and the following sections of the Annual Report which are incorporated by reference:

Item	Location in Annual Report
Statement of Directors' responsibilities	Page 88
Financial instruments and financial risk management	Financial Statements – note 23
Present membership of the Board	Pages 58 to 59
Corporate Governance Report	Pages 60 to 64
Strategic Report (including principal activities and principal risks and uncertainties and Viability Statement)	Pages 1 to 55
Directors' Remuneration Report	Pages 70 to 84
Share capital	Financial Statements – note 28
Sustainability Report	Pages 44 to 55

Results and dividends
The profit attributable to shareholders for the year was £74.0m. The interim dividend of 3.7 pence per share was paid on 6 November 2017. The Directors recommend a final ordinary dividend of 8.5 pence per share payable on 6 July 2018 to those shareholders registered at the close of business on 8 June 2018. A dividend reinvestment plan is available to shareholders and this alternative will continue to be offered until further notice.

Acquisitions and Disposals
On 5 March 2017 the Group completed the acquisition of Perstorp Oxo Belgium AB. On 1 January 2018, the Group sold Synthomer Leuna GmbH. On 31 January 2018 the Group completed the purchase of the BASF Pischelsdorf SBR business and assets. Further details of these transactions are contained in notes 31 and 37 respectively to the consolidated financial statements.

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

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

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

Share capital and control
During 2017 no shares were issued or repurchased. A total of 87,282 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 16 February 2018, 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 Aberdeen plc	24,987,649	7.35	Indirect interest
Old Mutual plc	23,713,569	6.97	Indirect interest
FIL Limited	19,820,888	5.83	Direct interest
Kames Capital Plc	11,769,450	3.46	Direct and indirect interest

Employment policies and Employment involvement
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.

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. Regional management conferences are held annually to bring senior management together to share ideas and develop policy, values and behaviours. Dialogue takes place regularly with 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.

Authority to purchase own shares
The Company has a general authority, which expires at the conclusion of the 2018 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 2017 Annual General Meeting. A resolution will be tabled at the 2018 Annual General Meeting to renew this authority.

Political donations
No political donations were made in the year.

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

Subsidiaries
All the Group's subsidiaries, joint ventures and related undertakings are listed on page 147 to 149.

Statement as to disclosure of information to auditor
Each Director of the Company confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware and that he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself 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 89 to 94

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

Going concern
The directors have acknowledged the latest guidance on going concern and in reaching their conclusions have taken into account factors which include the amendment and restatement in March 2016 of the Group's main credit facility put in place in July 2014 and which involved the putting in place of an extended commitment of £370 million under the multicurrency revolving facilities agreement until July 2019. After making enquiries and taking account of reasonably possible changes in trading performance, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of both the Group and the Company.

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

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

Annual General Meeting
The Annual General Meeting will be held at the offices of Canaccord Genuity Limited, 88 Wood Street, London EC2V 7QR on 26 April 2018 at 10.00am.

By order of the Board

R Atkinson
Company Secretary
1 March 2018

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 regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Fair, balanced and understandable assessment
The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's performance, business model and strategy.

Responsibility statement
Each of the directors, whose names and functions are listed in the Report of the Directors, confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group as a whole, and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the group and company as a whole, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

C G MacLean
Chief Executive Officer

S G Bennett
Chief Financial Officer

Independent auditors' report to the members of Synthomer plc

Report on the audit of financial statements

Opinion

In our opinion:

- Synthomer plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated balance sheet and statement of financial position – Synthomer plc as at 31 December 2017; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2017 to 31 December 2017

Our audit approach

Overview

Materiality	• Overall group materiality: £6.5 million (2016: £6.1 million), based on 5% of underlying profit before taxation • Overall company materiality: £5.0 million (2016: £5.0 million), based on 2% of total assets
Audit scoping	• Audit procedures provide coverage of 88% of revenue, 89% of operating profit and 87% of underlying operating profit • Audit scope covers eight countries, performing procedures over 13 entities • Financially significant components in the UK, Germany and Malaysia
Areas of focus	• Valuation of Defined Benefit Pension Schemes • Provisions for Uncertain Tax Positions • Accounting for the acquisition of Oxo Belgium

Independent auditors' report continued to the members of Synthomer plc

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, Pensions legislation, UK tax legislation, UK environmental regulations and the EU registration, evaluation, authorisation and restriction of chemicals regulations and equivalent local laws and regulations applicable to significant component teams. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, enquiries of management, review of significant component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of Defined Benefit Pension Schemes As set out in Note 26 on page 128 the Group has significant defined benefit pension schemes. These primarily represent the Yule Catto Group retirement benefits scheme in the UK and an unfunded scheme in Germany, which account for £78.3 million and £68.5 million, respectively, of the net pension deficit of £157.2 million recorded on the Group balance sheet at the year end. We focused on the pension liabilities in particular, as the amounts reflected in the financial statements for defined benefits schemes are sensitive to relatively small changes in a few key assumptions such as the inflation rate, mortality tables and most notably, the discount rate applied. The Group uses third party actuaries to calculate the amounts to reflect in the financial statements in respect of these schemes and it is accordingly important for us to assess the work they perform and their competency to undertake the work in order to conclude on the results of their work.	We obtained external actuarial reports of the UK and German schemes which set out the calculations and assumptions underpinning the year end pension scheme valuation. We read these reports and were satisfied that the scope of their work was such that we could use this work to provide evidence for the purpose of our audit. We assessed the competency and objectivity of the external actuaries commissioned by the Group to perform the year end calculations by considering their technical expertise and independence from the Group. We identified no concerns over their competency or objectivity. We used our own specialist actuarial knowledge to evaluate all the key assumptions used in each of the two schemes by comparing these assumptions to our expectations for similar schemes as at the year end. We found management's assumptions to be within an acceptable range.

Accounting for the acquisition of Oxo Belgium On 5 March 2017 the Group completed the acquisition of Perstorp Oxo Belgium AB ("Oxo Belgium") for consideration of £66.1m, as described in note 31.	We evaluated the process used by management to identify and value the assets and liabilities acquired. We assessed the assets and liabilities acquired and the fair value adjustments applied. The fair value adjustments were considered appropriate.
IFRS 3 "Business Combinations" ("IFRS 3") requires that all assets and liabilities acquired in the business combination are recorded at fair values on acquisition. Judgement is required in identifying and valuing all the assets and liabilities acquired, in particular intangible assets which are recognised on acquisition and valuing the acquired property, plant and equipment.	We considered the Directors' process for identifying the intangible assets acquired, considering the rationale for the acquisition and the nature of the Oxo Belgium business. Using our valuation specialists, we assessed the valuation methodology used by the Directors in valuing the identified assets. We evaluated the forecasts and data used and the key assumptions made.
Intangible assets totalling £38.9m were identified relating to customer relationships. The key judgements were in determining an appropriate methodology to value these assets and appropriate assumptions, including forecast revenue and profit, discount rate and rates of obsolescence to determine their fair values.	We were satisfied that the fair values of the intangible and tangible assets were supportable, and that the assumptions used in valuing the assets were within an acceptable range.
Tangible assets relating to land, buildings and plant and machinery have been valued at £8.9m. The key judgements were in determining an appropriate methodology to value these assets, assessing current market values for similar assets, replacement costs and other valuation assumptions.	
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 10 at 31 December 2017, the Group has recorded current tax liabilities totalling £40 2 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 specialists to assess the level of provisions held against various tax exposures and to consider the appropriateness of any provisions. In our assessment we had regard to the nature of the individual exposures, including their origin, and any developments in the year to assess the rationale for their continued validity at the current year end. As part of this work we inspected correspondence with tax authorities and the Group's tax advisors. We challenged the judgements made by assessing individual provisions against our expectations of potential exposures, having regard to the facts of each case. No significant issues arose from this work to suggest that the judgements made and amounts recorded were inappropriate.

We determined that there were no key audit matters applicable to the company to communicate in our report.

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 structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

As set out on page 2, the Group reports its results as two segments: 'Europe and North America' and 'Asia and the Rest of the World'. The Group financial statements are a consolidation of reporting units, being holding companies, intermediate holding companies and operating companies, across 17 countries. Three countries, being the UK, Germany and Malaysia, account for the majority for the Group's results. We accordingly focused our work on three of the reporting units in these countries, which were subject to audits of their complete financial information. In addition, to increase our coverage of the Group's revenues and underlying profit before tax we performed audit procedures at an additional 10 reporting units located in the UK, Italy, Belgium, Germany, Malaysia, USA, Finland and the Czech Republic. These components accounted for 88% of the Group's revenue, 89% of the Group's operating profit and 87% of the Group's underlying operating profit.

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 key reporting units in the UK, Germany and Malaysia were visited by senior members of the Group team during the audit.

Independent auditors' report continued to the members of Synthomer plc

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

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

	Group financial statements	Company financial statements
Overall materiality	£6.5 million (2016: £6.1 million).	£5.0 million (2016: £5.0 million).
How we determined it	5% of underlying profit before tax.	2% of total assets.
Rationale for benchmark applied	We believe that underlying profit before tax, being profit before tax adjusted for special items, is the principal metric against which the Group's financial performance is measured in the Chairman's and CEO's statements within the financial statements.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the company, and is a generally accepted benchmark. This has been capped at a level below that of the group materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £450,000 and £5,000,000. Certain components were audited to a local statutory materiality that was less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £325,000 (Group audit) (2016: £300,000) and £325,000 (Company audit) (2016: £300,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern
In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit	We have nothing to report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Report of the Directors
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*
In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. *(CA06)*

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group
We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 67 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 37 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions
We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 88, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 68 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Independent auditors' report continued
to the members of Synthomer plc

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 88, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company 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.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 12 July 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2012 to 31 December 2017.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 March 2018

Consolidated income statement
for the year ended 31 December 2017

	Note	2017 Underlying performance £m	2017 Special Items £m	2017 IFRS £m	2016 Underlying performance £m	2016 Special Items £m	2016 IFRS £m
Continuing operations							
Revenue		**1,480.2**	**–**	**1,480.2**	1,045.7	–	1,045.7
Company and subsidiaries before Special Items		**138.0**	**–**	**138.0**	128.2	–	128.2
Restructuring and site closure	3	**–**	**(11.6)**	**(11.6)**	–	(5.2)	(5.2)
Sale of business	3	**–**	**–**	**–**	–	4.7	4.7
Sale of land	3	**–**	**1.3**	**1.3**	–	33.2	33.2
Gains on foreign exchange contracts relating to acquisition	3	**–**	**–**	**–**	–	13.1	13.1
Acquisition costs	3	**–**	**(2.3)**	**(2.3)**	–	(4.3)	(4.3)
Amortisation of acquired intangibles	3	**–**	**(31.0)**	**(31.0)**	–	(27 0)	(27.0)
Company and subsidiaries		**138.0**	**(43.6)**	**94.4**	128.2	14.5	142.7
Share of joint ventures	19	**1.0**	**–**	**1.0**	2.0	–	2.0
Operating profit/(loss)	7	**139.0**	**(43.6)**	**95.4**	130.2	14.5	144.7
Interest payable	9	**(5.7)**	**–**	**(5.7)**	(4.2)	–	(4.2)
Interest receivable	9	**1.0**	**–**	**1.0**	0.7	–	0.7
		(4.7)	**–**	**(4.7)**	(3.5)	–	(3.5)
IAS 19 interest charge		**(4.3)**	**–**	**(4.3)**	(4.5)	–	(4.5)
Finance costs		**(9.0)**	**–**	**(9.0)**	(8.0)	–	(8.0)
Profit/(loss) before taxation		**130.0**	**(43.6)**	**86.4**	122.2	14.5	136.7
Taxation	10	**(24.7)**	**13.1**	**(11.6)**	(24.5)	9.1	(15.4)
Profit/(loss) for the year		**105.3**	**(30.5)**	**74.8**	97 7	23.6	121.3
Profit attributable to non-controlling interests		**0.8**	**–**	**0.8**	1.5	9.4	10.9
Profit/(loss) attributable to equity holders of the parent		**104.5**	**(30.5)**	**74.0**	96.2	14.2	110.4
		105.3	**(30.5)**	**74.8**	97.7	23.6	121.3
Earnings/(loss) per share							
– Basic	13	**30.7p**	**(8.9)p**	**21.8p**	28.3p	4.2p	32.5p
– Diluted	13	**30.5p**	**(8.9)p**	**21.6p**	28.1p	4.2p	32.3p

Special Items
The Special Items are shown in more detail in note 3.

Consolidated statement of comprehensive income
for the year ended 31 December 2017

	Note	2017 Equity holders of the parent £m	2017 Non-controlling interests £m	2017 Total £m	2016 Equity holders of the parent £m	2016 Non-controlling interests £m	2016 Total £m
Profit for the year		**74.0**	**0.8**	**74.8**	110.4	10.9	121.3
Actuarial gains and losses	26	**23.6**	**–**	**23.6**	(49.1)	–	(49.1)
Tax relating to components of other comprehensive income	10	**2.3**	**–**	**2.3**	0.9	–	0.9
Total items that will not be reclassified to profit or loss		**25.9**	**–**	**25.9**	(48.2)	–	(48.2)
Exchange differences on translation of foreign operations		**9.2**	**–**	**9.2**	47.0	1 2	48.2
Exchange differences recycled on sale of business		**–**	**–**	**–**	3.3	–	3 3
Losses on a hedge of a net investment taken to equity		**(7.8)**	**–**	**(7.8)**	(6.4)	–	(6.4)
Total items that may be reclassified subsequently to profit or loss		**1.4**	**–**	**1.4**	43.9	1.2	45.1
Other comprehensive income/(expense) for the year		**27.3**	**–**	**27.3**	(4.3)	1.2	(3.1)
Total comprehensive income for the year		**101.3**	**0.8**	**102.1**	106.1	12.1	118.2

Consolidated statement of changes in equity for the year ended 31 December 2017

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging and translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2017		**34.0**	**230.5**	**0.9**	**(4.4)**	**65.2**	**326.2**	**18.0**	**344.2**
Profit for the year		**–**	**–**	**–**	**–**	**74.0**	**74.0**	**0.8**	**74.8**
Actuarial gains	26	**–**	**–**	**–**	**–**	**23.6**	**23.6**	**–**	**23.6**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**9.2**	**–**	**9.2**	**–**	**9.2**
Loss on a hedge of a net investment taken to equity		**–**	**–**	**–**	**(7.8)**	**–**	**(7.8)**	**–**	**(7.8)**
Tax relating to components of other comprehensive income	10	**–**	**–**	**–**	**–**	**2.3**	**2.3**	**–**	**2.3**
Total comprehensive income for the year		**–**	**–**	**–**	**1.4**	**99.9**	**101.3**	**0.8**	**102.1**
Dividends paid to shareholders	12	**–**	**–**	**–**	**–**	**(39.1)**	**(39.1)**	**–**	**(39.1)**
Dividends paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Share-based payments		**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**	**–**	**(0.5)**
At 31 December 2017		**34.0**	**230.5**	**0.9**	**(3.0)**	**125.5**	**387.9**	**18.3**	**406.2**

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging and translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2016		34.0	230.5	0.9	(48.3)	32.3	249.4	9.1	258.5
Profit for the year		–	–	–	–	110.4	110.4	10.9	121.3
Actuarial losses	26	–	–	–	–	(49.1)	(49.1)	–	(49.1)
Exchange differences on translation of foreign operations		–	–	–	47.0	–	47.0	1.2	48.2
Exchange differences recycled on sale of business		–	–	–	3.3	–	3.3	–	3.3
Loss on a hedge of a net investment taken to equity		–	–	–	(6.4)	–	(6.4)	–	(6.4)
Tax relating to components of other comprehensive income	10	–	–	–	–	0.9	0.9	–	0.9
Total comprehensive income for the year		–	–	–	43.9	62.2	106.1	12.1	118.2
Dividends paid to shareholders	12	–	–	–	–	(30.3)	(30.3)	–	(30.3)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(3.2)	(3.2)
Share-based payments		–	–	–	–	1.0	1.0	–	1.0
At 31 December 2016		34.0	230 5	0.9	(4.4)	65.2	326.2	18 0	344.2

Consolidated balance sheet
as at 31 December 2017

	Note	2017 £m	2016 £m
Non-current assets			
Goodwill	15	**329.1**	301.4
Acquired intangible assets	16	**66.2**	54.2
Other intangible assets	17	**1.9**	0.2
Property, plant and equipment	18	**322.1**	293.3
Deferred tax assets	11	**23.3**	19.4
Investment in joint ventures	19	**7.5**	9.0
Total non-current assets		**750.1**	677.5
Current assets			
Inventories	20	**125.1**	104.3
Trade and other receivables	21	**229.1**	195.7
Cash and cash equivalents	22	**89.6**	117.4
Total current assets		**443.8**	417.4
Assets classified as held for sale	24	**6.8**	0.7
Total assets		**1,200.7**	1,095.6
Current liabilities			
Borrowings	22	**(73.1)**	(65.4)
Trade and other payables	25	**(279.3)**	(213.5)
Current tax liability	10	**(40.2)**	(39.0)
Provisions for other liabilities and charges	27	**(2.4)**	(3.0)
Total current liabilities		**(395.0)**	(320.9)
Non-current liabilities			
Borrowings	22	**(197.0)**	(202 3)
Trade and other payables	25	**(2.3)**	(2.7)
Deferred tax liability	11	**(35.4)**	(33.1)
Post retirement benefit obligations	26	**(157.2)**	(186.7)
Provisions for other liabilities and charges	27	**(7.6)**	(5.7)
Total non-current liabilities		**(399.5)**	(430.5)
Net assets		**406.2**	344.2
Equity			
Called up share capital	28	**34.0**	34.0
Share premium		**230.5**	230.5
Capital redemption reserve		**0.9**	0.9
Hedging and translation reserve		**(3.0)**	(4.4)
Retained earnings		**125.5**	65.2
Equity attributable to equity holders of the parent		**387.9**	326.2
Non-controlling interests		**18.3**	18.0
Total equity		**406.2**	344.2

The financial statements on pages 95 to 137 were approved by the Board of Directors and authorised for issue on 1 March 2018. They are signed on its behalf by:

C G MacLean
Director

S G Bennett
Director

Group financial statements

Group financial statements

Consolidated cash flow statement for the year ended 31 December 2017

	Note	2017 £m	2017 £m	2016 £m	2016 £m
Operating					
Cash generated from operations	29		**162.6**		157.0
Interest received		**1.0**		0.7	
Interest paid		**(5.8)**		(4.0)	
Net interest paid			**(4.8)**		(3.3)
UK corporation tax paid		**–**		–	
Overseas corporate tax paid		**(26.1)**		(17.1)	
Total tax paid			**(26.1)**		(17.1)
Net cash inflow from operating activities			**131.7**		136.6
Investing					
Dividends received from joint ventures	19		**2.0**		2.1
Purchase of property, plant and equipment		**(60.3)**		(45.6)	
Sale of property, plant and equipment		**2.2**		34.4	
Net capital expenditure			**(58.1)**		(11.2)
Purchase of business	31		**(64.1)**		(165.8)
Proceeds from sale of business	37		**7.6**		12.8
Net cash outflow from investing activities			**(112.6)**		(162.1)
Financing					
Ordinary dividends paid	12		**(39.1)**		(30.3)
Dividends paid to non-controlling interests			**(0.5)**		(3.2)
Settlement of equity-settled share based payments			**(3.1)**		(0.4)
Repayment of borrowings	30		**(102.0)**		(82.7)
Proceeds of borrowings	30		**136.3**		186 0
Net cash (outflow)/inflow from financing activities			**(8.4)**		69.4
Increase in cash, cash equivalents and bank overdrafts during the year			**10.7**		43.9
Cash, cash equivalents and bank overdrafts at 1 January	30		**52.0**		8.5
Cash (outflows)/inflows					
Cash and cash equivalents	30	**(28.5)**		63.8	
Bank overdrafts	30	**39.2**		(19.9)	
			10.7		43.9
Exchange and other movements	30		**2.7**		(0.4)
Cash, cash equivalents and bank overdrafts at 31 December	30		**65.4**		52.0

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

	Note	2017 £m	2016 £m
Net cash inflow from operating activities		**131.7**	136.6
Add back: dividends received from joint ventures	19	**2.0**	2.1
Less: net capital expenditure		**(58.1)**	(11.2)
Less: net purchase of business		**(56.5)**	(153.0)
		19.1	(25.5)
Ordinary dividends paid	12	**(39.1)**	(30.3)
Dividends paid to non-controlling interests		**(0.5)**	(3.2)
Settlement of equity-settled share based payments		**(3.1)**	(0.4)
Exchange and other movements	30	**(6.6)**	(13.5)
Increase in net borrowings	30	**(30.2)**	(72.9)

Notes to the consolidated financial statements
31 December 2017

1 General information
Synthomer plc is a company incorporated and domiciled in the United Kingdom under the Companies Act The address of the registered office is given on the inside back cover. The Company is listed on the London Stock Exchange.

The consolidated financial statements are prepared in pounds sterling (functional currency of the parent company). Foreign operations are included in accordance with the policies set out in note 2.

New and amended standards adopted by the Group
No new standards have been adopted by the Group for the first time for the financial year beginning 1 January 2017.

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9 Financial Instruments
IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets This standard is mandatory for financial years commencing on or after 1 January 2018.

The Group has reviewed its financial assets and liabilities and expects there to be no material impact arising from the adoption of the new standard on 1 January 2018.

As disclosed in note 23, the Group's only financial assets are cash and cash equivalents and trade receivables, which will continue to be held at amortised cost. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as fair value through profit or loss, and the Group does not have any such liabilities.

The Group has confirmed that its current hedging relationships will continue to qualify as hedges upon the adoption of IFRS 9

The new impairment model requires the recognition of impairment provisions based on expected credit losses, rather than only incurred credit losses as is the case under IAS 39. The Group does not expect any material movement in the loss allowance for trade receivables on the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard also requires entities to apportion revenue earned from contracts to individual performance obligations, based on a five-step model. This standard is mandatory for financial years commencing on or after 1 January 2018.

The Group has performed a detailed assessment at all major sites, and as a result has concluded that no material impact is expected on the accounting of revenue in the Group. No material separate performance obligations are expected, and no material adjustment is anticipated to the pattern of revenue recognition. Further work is being done to identify any potential increased disclosure requirements.

IFRS 16 Leases
IFRS 16 was issued in January 2016. For lessees, it will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed Under the new standard, an asset (the right-to-use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. This standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date

The standard will primarily affect the accounting for the Group's operating leases, and the Group has undertaken a review to identify all leases in each entity. As at the reporting date, the Group has non-cancellable operating lease commitments of £34.7m (see note 33). However, the Group has not yet assessed what other adjustments are required, for example because of the change in definition of lease term, and the treatment of extension and termination options

Moreover, the standard offers various transitional arrangements which may have an impact on the adjustments required . As the various options are still being considered to establish which is right for the Group, an estimate has not yet been made for the amount of right-to-use assets and lease liabilities that will have to be recognised on adoption of the new standard, and how this may affect the Group's income statement and classification of cash flows going forward.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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), IFRS Interpretations Committee 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 at fair value through the Income Statement. As discussed in the Report of the Directors on page 87, the financial statements have been prepared on a going concern basis. The principal accounting policies adopted are set out below and have been consistently applied to all the years presented, unless otherwise stated.

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 joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of completion) 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 are recognised and measured in accordance with IAS 12 Income Taxes;
- liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits; 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 circumstances that existed as of the acquisition date that, if known, would have affected the amounts as of that date.

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

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

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

Customer relationships	– between 5 and 14 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
Other intangible assets that are not acquired through a business combination are initially measured at cost and amortised on a straight-line basis over their estimated useful lives of between 3 and 5 years.

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

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

No research or development costs met the criteria required for capitalisation under IAS 38 during the year. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Notes to the consolidated financial statements continued
31 December 2017

2 Significant accounting policies continued

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any provision for impairment. Cost comprises original purchase price and the costs attributable to bringing the asset to its working condition for its intended use, including, where appropriate, capitalised finance costs. Except for freehold land, which is not depreciated, the cost of property, plant and equipment is depreciated on a straight-line basis over its expected useful life as follows:

Freehold buildings	– 50 years
Leasehold land and buildings	– the lesser of 50 years and the period of the lease
Plant and equipment	– between 3 and 10 years

Assets in the course of construction are not depreciated until the assets are ready for their intended use.

Joint ventures

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

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

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

The 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 in the income statement.

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 the income statement.

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 the income statement where there is objective evidence that the asset is impaired.

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

Amortised costs

Bank borrowings

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

Trade payables

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

Impairment of financial assets

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

Finance costs

Finance costs of debt are recognised in the income statement over the term of such instruments at an effective interest rate on the carrying amount. Finance costs that are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets in accordance with IAS 23.

Foreign currencies

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

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (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 relevant average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement 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 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 23.

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

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

Hedge accounting

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

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

2 Significant accounting policies continued

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 income statement.

Amounts deferred in equity are recycled in the income statement 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 the income statement, and is included in the 'other gains and losses' line.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks 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 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 tax 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
Current and past service costs in respect of the Group's defined benefit pension schemes are charged to the consolidated income statement.

Payments to defined contribution retirement benefit schemes are charged to the income statement 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 are recognised when products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

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.

2 Significant accounting policies continued
Definitions
Operating profit
Operating profit represents profit from continuing activities before financing costs and taxation.

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

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

- Amortisation of acquired intangible assets;
- Impairment of non-current assets;
- Acquisition costs;
- Re-structuring and site closure costs;
- Fair value adjustment – mark to market adjustments in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied;
- Items of income and expense that are considered material, either by their size and/or nature; and
- Tax impact of above items.

These Special Items are either irregular and therefore including them in the assessment of a segment's performance would lead to a distortion of trends or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance of the segment in the year.

Underlying performance
Underlying performance represents the statutory performance of the Group under IFRS, excluding Special Items.

Net cash/(borrowings)
Net cash/(borrowings) represents cash and cash equivalents less 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

Valuation of goodwill and intangibles on acquisition
Acquired intangibles IFRS 3 (revised) "Business Combinations" requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification of other intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of estimates and judgements, that may differ from the actual outcome. These estimates and judgements cover future growth rates, expected inflation rates and the discount rate used Changing the assumptions selected by management could significantly affect the allocation of the purchase price paid between goodwill and other acquired intangibles.

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.

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 26.

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:

	Note	**2017 £m**	2016 £m
Continuing operations			
Restructuring and site closure		**(11.6)**	(5.2)
Profit on sale of business		**–**	4.7
Sale of land	24	**1.3**	33.2
Gain on foreign exchange contracts relating to acquisition		**–**	13.1
Acquisition costs		**(2.3)**	(4.3)
Amortisation of acquired intangibles	16	**(31.0)**	(27.0)
Operating (loss)/profit		**(43.6)**	14.5
(Loss)/profit before taxation from continuing operations		**(43.6)**	14.5
Taxation	10	**13.1**	9.1
(Loss)/profit for the year from continuing operations		**(30.5)**	23.6

The restructuring and site closure costs included £9.0m in relation to the post-acquisition integration of the PAC (Dispersions) business, with the majority being attributable to the rationalisation of the Ribécourt (France) site. A further £1.6m comprised the cost of an onerous lease on a site closed during 2017, while £0.8m comprised costs for the post-acquisition integration of Speciality Additives.

The profit on sale of business relates to the disposal of our South African business in 2016.

The profit on sale of land in 2017 related to a disposal of land in Hapton, UK. The profit on sale of land in 2016 related to the disposal of tranches of Malaysian land.

The gain of £13.1m in 2016 resulted from foreign exchange contracts taken out as a hedge against the US dollar purchase consideration of the PAC (Dispersions) acquisition.

Acquisition costs were incurred in relation to Speciality Additives (2016: PAC (Dispersions)) and for other potential acquisitions which will not occur, or have not occurred before the balance sheet date.

The amortisation of intangibles increased during 2017 due to a full year of amortisation for the 2016 PAC (Dispersions) acquisition, the intangibles acquired with Speciality Additives and due to foreign currency exchange rate movements.

4 Segmental analysis
The Group's Executive Committee, chaired by the Chief Executive Officer, examines the Group's performance and has identified two reportable segments of its business:

Europe and North America (ENA)
These markets are well developed and are typically growing in line with GDP.

Asia and Rest of the World (ARW)
These markets are characterised by growing at rates generally above GDP coupled with an increased penetration of more sophisticated products into wider uses.

The Executive Committee primarily uses Underlying operating profit, being operating profit before Special Items, to assess the performance of the operating segments No information is provided to the Executive Committee at the segment level concerning interest income, interest expenses, income taxes or other material non-cash items

No single customer accounts for more than 10% of the Group's revenues.

4 Segmental analysis continued

Analysis by activity – Revenue

	2017 £m	2016 £m
Europe & North America	**1,134.9**	746.1
Asia & Rest of the World	**345.3**	299.6
	1,480.2	1,045.7

Analysis by activity – Operating Profit

	2017			2016		
	Subsidiaries £m	Share of joint ventures £m	Total £m	Subsidiaries £m	Share of joint ventures £m	Total £m
Europe & North America	**77.5**	**–**	**77.5**	75.4	–	75.4
Asia & Rest of the World	**30.2**	**1.0**	**31.2**	79.3	2.0	81.3
Reported segment operating profit	**107.7**	**1.0**	**108.7**	154.7	2 0	156.7
Unallocated corporate expenses	**(13.3)**	**–**	**(13.3)**	(12.0)	–	(12.0)
Operating profit	**94.4**	**1.0**	**95.4**	142.7	2.0	144.7

Analysis by activity

		2017				
	Note	Total assets £m	Total liabilities £m	Capital expenditure £m	Depreciation and amortisation £m	Amortisation acquired intangibles £m
Subsidiaries						
Europe & North America		**453.9**	**(205.2)**	**36.3**	**23.8**	**27.3**
Asia & Rest of the World		**224.6**	**(71.8)**	**24.3**	**13.1**	**3.7**
		678.5	**(277.0)**	**60.6**	**36.9**	**31.0**
Unallocated assets and liabilities		**6.5**	**(14.6)**	**–**	**0.3**	**–**
		685.0	**(291.6)**	**60.6**	**37.2**	**31.0**
Share of joint ventures	19	**10.9**	**(3.4)**			
Goodwill	15	**329.1**	**–**			
Acquired intangibles and related deferred tax	16	**66.2**	**(16.3)**			
Current and deferred taxation		**23.3**	**(59.3)**			
Post retirement benefit obligations	26	**–**	**(157.2)**			
Net borrowings	22	**–**	**(180.5)**			
		1,114.5	**(708.3)**			
Net assets			**406.2**			

		2016				
	Note	Total assets £m	Total liabilities £m	Capital expenditure £m	Depreciation and amortisation £m	Amortisation acquired intangibles £m
Subsidiaries						
Europe & North America		380.2	(143.7)	24.8	17.9	21.5
Asia & Rest of the World		209.9	(67.4)	20.9	11.7	5.5
		590.1	(211.1)	45.7	29.6	27.0
Unallocated assets and liabilities		4.1	(13.8)	–	0.3	–
		594.2	(224.9)	45 7	29.9	27.0
Share of joint ventures	19	12.5	(3.5)			
Goodwill	15	301.4	–			
Acquired intangibles and related deferred tax	16	54.2	(12.8)			
Current and deferred taxation		19.4	(59 3)			
Post retirement benefit obligations	26	–	(186.7)			
Net borrowings	22	–	(150.3)			
		981.7	(637.5)			
Net assets			344.2			

Analysis of total revenue by destination

	2017 £m	2016 £m
UK	**69.4**	54 8
Germany	**225.1**	158.4
Other Western Europe	**483.8**	320.4
Western Europe	**778.3**	533.6
Eastern Europe	**102.8**	63.8
North America	**94.9**	57.4
Malaysia	**195.3**	168.8
Other Asia	**228.8**	155.6
Africa and Middle East	**58.2**	51.9
Rest of the World	**21.9**	14.6
	1,480.2	1,045.7

Inter-segmental revenue

In addition to the amounts included above, inter-segmental revenue was earned as set out below. This revenue was eliminated on consolidation.

	2017			2016		
	Europe & North America £m	Asia & Rest of World £m	Total £m	Europe & North America £m	Asia & Rest of World £m	Total £m
Europe & North America	**-**	**16.2**	**16.2**	–	12.3	12.3
Asia & Rest of the World	**0.8**	**-**	**0.8**	0.6	–	0.6
Total	**0.8**	**16.2**	**17.0**	0.6	12.3	12.9

5 Underlying segmental performance

The IFRS profit measures show the performance of the Group as a whole and as such includes all sources of income and expenses, including both irregular items and those that do not relate to the Group's ongoing businesses. To provide additional clarity on the ongoing trading performance of the Group's businesses, the management uses "Underlying performance" as an alternative performance measure to plan for, control and assess the performance of the segments. Underlying performance differs from the IFRS measures as it excludes Special Items.

The definition of Special Items is shown in note 2 and has been consistently applied. Special Items are either irregular, and therefore including them in the assessment of a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance of the segment in the year, or both. An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangibles from Underlying performance avoids the potential double counting of such costs and therefore excludes it as a Special Item from Underlying performance.

5 Underlying Segmental performance continued
Reconciliation of Underlying performance to IFRS

		2017				2016			
	Note	Europe & North America £m	Asia & Rest of World £m	Unallocated corporate expenses £m	Total £m	Europe & North America £m	Asia & Rest of World £m	Unallocated corporate expenses £m	Total £m
Revenue									
Underlying performance and IFRS		1,134.9	345.3		1,480.2	746 1	299.6		1,045.7
Operating profit/(loss) – including share of joint ventures									
Underlying performance		117.1	35.1	(13.2)	139.0	93.3	48.7	(11.8)	130.2
Special Items									
Restructuring & site closure costs		(11.3)	(0.2)	(0.1)	(11.6)	(4.7)	(0.3)	(0.2)	(5.2)
Profit on sale of business		–	–	–	–	–	4.7	–	4.7
Sale of land		1.3	–	–	1.3	–	33.2	–	33.2
Gain on foreign exchange contracts relating to acquisition		–	–	–	–	12 4	0.7	–	13.1
Acquisition costs		(2.3)	–	–	(2.3)	(4.1)	(0.2)	–	(4.3)
Amortisation of acquired intangibles	16	(27.3)	(3.7)	–	(31.0)	(21.5)	(5.5)	–	(27.0)
		(39.6)	(3.9)	(0.1)	(43.6)	(17.9)	32.6	(0.2)	14.5
IFRS		77.5	31.2	(13.3)	95.4	75.4	81.3	(12.0)	144.7
Finance costs									
Underlying performance	9				(9.0)				(8.0)
IFRS	9				(9.0)				(8.0)
Profit before taxation									
Underlying performance					130.0				122.2
IFRS					86.4				136.7
Taxation									
Underlying performance					(24.7)				(24.5)
Special Items									
Sale of land	10				–				(1.1)
Profit on sale of business	10				0.4				1.4
Restructuring and site closure costs	10				0.3				1.3
Amortisation of acquired intangibles	10				12.4				7.5
IFRS	10				(11.6)				(15.4)
Profit for the year									
Underlying performance					105.3				97.7
IFRS					74.8				121.3

	Note	2017 Europe & North America £m	2017 Asia & Rest of World £m	2017 Unallocated corporate expenses £m	2017 Total £m	2016 Europe & North America £m	2016 Asia & Rest of World £m	2016 Unallocated corporate expenses £m	2016 Total £m
Profit attributable to non-controlling interests									
Underlying performance					**0.8**				1.5
Special Items – sale of land					**–**				9.4
IFRS					**0.8**				10.9
Profit attributable to equity holders of the parent									
Underlying performance					**104.5**				96.2
IFRS					**74.0**				110.4
Earnings per share (pence)									
Underlying performance					**30.7p**				28.3p
Special Items					**(8.9)p**				4.2p
IFRS	13				**21.8p**				32.5p

	Note	2017 Europe & North America £m	2017 Asia & Rest of World £m	2017 Unallocated corporate expenses £m	2017 Total £m	2016 Europe & North America £m	2016 Asia & Rest of World £m	2016 Unallocated corporate expenses £m	2016 Total £m
Profit attributable to non-controlling interests									
Underlying performance					**0.8**				1.5
Special Items – sale of land					**–**				9.4
IFRS					**0.8**				10.9
Profit attributable to equity holders of the parent									
Underlying performance					**104.5**				96.2
IFRS					**74.0**				110.4
Earnings per share (pence)									
Underlying performance					**30.7p**				28.3p
Special Items					**(8.9)p**				4.2p
IFRS	13				**21.8p**				32.5p

Notes to the consolidated financial statements continued
31 December 2017

6 EBITDA
The Group uses EBITDA as an alternative performance measure as it provides an indication of the level of cash being generated by the business from its trading activities in the period by excluding the depreciation and amortisation charges and Special Items. This is also the principal profit measure used for the financial covenants in the Group's debt facilities.

The definition of EBITDA is shown in note 2.

Reconciliation of EBITDA to IFRS

		2017				2016			
	Note	Europe & North America £m	Asia & Rest of World £m	Unallocated corporate expenses £m	Total £m	Europe & North America £m	Asia & Rest of World £m	Unallocated corporate expenses £m	Total £m
EBITDA		**140.9**	**48.2**	**(12.9)**	**176.2**	111.2	60.4	(11.5)	160.1
Depreciation and amortisation	4	**(23.8)**	**(13.1)**	**(0.3)**	**(37.2)**	(17.9)	(11.7)	(0.3)	(29.9)
Operating profit/(loss) – Underlying performance	5	**117.1**	**35.1**	**(13.2)**	**139.0**	93.3	48 7	(11.8)	130.2
Special Items	5	**(39.6)**	**(3.9)**	**(0.1)**	**(43.6)**	(17.9)	32.6	(0.2)	14.5
Operating profit/(loss) – IFRS	5	**77.5**	**31.2**	**(13.3)**	**95.4**	75.4	81.3	(12.0)	144.7

7 Operating profit

	Note	2017 £m	2016 £m
Revenue		**1,480.2**	1,045.7
Cost of sales		**(1,195.4)**	(793.1)
Gross profit		**284.8**	252.6
Sales and marketing costs		**(39.1)**	(32.1)
Administrative expenses		**(70.5)**	(62.4)
Share of joint ventures	19	**1.0**	2.0
EBITDA		**176.2**	160.1
Depreciation and amortisation – Underlying performance		**(37.2)**	(29.9)
Operating profit – Underlying performance		**139.0**	130 2
Special Items		**(43.6)**	14.5
Operating profit – IFRS		**95.4**	144.7

	Note	2017 £m	2016 £m
Operating profit is stated after charging the following:			
Amortisation: acquired intangibles	16	**31.0**	27.0
Amortisation: other intangibles	17	**0.8**	0.2
Depreciation	18	**36.4**	29.7
Hire of plant and equipment		**4.2**	2.3
Other lease rentals		**3.1**	3 4
Research and development expenditure		**18.3**	15.0

8 Auditors' remuneration

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for:		
audit of the Company's annual financial statements and the consolidated annual financial statements	**139**	167
Fees payable to the Company's auditor and their associates for other services to the Group:		
audit of the Company's subsidiaries' annual financial statements	**661**	574
Total audit fees	**800**	741
Audit related assurance services	**33**	34
Tax compliance services	**–**	19
Other taxation advisory services	**24**	128
Other services	**–**	97
Total non-audit fees	**57**	278

Details of the Company's policy on the use of auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee section of the Corporate Governance Report on page 69. No services were provided pursuant to contingent fee arrangements

9 Finance costs

	2017 £m	2016 £m
Interest payable on bank loans and overdrafts	**5.7**	4.2
Less: interest receivable	**(1.0)**	(0.7)
	4.7	3.5
Pensions – IAS 19 interest charge	**4.3**	4.5
Total finance costs	**9.0**	8.0

10 Taxation

	2017 £m	2016 £m
Current tax		
UK corporation tax	**–**	–
Overseas tax	**27.1**	25.0
	27.1	25.0
Deferred tax		
Origination and reversal of temporary differences	**(2.4)**	(0.5)
	24.7	24.5
Special Items		
Current tax:		
Disposal of land	**–**	1.1
Purchase and sale of business	**(0.4)**	(1.4)
Restructuring and site closure costs	**(0.3)**	(1.3)
Deferred tax:		
Restructuring and site closure costs	**(1.0)**	–
Amortisation of acquired intangibles	**(11.4)**	(7.5)
	(13.1)	(9.1)
Total tax on profit before taxation	**11.6**	15.4

UK corporation tax is calculated at 19.25% (2016: 20.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10 Taxation continued

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.

	2017 £m	2016 £m
Profit before taxation	**86.4**	136.7
Tax on profit before taxation at standard UK corporation tax rate of 19.25% (2016: 20.0%)	**16.6**	27.3
Expenses not deductible for tax purposes	**4.3**	3.8
Tax incentives and items not subject to tax	**(8.7)**	(20.3)
Higher tax rates on overseas earnings	**5.3**	4.2
Other deferred tax asset not recognised less amounts now recognised	**(1.5)**	(0.4)
Adjustments to tax charge in respect of prior periods	**(0.1)**	1.5
Effect of change of rate on deferred tax	**(4.3)**	(0.7)
Tax charge for year	**11.6**	15.4

Tax credits to other comprehensive income

	2017 £m	2016 £m
Deferred tax credit in respect of actuarial gains/losses	**2.3**	0.9

Current tax liabilities

	2017 £m	2016 £m
Current tax liabilities	**(40.2)**	(39.0)

The tax incentives and items not subject to tax mainly comprise profits from the Nitrile latex business in Malaysia which benefits from pioneer status until 28 February 2020. The effective of change of rate on deferred tax is in relation to the reduction of tax rates in the USA and Belgium.

11 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.

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

Deferred tax liabilities

2017

	Accelerated tax depreciation £m	Acquired intangibles £m	Other £m	Total £m
At 1 January	**(18.8)**	**(12.8)**	**(1.5)**	**(33.1)**
Purchase of business	**(1.0)**	**(14.0)**	**-**	**(15.0)**
Credited to income statement	**2.0**	**11.4**	**0.3**	**13.7**
Exchange adjustment	**0.1**	**(0.9)**	**(0.2)**	**(1.0)**
At 31 December	**(17.7)**	**(16.3)**	**(1.4)**	**(35.4)**

Deferred tax assets

2017

	Pension £m	Other £m	Total £m
At 1 January	**16.9**	**2.5**	**19.4**
(Charged)/credited to income statement	**(0.6)**	**1.7**	**1.1**
Credited to statement of other comprehensive income	**2.3**	**–**	**2.3**
Exchange adjustment	**0.3**	**0.2**	**0.5**
At 31 December	**18.9**	**4.4**	**23.3**

Deferred tax asset not recognised

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

	2017 £m	2016 £m
Pension liability	**7.0**	16.0
Tax losses	**14.6**	7.0
Accelerated capital allowances	**2.9**	3.3
Other timing differences	**–**	1.2
	24.5	27.5

12 Ordinary dividends

	2017 Pence per share	2017 £m	2016 Pence per share	2016 £m
Interim dividend	**3.7**	**12.6**	3.5	11.9
Proposed final dividend	**8.5**	**28.9**	7.8	26.5
	12.2	**41.5**	11.3	38.4

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.

Dividends paid

	2017 £m	2016 £m
Interim dividend	**12.6**	11.9
Prior year final dividend	**26.5**	18.4
	39.1	30.3

13 Earnings per share

Number of Shares

	2017 Number 000s	2016 Number 000s
Weighted average number of ordinary shares for the purposes of basic earnings per share	**339,881**	339,854
Effect of dilutive potential ordinary shares:		
Share options	**2,258**	2,335
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**342,139**	342,189

Earnings per Share

		2017	2016
From Continuing operations			
Earnings (Profit attributable to equity holders of the parent)	£m	**74.0**	110.4
Basic earnings per share	p	**21.8**	32.5
Diluted earnings per share	p	**21.6**	32.3

Notes to the consolidated financial statements continued
31 December 2017

14 Employees

	2017 Number	2016 Number
The average monthly number of employees during the year by segment was:		
Europe & North America	**1,985**	1,566
Asia & Rest of the World	**776**	732
Holding companies	**28**	28
	2,789	2,326

	2017 £m	2016 £m
The aggregate remuneration of all Group employees comprised:		
Wages and salaries	**116.3**	93.5
Social security costs	**18.0**	14.3
Pension costs	**8.0**	7.0
Share based payments	**2.8**	2.0
	145.1	116.8

Directors' emoluments are disclosed in the Remuneration Report on pages 70 to 84.

15 Goodwill

	Note	2017 £m	2016 £m
Cost			
At 1 January		**411.3**	332.3
Exchange adjustments		**2.8**	25.1
Purchase of business	31	**24.9**	53.9
At 31 December		**439.0**	411.3
Accumulated impairment losses			
At 1 January and at 31 December		**109.9**	109.9
Net book value			
At 31 December		**329.1**	301.4

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 2016 £m	Exchange adjustments £m	Purchase of business £m	Net book value at 31 December 2016 £m	**Exchange adjustments £m**	**Purchase of business £m**	**Net book value at 31 December 2017 £m**
Europe & North America	196.8	21.2	50.3	268.3	**2.5**	**24.9**	**295.7**
Asia & Rest of the World	25.6	3.9	3.6	33.1	**0.3**	**–**	**33.4**
Total	222.4	25.1	53.9	301.4	**2.8**	**24.9**	**329.1**

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.

Pre-tax discount rates of 11% (2016: 11%) and 12% (2016: 12%) have been used in the above calculations for Europe & North America and Asia & Rest of the World respectively.

The profit used in the cash flows for the first five years is derived from management forecasts; for years six to ten a growth rate is applied. Growth rates of 2% (2016: 2%) and 2% (2016: 5%) have been used for Europe & North America and Asia & Rest of the 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. The profit for year ten is then assumed to apply without further growth into perpetuity.

The directors consider that 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 2017, £70.5 million (2016: £70.5 million) is located in the UK.

16 Acquired intangible assets

	Note	Customer Relationships £m	Technology £m	Supplier Agreement £m	Total £m
Cost					
At 1 January 2017		**204.1**	**3.0**	**–**	**207.1**
Exchange adjustments		**7.2**	**0.1**	**0.1**	**7.4**
Purchase of business	31	**38.9**	**–**	**2.5**	**41.4**
At 31 December 2017		**250.2**	**3.1**	**2.6**	**255.9**
Accumulated amortisation and impairment					
At 1 January 2017		**151.2**	**1.7**	**–**	**152.9**
Exchange adjustments		**5.7**	**0.1**	**–**	**5.8**
Amortisation charge for the year		**30.3**	**0.3**	**0.4**	**31.0**
At 31 December 2017		**187.2**	**2.1**	**0.4**	**189.7**
Net book value					
At 31 December 2017		**63.0**	**1.0**	**2.2**	**66.2**

	Customer Relationships £m	Technology £m	Supplier Agreement £m	Total £m
Cost				
At 1 January 2016	156.7	2.6	–	159.3
Exchange adjustments	25.4	0.4	–	25.8
Purchase of business	22.0	–	–	22.0
At 31 December 2016	204.1	3.0	–	207.1
Accumulated amortisation and impairment				
At 1 January 2016	107.2	1.2	–	108.4
Exchange adjustments	17.3	0.2	–	17.5
Amortisation charge for the year	26.7	0.3	–	27.0
At 31 December 2016	151.2	1.7	–	152.9
Net book value				
At 31 December 2016	52.9	1.3	–	54.2

Analysis of net book value by segment:

	2017 £m	2016 £m
Europe & North America	**62.2**	46.5
Asia & Rest of the World	**4.0**	7.7
	66.2	54.2

Group financial statements

17 Other intangible assets

	£m
Cost	
At 1 January 2017	**1.5**
Exchange adjustments	**(0.2)**
Additions	**2.5**
Transfer to assets held for sale	**(0.1)**
Disposals	**(0.1)**
At 31 December 2017	**3.6**
Accumulated amortisation and impairment	
At 1 January 2017	**1.3**
Exchange adjustments	**(0.2)**
Amortisation charge for the year	**0.8**
Transfer to assets held for sale	**(0.1)**
Disposals	**(0.1)**
At 31 December 2017	**1.7**
Net book value	
At 31 December 2017	**1.9**

	£m
Cost	
At 1 January 2016	1.9
Exchange adjustments	0.1
Additions	–
Disposals	(0.5)
At 31 December 2016	1.5
Accumulated amortisation and impairment	
At 1 January 2016	1.6
Exchange adjustments	–
Amortisation charge for the year	0.2
Disposals	(0.5)
At 31 December 2016	1.3
Net book value	
At 31 December 2016	0.2

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

As disclosed in note 2, there are various conditions required by IAS 38 for an internally generated intangible asset to be recognised. As no development expenditure in the period met all the requirements, all development costs have been expensed.

18 Property, plant and equipment

	Land and buildings					
		Leaseholds				
	Freeholds £m	Long £m	Short £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost						
At 1 January 2017	**80.2**	**6.9**	**20.4**	**459.7**	**15.2**	**582.4**
Exchange adjustments	**2.2**	**–**	**(0.1)**	**9.5**	**0.4**	**12.0**
Additions	**2.2**	**0.2**	**–**	**37.5**	**18.2**	**58.1**
Purchase of business	**5.1**	**–**	**–**	**3.8**	**–**	**8.9**
Transfer to assets held for sale	**(4.3)**	**–**	**–**	**(5.4)**	**–**	**(9.7)**
Disposals	**(0.7)**	**(0.2)**	**–**	**(4.7)**	**–**	**(5.6)**
Reclassification	**20.2**	**–**	**(19.1)**	**(1.1)**	**–**	**–**
At 31 December 2017	**104.9**	**6.9**	**1.2**	**499.3**	**33.8**	**646.1**
Accumulated depreciation and impairment						
At 1 January 2017	**24.3**	**3.3**	**2.6**	**258.9**	**–**	**289.1**
Exchange adjustments	**–**	**–**	**–**	**4.7**	**–**	**4.7**
Depreciation charge for the year	**5.3**	**0.2**	**0.3**	**30.6**	**–**	**36.4**
Transfer to assets held for sale	**(1.0)**	**–**	**–**	**(2.0)**	**–**	**(3.0)**
Assets written down	**(0.4)**	**–**	**–**	**(1.0)**	**–**	**(1.4)**
Disposals	**(0.7)**	**(0.1)**	**–**	**(1.0)**	**–**	**(1.8)**
Reclassification	**3.8**	**–**	**(2.6)**	**(1.2)**	**–**	**–**
At 31 December 2017	**31.3**	**3.4**	**0.3**	**289.0**	**–**	**324.0**
Net book value						
At 31 December 2017	**73.6**	**3.5**	**0.9**	**210.3**	**33.8**	**322.1**

	Land and buildings					
		Leaseholds				
	Freeholds £m	Long £m	Short £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost						
At 1 January 2016	37.3	6.8	18 0	393.9	–	456.0
Exchange adjustments	5.9	0.1	2.4	40.0	–	48.4
Additions	1.9	–	–	28.5	15.2	45.6
Purchase of business	37.1	–	–	30.5	–	67.6
Sale of business	(0.5)	–	–	(4.1)	–	(4.6)
Disposals	(1.5)	–	–	(29.1)	–	(30.6)
At 31 December 2016	80.2	6.9	20.4	459.7	15.2	582.4
Accumulated depreciation and impairment						
At 1 January 2016	19.9	3.1	2.2	244.4	–	269.6
Exchange adjustments	2.4	–	0.4	20.1	–	22.9
Depreciation charge for the year	3.3	0 2	–	26.2	–	29.7
Sale of business	(0.1)	–	–	(2.7)	–	(2.8)
Assets written down	(0.5)	–	–	(0.4)	–	(0.9)
Disposals	(0.7)	–	–	(28.7)	–	(29.4)
At 31 December 2016	24.3	3 3	2.6	258.9	–	289.1
Net book value						
At 31 December 2016	55.9	3 6	17.8	200.8	15.2	293.3

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18 Property, plant and equipment continued

	2017 £m	2016 £m
Freehold land which has not been depreciated	**17.4**	15.4

Analysis of net book value by location:

	2017 £m	2016 £m
UK	**39.3**	35.8
Germany	**67.5**	65.2
Malaysia	**123.5**	110.2
Other	**91.8**	82.1
	322.1	293.3

Analysis of net book value by segment:

	2017 £m	2016 £m
Europe & North America	**192.3**	175.7
Asia & Rest of the World	**129.8**	117 6
	322.1	293.3

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

		% of ownership			
Name of entity	Place of incorporation	2017	2016	Principal Activity	Segment
Synthomer Middle East	Saudi Arabia	49%	49%	Manufacturer and sale of acrylic and vinyl resin emulsions	Asia & Rest of the World
Arkem (Pty) Ltd	South Africa	0%	Sold on 11 August 2016	Distributor of speciality chemicals and allied products	Asia & Rest of the World
Super Sky Ltd	United Kingdom	50%	50%	Non-trading	Unallocated corporate expense

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

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

Summarised balance sheet (100%)

	Synthomer Middle East		Other	
	2017 £m	2016 £m	2017 £m	2016 £m
Non-current assets	**4.6**	5.0	**–**	–
Cash and cash equivalents	**2.3**	4.0	**–**	–
Other current assets	**14.5**	15.6	**0.8**	0.8
Total current assets	**16.8**	19.6	**0.8**	0.8
Other current liabilities	**(7.0)**	(7.1)	**–**	–
Total current liabilities	**(7.0)**	(7.1)	**–**	–
Net assets	**14.4**	17.5	**0.8**	0.8

Group share:	Synthomer Middle East 2017 £m	Synthomer Middle East 2016 £m	Other 2017 £m	Other 2016 £m	Total 2017 £m	Total 2016 £m
Total assets	**10.5**	12.1	**0.4**	0.4	**10.9**	12.5
Total liabilities	**(3.4)**	(3.5)	**–**	–	**(3.4)**	(3.5)
Net assets (Group share)	**7.1**	8.6	**0.4**	0.4	**7.5**	9.0

Summarised statement of comprehensive income (100%)

	Synthomer Middle East 2017 £m	Synthomer Middle East 2016 £m	Other 2017 £m	Other 2016 £m
Revenue	**39.6**	38 7	**–**	1.6
Operating profit from continuing operations	**2.1**	3.9	**–**	0.2
Interest	**–**	–	**–**	–
Taxation	**–**	–	**–**	–
Amortisation of intangibles	**–**	–	**–**	–
Profit from continuing operations	**2.1**	3 9	**–**	0.2
Exchange differences on translation	**(1.1)**	3.2	**–**	–
Total comprehensive income	**1.0**	7 1	**–**	0.2
Dividends paid	**(4.1)**	(3.9)	**–**	(0.4)
Movement in retained earnings	**(3.1)**	3.2	**–**	(0.2)
Profit for the year (Group share)	**1.0**	1.9	**–**	0.1
Exchange differences on translation (Group share)	**(0.5)**	1.6	**–**	–
Dividends paid (Group share)	**(2.0)**	(1.9)	**–**	(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

	2017 Synthomer Middle East £m	2017 Other £m	2017 Total £m	2016 Synthomer Middle East £m	2016 Other £m	2016 Total £m
At 1 January	**8.6**	**0.4**	**9.0**	7.0	1.0	8.0
Profit from continuing operations	**1.0**	**–**	**1.0**	1.9	0.1	2.0
Exchange differences on translation	**(0.5)**	**–**	**(0.5)**	1.6	–	1.6
Disposal of business	**–**	**–**	**–**	–	(0.5)	(0.5)
Dividend paid	**(2.0)**	**–**	**(2.0)**	(1.9)	(0.2)	(2.1)
At 31 December	**7.1**	**0.4**	**7.5**	8.6	0.4	9.0

20 Inventories

	2017 £m	2016 £m
Raw materials and consumables	**54.6**	44.4
Finished goods	**70.5**	59.9
	125.1	104.3
Stock written off during the year	**0.9**	–
Cost of inventory recognised as an expense and included in cost of sales	**1,031.9**	665.2

There is no material difference between the consolidated 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.

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21 Trade and other receivables

	2017 £m	2016 £m
Trade receivables	**196.8**	176.4
Other receivables	**28.8**	17.4
Receivables excluding prepayments	**225.6**	193.8
Prepayments	**3.5**	1.9
	229.1	195.7

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

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

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

Ageing of trade receivables	2017 £m	2016 £m
Not yet due	**167.2**	147.5
0 – 60 days overdue	**28.6**	28.2
61 – 120 days overdue	**0.4**	2.5
Over 120 days due	**2.2**	2.3
	198.4	180.5
Less: provision for impairment	**(1.6)**	(4.1)
	196.8	176.4

Provision for impairment of receivables	2017 £m	2016 £m
At 1 January	**4.1**	4.5
Exchange adjustments	**0.1**	0.4
Sale of business	**-**	(0.2)
Charge for the year	**0.1**	0.4
Amounts written off as uncollectible	**(2.7)**	(1.0)
At 31 December	**1.6**	4.1

The provision is against overdue trade receivables.

22 Cash and borrowings

	2017 £m	2016 £m
Current borrowings		
Bank overdrafts	**24.2**	65.4
Bank loans		
Unsecured €55m loan expiring 21 November 2018	**48.9**	–
	73.1	65.4
Non-current borrowings		
Bank loans		
Unsecured £370.0 million multi currency Revolving Credit Facility expiring 30 July 2019	**197.8**	203.9
Less: capitalised costs	**(0.8)**	(1.6)
	197.0	202.3

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.

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 2017					
Bank overdrafts	**13.2**	**5.7**	**4.3**	**1.0**	**24.2**
Bank loans	**–**	**–**	**215.3**	**31.4**	**246.7**
Capitalised costs	**(0.8)**	**–**	**–**	**–**	**(0.8)**
	12.4	**5.7**	**219.6**	**32.4**	**270.1**
Cash and cash equivalents					**(89.6)**
Net borrowings					**180.5**
31 December 2016					
Bank overdrafts	37.7	1.5	24.1	2.1	65.4
Bank loans	–	52.7	116.1	35.1	203.9
Capitalised costs	(1.6)	–	–	–	(1.6)
	36.1	54.2	140.2	37.2	267.7
Cash and cash equivalents					(117.4)
Net borrowings					150.3

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

Capital structure

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

23 Financial instruments

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

		2017		2016	
Financial assets	Note	**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	21	**225.6**	**–**	193.8	–
Cash and cash equivalents	22	**89.6**	**–**	117.4	–
		315.2	**–**	311.2	–

		2017		2016	
Financial liabilities	Note	**Amortised cost £m**	**Derivative instruments in designated hedge accounting £m**	Amortised cost £m	Derivative instruments in designated hedge accounting £m
Bank overdrafts	22	**24.2**	**–**	65 4	–
Bank loans (less capitalised costs)	22	**245.9**	**–**	202.3	–
Trade and other payables	25	**281.6**	**–**	216 2	–
		551.7	**–**	483.9	–

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23 Financial instruments continued
Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities.

	Note	Carrying values at 31 December 2017 £m	Carrying values at 31 December 2016 £m	Fair values at 31 December 2017 £m	Fair values at 31 December 2016 £m
Fair value of financial assets					
Trade and other receivables excluding prepayments	21	**225.6**	193.8	**225.6**	193.8
Cash and cash equivalents	22	**89.6**	117.4	**89.6**	117.4
		315.2	311.2	**315.2**	311.2
Fair value of financial liabilities					
Bank overdrafts	22	**24.2**	65.4	**24.2**	65.4
Bank loans	22	**245.9**	202.3	**245.9**	202.3
Trade and other payables	25	**281.6**	216.2	**281.6**	216.2
		551.7	483.9	**551.7**	483.9

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 and bank borrowings. The Group monitors interest rate trends regularly, through discussion with its banks, and fixes interest rates when it is prudent to do so.

Foreign currency risk
When it is efficient to do so, the Group uses currency borrowings, forward contracts and currency swaps to hedge overseas net assets, which are predominantly denominated in Euro, US dollar and Malaysian Ringgit. 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 (2016: none).

The currency and interest rate exposure of the Group as at 31 December 2017 was:

	2017			2016		
	Floating rate borrowings £m	**Fixed rate borrowings £m**	**Total borrowings £m**	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m
Sterling	**12.4**	**–**	**12.4**	36.1	–	36 1
Euro	**219.6**	**–**	**219.6**	140.2	–	140.2
US dollar	**5.7**	**–**	**5.7**	54.2	–	54.2
Other	**32.4**	**–**	**32.4**	37.2	–	37.2
	270.1	**–**	**270.1**	267.7	–	267.7
Cash and cash equivalents			**(89.6)**			(117.4)
Net borrowings			**180.5**			150.3

The effective interest rate for the year was 1.7% (2016: 2.1%)

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, US dollar and Malaysian Ringgit to sterling exchange rates, before the effect of tax.

	2017			2016		
	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%	**–**	**–**	**–**	0.4	0 4	–
Euro interest rate +/- 1.0%	**1.9**	**1.9**	**–**	1 4	1.4	–
US interest rate +/- 1.0%	**0.1**	**0.1**	**–**	0.5	0.5	–
Foreign currency sensitivity analysis						
Malaysian Ringgit exchange rate -/+ 10%	**–**	**–**	**–**	–	–	–
Euro exchange rate -/+ 10%	**0.3**	**0.3**	**15.7**	0.4	0.4	8.3
US dollar exchange rate -/+ 10%	**0.2**	**0.2**	**4.0**	0 4	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.

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23 Financial instruments continued
At the year end, Synthomer plc had the following principal committed facilities:

	2017 Facility £m	2017 Drawn at 31 December £m	2017 Headroom £m	2016 Facility £m	2016 Drawn at 31 December £m	2016 Headroom £m
Unsecured £370.0 million multi currency Revolving Credit Facility expiring 30 July 2019	**370.0**	**197.8**	**172.2**	370.0	203.9	166.1
Unsecured €55m loan expiring 21 November 2018	**48.9**	**48.9**	**–**	–	–	–
	418.9	**246.7**	**172.2**	370.0	203.9	166.1

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

	2017 Amount due within one year £m	2017 between 1 and 2 years £m	2017 between 2 and 5 years £m	2017 after 5 years £m	2017 Total £m	2016 Amount due within one year £m	2016 between 1 and 2 years £m	2016 between 2 and 5 years £m	2016 after 5 years £m	2016 Total £m
Non-interest bearing										
Trade and other receivables excluding prepayments	**225.6**	**–**	**–**	**–**	**225.6**	193.8	–	–	–	193.8
Variable interest rate instruments										
Cash and cash equivalents	**89.6**	**–**	**–**	**–**	**89.6**	117.4	–	–	–	117.4
	315.2	**–**	**–**	**–**	**315.2**	311.2	–	–	–	311.2

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

	2017 Amount due within one year £m	2017 between 1 and 2 years £m	2017 between 2 and 5 years £m	2017 after 5 years £m	2017 Total £m	2016 Amount due within one year £m	2016 between 1 and 2 years £m	2016 between 2 and 5 years £m	2016 after 5 years £m	2016 Total £m
Non-interest bearing										
Trade and other payables	**279.3**	**2.3**	**–**	**–**	**281.6**	213.5	2.7	–	–	216.2
Variable interest rate instruments										
Bank loans and overdrafts	**73.1**	**197.0**	**–**	**–**	**270.1**	65.4	–	202.3	–	267.7
	352.4	**199.3**	**–**	**–**	**551.7**	278.9	2.7	202.3	–	483.9

24 Assets classified as held for sale

	2017 £m	2016 £m
Disposal of Synthomer Leuna	**6.5**	–
Freehold land located in		
Malaysia	**0.3**	0.3
UK	**–**	0.4
Freehold Land	**0.3**	0.7
Assets classified as held for sale	**6.8**	0.7

The assets held for sale in relation to the disposal of Synthomer Leuna comprise the fixed assets and working capital of Synthomer Leuna as at 31 December 2017. As disclosed in note 37, Synthomer Leuna was disposed on 1 January 2018.

Malaysia
The Group owns agricultural land in Malaysia, which is operated as a palm oil and natural rubber plantation. The land is owned by Kind Action Sdn Bhd, which is a wholly owned subsidiary of Revertex Malaysia Sdn Bhd, which has a 30% non-controlling interest. The directors decided in 2013 to dispose of this land, excluding the 300 acres immediately surrounding the manufacturing facilities, on the open market.

At 31 December 2017, the status of the disposal programme was as follows:

	2017		2016	
	Acres	**Consideration £m**	Acres	Consideration £m
Sale completed	**–**	**–**	1,100	41.2
Contracts exchanged	**400**	**17.1**	–	–
To be sold	**–**	**–**	400	–
	400	**17.1**	1,500	41.2

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

For the sales completed in the year, the profit on sale was derived as follows:

	2017	2016
No of acres sold	**–**	900
	£m	£m
Gross consideration	**–**	34 4
Less disposal costs	**–**	(0.6)
	–	33.8
Less cost of land	**–**	(0.6)
	–	33 2

These disposals are subject to regulatory approval, which has been secured after the year end. The disposal is only recognised in the accounts and the profit taken when this process has been completed and the consideration received, which is expected to take place in the second half of 2018. No transactions were completed in 2017.

UK
15 acres of freehold land in Hapton, the site of a former plant, was sold on 27 January 2017 for a consideration of £1.8m and a profit on disposal of £1.3m.

25 Trade and other payables

	2017 £m	2016 £m
Amount due within one year		
Trade payables	**202.6**	143.2
Other payables	**39.7**	28.5
Accruals	**37.0**	41.8
	279.3	213.5
Amount due after one year		
Trade payables	**2.3**	2.7
	2.3	2.7

Other payables includes £7.6m in respect of the disposal of Synthomer Leuna (see note 37), where the consolidation was received from the purchaser on 28 December 2017, in advance of the date of completion of 1 January 2018.

Average trade payable days in 2017 was 60 (2016· 71) This figure represents trade payable days for all trading operations within the Group, calculated as a weighted average based on cost of sales.

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

26 Post retirement benefit obligations

Charge/(credit) to income statement in respect of the Group's pension schemes:

	2017			2016		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Defined benefit	**3.4**	**2.5**	**5.9**	3.0	(0.8)	2.2
Defined contribution	**1.7**	**4.7**	**6.4**	1.6	7.7	9.3
	5.1	**7.2**	**12.3**	4.6	6.9	11.5

The 2016 overseas column includes two offsetting one-off items. Following a regulatory clarification by the authorities, employers in Germany are now required to provide for post retirement disability benefits in funded plans rather than in unfunded arrangements. The Group has complied with this by transferring this liability from its unfunded defined benefit plan to a multi-employer funded plan in which it participates. The latter, although a defined benefit arrangement, is accounted for on a defined contribution basis as discussed below. Although this transfer has no financial impact on the Group, IAS 19 results in a different accounting treatment for the transfer in the two plans.

- The transfer out of the unfunded plan is treated as a past service credit under defined benefit accounting and as such is included as a reduction of £3.9m in the overseas defined benefit charge above.
- The transfer in to the funded plan increases the liabilities of this scheme by the same amount. As this scheme is accounted on a defined contribution basis, this additional liability would not be reflected until additional contributions were made. However, an actuarial valuation of this scheme has been performed in the year, which concluded that additional contributions were required to address underfunding. As a result the overseas defined contribution amount above includes an additional charge of £3.6m.

Amounts recognised in the statement of comprehensive income

	2017			2016		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Actuarial gains and losses	**22.4**	**1.2**	**23.6**	(47.2)	(1.9)	(49.1)

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

	2017			2016		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Present value of defined benefit obligations	**(410.8)**	**(89.7)**	**(500.5)**	(428.4)	(83.2)	(511.6)
Fair value of scheme assets	**332.5**	**10.8**	**343.3**	315.9	9.0	324.9
Net liability arising from defined benefit obligations	**(78.3)**	**(78.9)**	**(157.2)**	(112.5)	(74.2)	(186.7)

UK pension schemes

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

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

Defined benefit scheme

The UK 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 2015 and updated to 31 December 2017 by a qualified actuary.

The Group is committed to a funding deficit recovery plan entered into following the 2015 valuation. This valuation indicated a shortfall, when measured against the scheme's technical provisions of £118.7m. This shortfall is expected to be eliminated in eight years following the valuation date. As a result the Group is committed to paying contributions for the period 6 April 2015 to 5 April 2023, increasing from £14.0m for the year commencing 6 April 2015 to £18.2m for the year commencing 6 April 2022.

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 on 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 plan's bond holdings.
Longevity risk	The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's 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:

	2017	2016
Rate of increase in pensions in payment	**2.00%**	2.10%
Rate of increase in pensions in deferment	**2.00%**	2.20%
Discount rate	**2.50%**	2.70%
Inflation assumption	**3.10%**	3.20%

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:

	2017 years	2016 years
Retiring today:		
Males	**87.2**	87.6
Females	**89.1**	90.2
Retiring in 20 years:		
Males	**88.7**	89.5
Females	**90.6**	92.1

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 £63m
Rate of mortality	Increase by 1 year	Increase by £18m

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

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26 Post retirement benefit obligations continued
The movements in the net liability arising from defined benefit obligation over the year is as follows:

	2017			2016		
	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	**(428.4)**	**315.9**	**(112.5)**	(356 5)	279.4	(77.1)
Current service cost	**(0.5)**	**–**	**(0.5)**	(0.3)	–	(0.3)
Interest (expense)/income	**(11.3)**	**8.4**	**(2.9)**	(13.3)	10.6	(2.7)
Amounts recognised in income in respect of defined benefit schemes	**(11.8)**	**8.4**	**(3.4)**	(13.6)	10.6	(3.0)
Remeasurement:						
Return on plan assets excluding amounts included in interest income	**–**	**15.3**	**15.3**	–	26.7	26.7
Gains/(losses) from changes in financial assumptions	**7.1**	**–**	**7.1**	(73.9)	–	(73.9)
Amounts recognised in the statement of comprehensive income	**7.1**	**15.3**	**22.4**	(73.9)	26.7	(47.2)
Contributions:						
Employers	**0.5**	**14.7**	**15.2**	0.3	14.5	14.8
Payments from plans						
Benefit payments	**21.8**	**(21.8)**	**–**	15.3	(15.3)	–
At 31 December	**(410.8)**	**332.5**	**(78.3)**	(428.4)	315.9	(112 5)

Plan assets are comprised as follows:

	2017 £m	2016 £m
Hedge funds	**39.6**	–
Equity instruments	**69.6**	146.7
Debt instruments	**208.8**	140 5
Property	**10.0**	27.4
Cash	**4.5**	1.3
Total fair value of assets	**332.5**	315.9

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 16.5 years (2016: 16 5 years).

Contributions from the sponsoring companies are expected to be £15.5 million in 2018

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 £72.1m, 2016: £69.6m) 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 2017.

The largest of these schemes accounts for £68.5m (2016: £66.2m) of the deficit at 31 December 2016. The major assumption used in the actuarial valuation of this scheme are:

	2017	2016
Rate of increase in salaries	**3.00%**	3.00%
Rate of increase in pensions	**1.75%**	1.75%
Discount rate	**1.90%**	1.90%

Mortality assumptions:

The assumed life expectations on retirement at age 65 are:

	2017 years	2016 years
Retiring today:		
Males	**84.3**	84.1
Females	**88.3**	88.2
Retiring in 20 years:		
Males	**86.9**	86.8
Females	**90.8**	90.7

The major assumptions 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:

	2017			2016		
	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	**(83.2)**	**9.0**	**(74.2)**	(69.3)	7.2	(62.1)
Current service cost	**(1.1)**	**–**	**(1.1)**	(0.9)	–	(0.9)
Past service credit	**–**	**–**	**–**	3.5	–	3.5
Interest (expense)/income	**(1.6)**	**0.2**	**(1.4)**	(2.0)	0.2	(1.8)
Amounts recognised in the income statement in respect of defined benefit schemes	**(2.7)**	**0.2**	**(2.5)**	0.6	0.2	0.8
Remeasurement:						
Return on plan assets excluding amounts included in interest expense/(income)	**–**	**–**	**–**	–	0.4	0.4
Gains/(losses) from changes in financial assumptions	**1.3**	**(0.1)**	**1.2**	(2.3)	–	(2.3)
Amounts recognised in the statement of comprehensive income	**1.3**	**(0.1)**	**1.2**	(2.3)	0.4	(1.9)
Contributions less payments from plans	**2.3**	**(0.2)**	**2.1**	1 9	–	1.9
Obligations of acquired entities	**(4.2)**	**1.5**	**(2.7)**	(3.7)	–	(3.7)
Exchange adjustments	**(3.2)**	**0.4**	**(2.8)**	(10.4)	1.2	(9.2)
At 31 December	**(89.7)**	**10.8**	**(78.9)**	(83.2)	9.0	(74.2)

Notes to the consolidated financial statements continued
31 December 2017

26 Post retirement benefit obligations continued

Multi-employer schemes

In addition to the overseas defined benefit schemes included in the above, the Group participates in the Degussa Pensionskasse in Germany, which is a multi-employer defined benefit pension scheme. Regular contributions are payable to the scheme by each participating employer for new benefits accruing. The assets of all participating employers are pooled, and contributions are calculated based on aggregated demographic experience, therefore sufficient information is not available to identify the Group's share of the assets on a consistent and reliable basis and the Group accounts for the scheme on a defined contribution basis. The Group expects to make regular contributions of £2.3m to the scheme in 2018.

To the extent that there is underfunding in the scheme, deficit contributions are payable. Based on the latest actuarial assessment each participating employer's share has been determined according to the value of its future benefit accrual and it has been determined that the Group is liable for total deficit contributions of €4.6m in three installments payable in January 2017, 2018 and 2019. As a result an accrual of £2.7m (2016: £3.6m) has been included at 31 December 2017 representing the present value of these contributions not yet paid.

27 Provisions for other liabilities and charges

	Environmental restoration £m	Legal and customer claims £m	Restructuring £m	Liability arising on a business combination £m	Total £m
At 1 January 2017	**1.5**	**3.1**	**3.7**	**0.4**	**8.7**
Charged/(credited) to the income statement	**-**	**-**	**4.1**	**(0.1)**	**4.0**
Utilised during the year	**(0.9)**	**(0.6)**	**(1.1)**	**(0.1)**	**(2.7)**
At 31 December 2017	**0.6**	**2.5**	**6.7**	**0.2**	**10.0**

Analysis of Provisions

	31 December 2017 £m	31 December 2016 £m
Non-current	**7.6**	5.7
Current	**2.4**	3.0
	10.0	8.7

Analysis of charge/(credit) to the income statement

	2017 £m	2016 £m
Underlying performance	**-**	(0.5)
Special Items	**4.0**	0.8
	4.0	0.3

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.

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 2017.

Restructuring

The "Synthomer 2015" restructuring exercise was commenced in 2014. In 2017 the Group provided for an onerous lease on the site in Osset, and as part of the post PAC (Dispersions) acquisition restructuring programme, the Group has planned the demolition of buildings at the site in Ribécourt, France. The cost of all these restructuring programmes is charged to the income statement when permitted by the Group's accounting policy, within Special Items. 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.

28 Called up share capital

	2017 £m	2016 £m
Issued and fully paid		
339,880,769 (2016: 339,880,769) ordinary shares of 10 pence each	**34.0**	34.0

Ordinary shares carry no right to fixed income.

Share options (see note 35)
The outstanding share options were all issued under the Executive share option scheme. These are discussed further in note 35 – Share Based Payments.

As at 31 December 2017 the following options were outstanding:

	Number
Executive share options	
Exercisable between 2016-2023	**11,879**
Exercisable between 2017-2024	**38,287**
Exercisable between 2018-2025	**1,045,219**
Exercisable between 2019-2026	**641,428**
Exercisable between 2020-2027	**520,958**
	2,257,771

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

29 Reconciliation of operating profit to cash generated from operations

	2017 £m	2016 £m
Operating profit – continuing operations	**95.4**	144.7
Less: share of profits of joint ventures	**(1.0)**	(2.0)
	94.4	142.7
Adjustments for:		
Depreciation	**36.4**	29.7
Amortisation	**0.8**	0.2
Amortisation – Special Items	**31.0**	27.0
Restructuring and site closure – Special Items	**11.6**	5.2
Share-based payments	**2.8**	2.0
Profit on sale of land – Special Items	**(1.3)**	(33.2)
Gain on foreign exchange contracts relating to acquisition	**–**	(13.1)
Acquisition costs – Special Items	**2.3**	4.3
Profit on sale of business – Special Items	**–**	(4 7)
Cash impact of restructuring and site closure	**(6.0)**	(5.5)
Cash impact of FX relating to purchase of business	**–**	13.1
Cash impact of acquisition costs	**(2.1)**	(4 0)
IAS 19 interest charge	**(4.3)**	(4.5)
Pension funding in excess of IAS 19 interest charge	**(12.5)**	(12.4)
Movement in working capital	**9.5**	10.2
Cash generated from operations	**162.6**	157.0

Reconciliation of movement in working capital		
Increase in inventories	**(13.3)**	(13.3)
Increase in trade and other receivables	**(24.0)**	(13.5)
Increase in trade and other payables	**46.8**	37.0
Movement in working capital	**9.5**	10 2

30 Analysis of changes in net borrowings

	1 January 2017 £m	Cash inflows/ (outflows) £m	Exchange and other movements £m	31 December 2017 £m
Current borrowing – Bank overdrafts	**(65.4)**	**39.2**	**2.0**	**(24.2)**
Current borrowings – Other	**–**	**(48.5)**	**(0.4)**	**(48.9)**
Non-current borrowings	**(202.3)**	**14.2**	**(8.9)**	**(197.0)**
Total borrowings	**(267.7)**	**4.9**	**(7.3)**	**(270.1)**
Cash and cash equivalents	**117.4**	**(28.5)**	**0.7**	**89.6**
Net borrowings	**(150.3)**	**(23.6)**	**(6.6)**	**(180.5)**

	2017 £m	2016 £m
Repayment of borrowings	**(102.0)**	(82.7)
Proceeds of borrowings	**136.3**	186.0
	34.3	103.3

31 Purchase of business

The Group acquired 100% of the issued share capital of Perstorp Oxo Belgium AB, (a specialities chemical company) on 5 March 2017, to complement the Group's existing markets and customers.

The Consideration paid in respect of this acquisition and the fair value of Net Assets acquired is summarised as follows:

	£m
Net assets acquired	
Intangible assets	**41.4**
Property, plant and equipment	**8.9**
Deferred tax liabilities	**(15.0)**
Inventories	**5.6**
Trade and other receivables	**5.7**
Cash and cash equivalents	**2.0**
Trade and other payables	**(3.9)**
Post retirement benefit obligations	**(2.7)**
Fair value of net assets acquired	**42.0**
Goodwill arising on acquisition	**24.1**
Total consideration	**66.1**
Satisfied by	
Cash consideration	**66.1**
Cash flow	
Cash consideration	**66.1**
Net (cash)/overdraft acquired	**(2.0)**
Net cash outflow arising on acquisition	**64.1**

The goodwill arising on the acquisition of Perstorp Oxo Belgium represents the premium the Group paid to acquire a company which complements the existing business and creates significant opportunities for cross-selling and other synergies.

Acquisition costs expensed in 12 months to 31 December 2017:

	£m
Other costs	**0.5**
	0.5

In the period from acquisition to 31 December 2017 Perstorp Oxo Belgium contributed the following to the Group's results:

	£m
Revenue of:	**26.7**
Operating profit of:	**3.7**

If the acquisition of Perstorp Oxo Belgium had been completed on the first day of the financial year, the following would have been included in the Group's result:

	£m
Revenue of:	**31.9**
Operating profit of:	**4.6**

During the year, the Group reassessed the fair value adjustments made in respect of the PAC (Dispersions) acquisition on 30 June 2016, and made changes to certain accruals during the first half of the year. The impact on goodwill is an increase of £0 8m.

32 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.

The UK defined benefit scheme is a related party, see note 26.

Key management compensation	2017 £m	2016 £m
Short-term employee benefits	**5.3**	4.9
Post retirement benefit obligations	**0.4**	0.4
Share-based payments	**2.0**	1.0
	7.7	6.3

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

33 Commitments

	2017 £m	2016 £m
Capital expenditure authorised but not provided for in the financial statements		
Contracted	**23.7**	16.7

	2017 £m	2016 £m
Commitments under operating leases are as follows		
Payments under operating leases which fall due:		
Within 1 year	**5.1**	3 1
Between 2 and 5 years	**10.7**	10.5
After 5 years	**18.9**	15 4
	34.7	29.0

Operating leases relate largely to property leases.

34 Contingent assets, contingent liabilities and guarantees

Other guarantees and contingent liabilities of the Group amount to £0 0m (2016. £0.0m).

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.

35 Share-based payments

Executive share option schemes

The Group's share option scheme is described in the Directors' Remuneration Report on pages 70 to 84. In addition to the two executive directors, it is available to other senior management. The movement in the options held under the scheme are defined as follows:

	Options 2017 number	**Weighted av. exercise price (£) 2017 number**	Options 2016 number	Weighted av exercise price (£) 2016 number
Outstanding at 1 January	**2,334,899**	**–**	2,615,192	–
Granted during the year	**520,958**	**–**	641,428	–
Exercised during the year	**(568,032)**	**–**	(244,777)	–
Lapsed during the year	**(30,054)**	**–**	(676,944)	–
Outstanding at 31 December	**2,257,771**	**–**	2,334,899	–
Exercisable at 31 December	**50,166**	**–**	17,796	–

For options outstanding as at 31 December 2017, the exercise price was £nil and the weighted average remaining contractual life was 4.73 years (2016: 5.0 years).

The Synthomer Employee Benefit Trust

The Company established a trust, formerly 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 2017, the Trust held 249 (2016. 26,794) ordinary shares in the Company with a market value of £nil (2016· £0.1 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 £4 70 (2016: £3.56).

The weighted average fair value of the options at the measurement date granted during the year was £2 97 (2016: £1.84). The valuation was based on the following inputs and assumptions:

	2017	2016
Weighted average share price (£)	**5.03**	3.67
Option price (£)	**–**	–
Value of optionality	**nil**	nil
Vesting assumption	**59%**	50%

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.

36 Share price information

The middle market value of the listed ordinary shares at 31 December 2017 was 491.4 pence (31 December 2016: 382.6 pence). During the year, the market price ranged between 372.0 pence and 509.5 pence. The latest ordinary share price is available on the Group's website www.synthomer.com.

37 Post balance sheet events

Purchase of business

On 31 January 2018 the Group acquired the BASF Pischelsdorf SBR business for a total consideration of £25.7m.

	Book and Provisional Fair Value £m
Net assets acquired	
Property, plant and equipment	**4.8**
Inventories	**2.2**
Trade and other payables	**(0.6)**
Post retirement benefit obligations	**(0.7)**
Provisional fair value of net assets acquired	**5.7**
Goodwill arising on acquisition	**20.0**
Total consideration	**25.7**

Satisfied by	
Cash consideration	**25.7**

International Financial Reporting Standard 3 "Business Combinations" (revised 2008) requires the assets acquired to be initially recorded at Fair Value at the date of acquisition. Any such Fair Value adjustments are provisional and will be finalised within twelve months of the acquisition date. Any resulting changes in the fair values may have an impact on the depreciation from the date of acquisition and would be recorded in the financial statements.

Due to the short period of time since acquisition, neither a preliminary assessment of intangible assets nor the Property Plant and Equipment (PPE) valuation had been completed at the date of these financial statements. When the final valuation work is concluded, a substantial increase is anticipated in PPE, intangible assets and associated deferred tax liabilities, along with a corresponding reduction in goodwill.

The acquisition of the BASF Pischelsdorf SBR business was completed on 31 January 2018. The acquired business has therefore not contributed to the results of the Group for the year ended 31 December 2017. Sufficient information is not currently available to disclose the contribution to the Group if the acquisition had been made on 1 January 2017.

Sale of business

On 1 January 2018, the Group disposed of 100% of the share capital of Synthomer Leuna GmbH for £7.6m. The net assets of Synthomer Leuna GmbH of £6.5m were transferred to assets held for sale prior to disposal.

38 Audit exemptions

The following subsidiaries have taken advantage of the exemption from an audit for the year ended 31 December 2017 available under s479A of the Companies Act 2006 as the Company has given a statutory guarantee of all of the outstanding liabilities of these subsidiaries as at 31 December 2017.

Company	Company Registration
Dimex Limited	01763129
Ecatto Limited	00978441
Harlow Chemical Company Limited	00778831
S.A.(300) Limited	00236227
Super Sky Limited	02021871
Synthomer Overseas Limited	06349474
Temple Fields 514 Limited	04541637
Temple Fields 522 Limited	05516912
Temple Fields 523 Limited	05516913
Temple Fields 530 Limited	00831113
Polymerlatex Limited	03439041

Statement of financial position – Synthomer plc
31 December 2017

	Note	2017 £m	2016 £m
Fixed assets			
Property, plant and equipment	5	**2.1**	2.2
Investments in subsidiaries	6	**337.5**	285.2
		339.6	287.4
Current assets			
Trade and other receivables	7	**709.2**	741.9
Cash and cash equivalents		**35.3**	3.9
		744.5	745.8
Creditors – amounts falling due within one year			
Borrowings	8	**(63.7)**	(39.3)
Other creditors	10	**(215.2)**	(171.1)
		(278.9)	(210.4)
Net current assets		**465.6**	535.4
Total assets less current liabilities		**805.2**	822.8
Creditors – amounts falling due after more than one year			
Borrowings	8	**(157.8)**	(158.5)
Net assets		**647.4**	664.3
Equity			
Called up share capital	11	**34.0**	34.0
Share premium account		**230.5**	230.5
Revaluation reserve		**0.8**	0.8
Capital redemption reserve		**0.9**	0.9
Retained earnings		**381.2**	398.1
Total shareholders funds		**647.4**	664.3

	Note	2017 £m	2016 £m
Analysis of net borrowings			
Cash and cash equivalents		**35.3**	3.9
Borrowings due in less than one year		**(63.7)**	(39.3)
Borrowings due after more than one year		**(157.8)**	(158.5)
Net borrowings	8	**(186.2)**	(193.9)

As disclosed in note 3, the Company's profit for the year was £22.7m (2016. £28.6m)

The notes on pages 140 to 149 are an integral part of these financial statements.

The financial statements of Synthomer plc (registered number 98381) on pages 138 to 149 were authorised for issue by the Board of directors on 1 March 2018.

C G MacLean
Director

S G Bennett
Director

Company statement of changes in equity for the year ended 31 December 2017

	Called up share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2017	**34.0**	**230.5**	**0.8**	**0.9**	**398.1**	**664.3**
Profit for the year	**–**	**–**	**–**	**–**	**22.7**	**22.7**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**22.7**	**22.7**
Dividends	**–**	**–**	**–**	**–**	**(39.1)**	**(39.1)**
Share based payments	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Total transactions with owners, recognised directly in equity	**–**	**–**	**–**	**–**	**(39.6)**	**(39.6)**
Balance as at 31 December 2017	**34.0**	**230.5**	**0.8**	**0.9**	**381.2**	**647.4**
Balance as at 1 January 2016	34.0	230.5	0.8	0.9	398.8	665.0
Profit for the year	–	–	–	–	28.6	28.6
Total comprehensive income for the year	–	–	–	–	28.6	28.6
Dividends	–	–	–	–	(30.3)	(30.3)
Share based payments	–	–	–	–	1.0	1.0
Total transactions with owners, recognised directly in equity	–	–	–	–	(29.3)	(29.3)
Balance as at 31 December 2016	34.0	230.5	0.8	0.9	398.1	664.3

Notes to the Company financial statements
31 December 2017

1 Accounting policies

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

Basis of accounting

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

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

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

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

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

Going concern

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

Foreign currencies

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

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

Property, plant and equipment

Properties are shown at professional valuation from 1985 All other plant and equipment are stated at cost. Cost includes the original purchase price of the asset plus the costs attributable to bringing the asset to its working condition for its intended use.

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

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

Freehold buildings – 50 years

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

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

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

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 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 taxation
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.

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

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

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

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

Trade and other 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 the income statement where there is objective evidence that the asset is impaired.

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

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

Notes to the Company financial statements continued
31 December 2017

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

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

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

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

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

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

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

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

Share capital
Ordinary shares are classified as equity.

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

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

2 Auditors' remuneration
The audit fee of Synthomer plc amounted to £10,000 (2016: £10,000).

3 Profit attributable to equity shareholders

	2017 £m	2016 £m
Attributable to Synthomer Plc	**22.7**	28.6

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

4 Ordinary dividends

	2017 Pence per share	2016 Pence per share	2017 £m	2016 £m
Interim dividend	**3.7**	3.5	**12.6**	11.9
Proposed final dividend	**8.5**	7.8	**28.9**	26.5

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

5 Property, plant and equipment

	Land and buildings Freeholds £m
Cost or valuation	
At 1 January 2017	**2.8**
At 31 December 2017	**2.8**
At cost	**–**
At professional valuation in 1985	**2.8**
	2.8
Accumulated Depreciation	
At 1 January 2017	**0.6**
Charge for the year	**0.1**
At 31 December 2017	**0.7**
Net book value	
At 31 December 2017	**2.1**
Cost or valuation	
At 1 January 2016	2.8
Disposals	–
At 31 December 2016	2.8
At cost	–
At professional valuation in 1985	2.8
	2.8
Accumulated Depreciation	
At 1 January 2016	0.6
Eliminated on disposals	–
At 31 December 2016	0.6
Net book value	
At 31 December 2016	2.2

Properties included at valuation would have been stated on a historical cost basis at cost of £1.9m (2016: £1.9m) and depreciation of £0.6m (2016: £0.5m).

Freehold land amounting to £1.8m (2016: £1.8m) has not been depreciated.

Notes to the Company financial statements continued
31 December 2017

6 Investments

	Subsidiaries £m	Joint ventures £m	Total £m
Cost			
At 1 January 2017	**284.9**	**0.5**	**285.4**
Additions	**44.5**	**–**	**44.5**
Hedge adjustment (see below)	**7.8**	**–**	**7.8**
At 31 December 2017	**337.2**	**0.5**	**337.7**
Provisions			
At 1 January 2017	**–**	**0.2**	**0.2**
At 31 December 2017	**–**	**0.2**	**0.2**
Net book value			
At 31 December 2017	**337.2**	**0.3**	**337.5**
Net book value			
At 31 December 2016	284.9	0.3	285.2

Details of the Group's subsidiaries and joint ventures are given on page 147 to 149.

During the year the Company designated up to €232.5m (2016. €158.4m) of its borrowings as an FRS 101 fair value hedge against the *designated Euro portion of its investment in Synthomer Jersey Limited of up to* €232.5m *(2016 €158 4m). The movement in the Euro* borrowings is recorded in the profit and loss account along with the movement of the hedged investment

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

7 Trade and other receivables

	2017 £m	2016 £m
Amounts owed by group undertakings	**708.6**	741.8
Other receivables	**0.6**	0.1
	709.2	741.9

Amounts owed by group undertakings are valued at fair value at inception.

8 Borrowings

	2017 £m	2016 £m
Current borrowings		
Overdrafts	**14.8**	39.3
Bank loans		
Committed unsecured €55m loan expiring 21 November 2018	**48.9**	–
	63.7	39.3

	2017 £m	2016 £m
Non-current borrowings		
Bank loans		
Committed unsecured £370.0 million multi currency Revolving Credit Facility expiring 30 July 2019	**158.6**	160.1
	158.6	160.1
Less: capitalised costs	**(0.8)**	(1.6)
	157.8	158.5

Bank loans are denominated in Euro and Czech koruna and bear interest based on LIBOR and EURIBOR.

At 31 December 2017, the Company had available £172.2m (2016: £166.1m) 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 2017				
Bank loans and overdrafts	**9.5**	**5.3**	**207.5**	**222.3**
Capitalised costs	**(0.8)**	**–**	**–**	**(0.8)**
	8.7	**5.3**	**207.5**	**221.5**
Cash and cash equivalents				**(35.3)**
Net borrowings (IFRS and underlying performance)				**186.2**
31 December 2016				
Bank loans and overdrafts	20.3	53.6	125.5	199 4
Capitalised costs	(1.6)	–	–	(1.6)
	18.7	53.6	125.5	197.8
Cash and cash equivalents				(3.9)
Net borrowings (IFRS and underlying performance)				193.9

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

Notes to the Company financial statements continued
31 December 2017

9 Financial instruments
The fair value of financial instruments has been disclosed in the Company's statement of financial position as:

	2017			2016		
Fair value of financial assets	Loans and receivables £m	Fair value through Income Statement £m	Total carrying value £m	Loans and receivables £m	Fair value through Income Statement £m	Total carrying value £m
Trade and other receivables excluding prepayments	**708.6**	**–**	**708.6**	741.9	–	741.9
Cash and cash equivalents	**35.3**	**–**	**35.3**	3.9	–	3.9
	743.9	**–**	**743.9**	745.8	–	745.8

Fair value of financial liabilities	Loans and payables at amortised cost £m	Fair value through Income Statement £m	Total carrying value £m	Loans and payables at amortised cost £m	Fair value through Income Statement £m	Total carrying value £m
Bank loans and overdrafts	**221.5**	**–**	**221.5**	197.8	–	197.8
Trade and other payables	**215.2**	**–**	**215.2**	171.1	–	171.1
	436.7	**–**	**436.7**	368.9	–	368.9

A fuller description of financial instruments is included in note 23 of the consolidated financial statements on page 123.

10 Other creditors

	2017 £m	2016 £m
Amount due within one year		
Amounts owed to Group undertakings	**213.0**	169.3
Other creditors	**0.8**	0.7
Accruals and deferred income	**1.4**	1 1
	215.2	171.1

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

11 Called up share capital
Details of the Company's share capital and outstanding share options are shown in note 28 of the consolidated financial statements on page 133.

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

13 Guarantees and other financial commitments
The Company has given guarantees amounting to £55.7m (2016: £31.4m) in respect of bank and other facilities of subsidiaries and joint ventures.

14 Share-based payments
For details of share-based payments please refer to note 35 to the consolidated financial statements on page 136.

15 Employees
The Company had no employees during the year (2016: nil)

16 Subsidiaries and joint ventures

Company	Trading/ Non-Trading	Registered Address	Place of incorporation	Effective Group interest in Equity %
Desa Baiduri Sdn Bhd	Non–Trading (Letting of Properties)	Bangunan Revertex, 1 1/2 Miles, Jalan Batu Pahat, 86000 Kluang, Johor Darul Takzim	Malaysia	70
Dimex Limited	Non–Trading	Yule Catto Building, Temple Fields, *Harlow, Essex, CM20 2BH*	United Kingdom	100
Ecatto Limited	Non–Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100[3]
Fine Chemicals Sdn Bhd	Non-Trading	Bangunan Revertex, 1 1/2 Miles, Jalan Batu Pahat, 86000 Kluang, Johor Darul Takzim	Malaysia	70
Harlow Chemical Company Limited	Non–Trading	Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100[2]
Holliday Pigments Limited	Non–Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100
Kind Action (M) Sdn Bhd	Trading	Bangunan Revertex, 1 1/2 Miles, Jalan Batu Pahat, 86000 Kluang, Johor Darul Takzim	Malaysia	70
PAC Chemical (Shanghai) Co Limited (in the process of de-registration)	*Trading*	*Room 326, 3rd Floor, Building No.3,* No.500 Bingke Road, Shanghai Free Trade Zone	*China*	*100*
Polymerlatex Ltd	Non–Trading	Central Road, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100
Polymerlatex Sdn Bhd	Trading	1 1/2 Miles, Jalan Batu Pahat, 86000 Kluang, Johor Darul Takzim	Malaysia	100
Quality Polymer Sdn Bhd	Trading	Bangunan Revertex, 1 1/2 Miles, Jalan Batu Pahat, 86000 Kluang, Johor Darul Takzim	Malaysia	70
Revertex (Malaysia) Sdn Bhd	Trading	Bangunan Revertex, 1 1/2 Miles, Jalan Batu Pahat, 86000 Kluang, Johor Darul Takzim	Malaysia	70
Revertex Limited	Non–Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100[3]
Rexplas Sdn Bhd	Non-Trading (Dormant)	Bangunan Revertex, 1 1/2 Miles, Jalan Batu Pahat, 86000 Kluang, Johor Darul Takzim	Malaysia	70
S.A. (300) Limited	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100[3]
Shanghai Synthomer Chemicals Co Limited (FICE)	Trading	China Technical Centre, Building 53-55, Lane 1000 Zhangheng Road, Zhangjiang High-tech Park, Pudong, Shanghai 201203	China	100
Star Pharma Limited	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100
Super Sky Limited	Non-Trading	Synthomer Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	50[1,3]
Synthomer (Thailand) Limited	Trading	3195/6 Vibulthani Tower 1 1st Floor, Rama IV Road, Klongton Sub-District, Klongtoey District Bangkok 10110	Thailand	100
Synthomer (UK) Limited	Trading	Temple Fields, Central Road, Harlow, Essex, CM20 2BH	United Kingdom	100
Synthomer 2016 Limited	Non-Trading	Synthomer Building, Temple Fields, Central Road, Harlow, Essex, CM20 2BH	United Kingdom	100[3]

Notes to the Company financial statements continued
31 December 2017

16 Subsidiaries and joint ventures continued

Company	Trading/ Non-Trading	Registered Address	Place of incorporation	Effective Group interest in Equity %
Synthomer AS	Trading	Sokolov, Tovární 2093, Postal Code 356 01	Czech Republic	100
Synthomer Asua SL	Trading	Camino Sangroniz, No 8 Sondika 48150 Vizcaya	Spain	100
Synthomer Australia Pty Limited	Trading	C/o : Cosec Consulting Pty Ltd 58 Gipps Street, Collingwood, VIC 3066	Australia	100
Synthomer Austria GmbH	Trading	Industriepark Pischelsdorf 3435 Zwentendorf an der Donau	Austria	100
Synthomer Bangkok Limited	Trading	3195/6 Vibulthani Tower 1 1st Floor, Rama IV Road, Klongton Sub-District, Klongtoey District, Bangkok 10110	Thailand	100
Synthomer BV	Trading	Ijsselstraat 41, 5347 KG Oss	The Netherlands	100
Synthomer Deutschland GmbH	Trading	Werrastrasse 10, D-45768 Marl	Germany	100
Synthomer Finland Oy	Trading	P.O.B 175 FI-90101 Oulu	Finland	100
Synthomer France SAS	Trading	704 rue Pierre et Marie Curie 60170 Ribécourt-Dreslincourt	France	100
Synthomer FZE	Trading	Dubai, U.A.E, Dubai Airport Free Zone Authority	Dubai	100
Synthomer Holdings (CZE) s r.o	Non-Trading	V Celnici 1031/4, Nové Město, 11000, Prague 1	Czech Republic	100
Synthomer Holdings (Thailand) Limited	Non-Trading	No. 99/329 Soi Suanluang, Bangkho Sub-District, Jomthong District, Bangkok	Thailand	100
Synthomer Holdings Limited	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100[3]
Synthomer Jersey Ltd	Non-Trading	44 Esplanade, St Helier, JE4 9WG	Jersey	100[3]
Synthomer LLC	Trading	1201 Peachtree Street NE, Atlanta, Fulton, GA 30361 (CT Corporation)	USA	100
Synthomer Middle East Company Limited	Trading	PO Box 7544, Dammam 31472	Saudi Arabia	49[1]
Synthomer Overseas Limited	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100[3]
Synthomer Participacoes Ltda	Trading	Av. Casa Verde, 3100, sala 01, bairro Casa Verde, CEP-02520-300, São Paulo-SP	Brazil	100
Synthomer S.r.l	Trading	Via delle Industrie 9, – 24040 Filago (BG)	Italy	100
Synthomer SA	Non-Trading	1050 Brussels, Boondaalsesteenweg 6, B17	Belgium	100
Synthomer SAE	Trading	Industriel Zone 1-B, 10th of Ramadam City, Sharkiya	Egypt	88
Synthomer Sdn Bhd	Trading	Bangunan Revertex, 1 1/2 Miles, Jalan Batu Pahat, 86000 Kluang, Johor Darul Takzim	Malaysia	100
Synthomer Speciality Additives AB	Trading	Durmakker 33, 9940 Evergem	Belgium	100
Synthomer Specialty Resins S.r.l	Trading	Via Morozzo 27, 12040 Sant'Albano Stura, CN	Italy	100
Synthomer Trading Limited	Trading	45 Pall Mall, London, SW1Y 5JG	United Kingdom	100
Synthomer USA LLC	Trading	160 Greentree Dr. Suite 101 *Dover, Delaware, 19904* (Registered agent address)	USA	100

Company	Trading/ Non-Trading	Registered Address	Place of incorporation	Effective Group interest in Equity %
Synthomer Vietnam Co Ltd	Trading	No 8 Road 6 (Lots No. 101, 109) Sang Than I Industrial Park, Di An District, Binh Duong Province	Vietnam	60
Temple Fields 510	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100
Temple Fields 512 Limited	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100[3]
Temple Fields 514 Limited	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100[3]
Temple Fields 515 Limited	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100
Temple Fields 522 Limited	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100[3]
Temple Fields 523 Limited	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100[3]
Temple Fields 530 Limited	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100
Temple Fields 534 Limited	Non-Trading	Yule Catto Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100
Temple Fields GmbH	Non-Trading	Innerstetal 2, 38685 Langelsheim	Germany	100
Temple Fields GmbH & Co Chemie oHG (formerly James Robinson GmbH & Co Chemie oHG)	Non-Trading	Innerstetal 2, 38685 Langelsheim	Germany	100
Temple Fields Verwaltungs GmbH (formerly James Robinson Verwaltungs GmbH)	Non-Trading	Innerstetal 2, 38685 Langelsheim	Germany	100
Terra Simfoni Sdn Bhd	Non-Trading (Investment Holding)	Bangunan Revertex, 1 1/2 Miles, Jalan Batu Pahat, 86000 Kluang, Johor Darul Takzim	Malaysia	100
UQUIFA Italia S.r.l	Non-Trading	Piazza Cavour 3, Milano	Italy	100
William Blythe Limited	Trading	Synthomer Building, Temple Fields, Harlow, Essex, CM20 2BH	United Kingdom	100
Yule Catto BV	Non-Trading	Ijsselstraat 41, 5347 KG Oss	The Netherlands	100
Yule Catto France SA	Non-Trading	6 Place de la Madeline, 75008 Paris	France	100
Yule Catto Holdings GmbH	Non-Trading	Werrastrasse 10, 45768 Marl	Germany	100
Yule Catto Inc	Non-Trading	1201 Peachtree Street NE, Atlanta, Fulton, GA 30361	USA	100
Yule Catto International SA	Non-Trading	6 Place de la Madeline, 75008 Paris	France	100
Yule Catto Nederland BV	Non-Trading	Ijsselstraat 41, 5347 KG Oss	The Netherlands	100
Yule Catto Overseas	Non-Trading	Temple Fields, Central Road, Harlow, Essex, CM2O 2BH	United Kingdom	100[3]
Yule Catto Spain SL	Non-Trading	C/O Rambla de Catalunya no. 53, Atico, 08007 Barcelona	Spain	100
Yule Catto Western Europe Limited	Non-Trading	Yule Catto Building, Temple Fields, Central Road,Harlow, Essex, CM2O 2BH	United Kingdom	100

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

Five year financial summary

Underlying performance[a]	2017 £m	2016 £m	2015 £m	2014 (restated)[f] £m	2013 (restated)[f] £m
Revenue	**1,480.2**	1,045.7	870.1	936.4	992 7
EBITDA[b]	**176.2**	160.1	125.0	118.0	124.0
Operating profit[c]	**139.0**	130.2	102.9	96.5	104.8
Finance costs	**(9.0)**	(8.0)	(7.6)	(10.5)	(14.7)
Profit before taxation	**130.0**	122.2	95.3	86.0	90 1
Basic earnings per share	**30.7p**	*28.3p*	*21.5p*	*19.5p*	*20.7p*
Dividends per share	**12.2p**	11.3p	8.6p	7.8p	6.0p
Dividend cover	**2.5**	2.5	2.5	2.5	3.5
Net borrowings[d]	**(180.5)**	(150.3)	(77.4)	(112.1)	(133.6)
Capital expenditure[e]	**60.3**	45.6	22.8	22.0	39.1

IFRS – continuing operations	2017 £m	2016 £m	2015 £m	2014 (restated)[f] £m	2013 (restated)[f] £m
Revenue	**1,480.2**	1,045.7	870.1	936.4	992.7
EBITDA[b]	**176.2**	160.1	125.0	118.0	124.0
Operating profit[c]	**95.4**	144.7	80.3	65.1	75.0
Finance costs	**(9.0)**	(8.0)	(7.8)	(11.3)	(115.9)
Profit before taxation	**86.4**	136.7	72.5	53.8	59.1
Basic earnings per share	**21.8p**	32.5p	17.8p	13.3p	14.2p
Dividends per share	**12.2p**	11.3p	8.6p	7 8p	6 0p
Dividend cover	**1.8**	2 9	2.1	1.7	2 4
Net borrowings[d]	**(180.5)**	(150.3)	(80.1)	(114.1)	(138.5)
Capital expenditure[e]	**60.3**	45.6	22.8	22.0	39.1

Note
a As presented in the consolidated income statement on page 95
b As defined in the accounting policies at note 2 and reconciled in note 6
c As defined in note 2 to the consolidated financial statements
d As defined in note 2 to the consolidated financial statements and reconciled in note 22
e As shown with the consolidated cash flow statement
f Restated for impact of IAS19 revised

Glossary of terms

AGM	Annual General Meeting
AIMS	Accident and Incident Management System
APMs	Alternative Performance Measures
ARW	Asia and Rest of the World
C&C	Construction and Coatings
C&F	Carpet and Foam
CGU	Cash Generating Units
CH^4	Methane
CIA	Chemical Industries Association
CO_2	Carbon Dioxide
CO_2e	Carbon Dioxide equivalent
Constant currency	Reflects current year results for existing business translated at the prior year's average exchange rates, and includes the impact of acquisitions.
CRM	Customer Relationship Management system
CSR	Corporate Social Responsibility
DEFRA	Department of Environment, Food and Rural Affairs
EBITDA	EBITDA is calculated as operating profit before depreciation, amortisation and Special Items
EGM	Extraordinary General Meeting
ENA	Europe and North America
EPS	Earnings Per Share
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
FP	Functional Polymers
FRC	Financial Reporting Council
Free cash flow	Net cash flow from operating activities, after net interest paid and purchases and proceeds from sale of non-current assets and investments
FRS	Financial Reporting Standard
GHGs	Greenhouse Gases
GJ	Gigajoule
GWP	Global Warming Potential
H&P	Health and Protection
HR	Human Resources
HSSBR	High Solids Styrene Butadiene Rubber
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
ISA	International Standards of Auditing
KPIs	Key Performance Indicators
Ktes	Kilotonne or 1,000 tonnes (metric)
LTA	Lost Time Accident
LTIP	Long Term Incentive Plan
M&A	Mergers and Acquisitions
MOC	Management of Change
MYR	Malaysian Ringgits
N_2O	Nitrous Oxide
NBR	Nitrile Butadiene Rubber

Glossary of terms continued

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

Advisers

Registered office
Synthomer plc
Temple Fields
Harlow
Essex
CM20 2BH

Registered number 98381

Company secretary
Richard Atkinson

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Commerzbank AG
HSBC Bank plc
RBS plc
Lloyds Bank plc

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Registrars
Computershare Investor Services PLC
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