Wednesday 2 March 2016

Synthomer plc

Preliminary Results for the year ended 31 December 2015

RECORD RESULTS: UNDERLYING PROFIT BEFORE TAX UP 11% TO £95.3M

FULL YEAR HIGHLIGHTS *Underlying performance**	**2015**	**2014**	**Increase / (decrease)** Reported	**Constant Currency**
	£'m	£'m	%	%
Total Sales (including share of JV's)	894.0	990.5	(9.7)	(2.4)
Volumes (ktes)	1,251	1,191	5.0	
Operating Profit (EBIT)	102.9	96.5	6.6	17.4
Europe and North America (ENA)	*73.3*	*85.7*	(14.5)	(7.5)
Asia and ROW (ARW)	*40.5*	*17.8*	127.5	151.7
Unallocated	*(10.9)*	*(7.0)*	55.7	55.7
Profit before Tax	95.3	86.0	10.8	22.8
EPS (p)	21.5	19.5	10.3	
DPS (p) - ordinary	8.6	7.8	10.3	
Profit before Tax - IFRS	72.5	53.8	34.8	

*Underlying performance excludes special items, unless otherwise stated

Highlights

- **Resilient operating performance in Europe and North America (ENA):**
  - EBIT at £73.3m stable relative to 2014 (2014: £85.7m) before adverse currency impact of £6.0m and higher group wide employee bonuses of £6.9m.
  - Cost savings programme delivered annualised savings of €7m; on track to achieve annualised savings of €13m by the end of 2016.
- **Asia and Rest of the World (ARW) very strong:**
  - EBIT up 128% to £40.5m (2014: £17.8m) mainly driven by Malaysian nitrile butadiene rubber business; up 176% before adverse currency of £4.3m and bonuses of £4.3m.
  - Construction and coatings had a good year in all geographical areas: Malaysia, Middle East and Africa.
- **R&D driving innovation:** products launched in last 5 years representing 18% of sales (2014: 16%).
- **Significant cash generation:** Cash flow before financing grew significantly to £84.4m (2014: £49.6m).
- **Strong operational progress:** Strengthened executive management team; operational head office re-located to London with executive team in one place.
- **Earnings per share:** Underlying earnings per share for the year rose 10% to 21.5p (2014: 19.5p)
- **Dividend:** Full year dividend increased by 10% to 8.6p per share in line with dividend policy (2014: 7.8p per share).

Commenting on the results, Neil Johnson, Chairman, said:

"It has been an excellent year for Synthomer with the Group reporting record underlying profit before tax. This result reflects favourable market conditions in our nitrile business in Asia and our ongoing strategic initiatives to invest in future growth through innovation, increased capacity and tight cost control. We have also benefitted from the stability and resilience of our businesses in Europe and North America.

Looking forward, we remain confident that the Group is well placed to perform given the strategy that we have put in place. Our outlook for the ENA businesses remains cautious with overall volumes and unit margins continuing at similar levels through 2016. For ARW, which is heavily influenced by our Asian nitrile business, we are aware that a number of nitrile producers, including Synthomer, have announced plans to increase capacity during the latter part of 2016 and early 2017. Whilst we are confident of continued strong growth in demand from the nitrile glove manufacturers during 2016 and beyond, we expect this planned capacity increase to impact the supply/demand balance during the second half of 2016 leading to similar volumes and margins to 2015 for the year as a whole."

ENQUIRIES:

Calum MacLean, Chief Executive Officer
Stephen Bennett, Chief Financial Officer
Tel: 01279 436211

Charles Armitstead
Teneo Strategy
Tel: 020 3603 5220

The Company will host a meeting for analysts and investors at 09.00 at Canaccord Genuity (88 Wood Street, London EC2V 7QR). The presentation will be webcast on the Company's website www.synthomer.com.

Underlying and IFRS information, years ended 31 December:

	2015			2014		
	Underlying*	**Special items**	**IFRS**	**Underlying***	**Special items**	**IFRS**
	£'m	£'m	£'m	£'m	£'m	£'m
Total sales (including share of JV's)	894.0	-	894.0	990.5	-	990.5
Europe and North America	73.3	(23.4)	49.9	85.7	(25.7)	60.0
Asia and ROW	40.5	1.0	41.5	17.8	(5.7)	12.1
Unallocated	(10.9)	(0.2)	(11.1)	(7.0)	-	(7.0)
Operating profit (including share of JV's)	102.9	(22.6)	80.3	96.5	(31.4)	65.1
Finance costs	(7.6)	(0.2)	(7.8)	(10.5)	(0.8)	(11.3)
Profit/loss before taxation	95.3	(22.8)	72.5	86.0	(32.2)	53.8

* Underlying basis excludes special items. This is primarily amortisation of acquired intangibles of £23.7m (2014: £27.0m). A detailed analysis of the special items is provided in the Financial Review.

Synthomer plc (SYNT) may also be referred to in this report as "Synthomer", the "Company" or the "Group".

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.

Underlying performance

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 1. The Board's view is that underlying performance provides more meaningful information for the Group's investors and so it is the primary focus of the Group's narrative reporting. Where appropriate, statutory 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.

CHAIRMAN'S REPORT – INVESTING FOR GROWTH

Performance

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

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

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

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

Safety, health and environment

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

Governance

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

Board changes

At the start of 2015, we welcomed Calum MacLean who took over from Adrian Whitfield as our new Chief Executive Officer. In May 2015, Stephen Bennett joined as Chief Financial Officer, replacing David Blackwood who announced his intention to retire from the Group in December 2014. Like Calum, Steve joined from INEOS, where he had held a number of senior finance positions in different businesses, and brings a wealth of chemicals, and merger & acquisitions experience to Synthomer. Jez Maiden, our Senior Independent Director and Chair of the Audit Committee, stood down from the Board this year after 8 years with Company. Brendan Connolly succeeded him as Senior Independent Director, and Caroline Johnstone, formerly a partner at

PricewaterhouseCoopers, joined the Board as a non-executive director and Chair of the Audit Committee in April.

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

Our people

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

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

Dividend

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

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

Outlook

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

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

Neil Johnson
Chairman
1 March 2016

CEO REPORT – INVESTING FOR GROWTH

Introduction

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

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

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

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

A key metric for the Group, as a speciality chemicals business, is measuring its progress in research and development through reporting the progress on new products launched to the market. The proportion of sales generated in the year that related to new products launched in the previous 5 years was 18% (2014: 16%).

Safety, health and environment

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

Segmental review

Europe and North America (ENA)

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

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

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

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

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

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

Segmental review (continued)

Asia and Rest of World (ARW)

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

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

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

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

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

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

Segmental review (continued)

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

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

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

New executive team and London HQ

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

The new executive team of seven now comprises three executives leading our regional and specialities businesses, the Head of Group Operations and the Group General Counsel together with the Group Chief Financial Officer and myself. The new team benefits from the experience, knowledge and understanding of those who have been with the Group for some time, and from the fresh impetus and insight from the three of us who have joined in the last twelve months. In addition to the new Head of Group Operations, we have recruited a Global HR Director and Chief Information Officer. All three have considerable experience in their respective fields and represent an investment in the human skills capital of the Group. I am confident they will add considerable value to the existing Group, and their expertise means that we are well positioned in the event we need to integrate new businesses.

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

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

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

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

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

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

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

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

Calum MacLean
Chief Executive Officer
1 March 2016

FINANCIAL REVIEW
2015 financial performance

Overview

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

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

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

Income statement

Sales, operating profit and profit before tax – underlying performance

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

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

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

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

Tax and Earnings per Share – underlying performance

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

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

FINANCIAL REVIEW (continued)

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

Special items and IFRS

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

For the purposes of defining underlying performance, the Special Items split out comprise:

- Restructuring costs of £5.4m (2014: £4.5m) are mainly associated with the 'Synthomer 2015' European Project. There will be some additional costs associated with this Project during 2016 with the total cost for the project expected to be £10m. The Malaysian land sale profit of £6.5m (2014: £nil) is also included in special items.
- Various cross-currency and interest rate swaps for hedging purposes. IFRS requires that where the strict requirements of IAS 39 are not met, changes in the market value should be recognised annually in the income statement. However, such financial instruments are maintained by the Group for the length of the contract and over their lifetime have a fair value of nil. Hence the notional annual adjustment, a loss of £0.2m (2014: £0.8m loss) has been segregated from the underlying performance.
- Amortisation of intangibles of £23.7m (2014: £27.0m). IFRS acquisition accounting requires an explicit number to be placed on certain intangibles and amortised through the consolidated income statement, with the balance of the excess of the purchase price over the physical assets being carried as goodwill, which is subject to annual impairment testing. The amortisation expense arising from this has been treated as a Special Item and will continue to be so treated until the associated intangible assets have been fully amortised.

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

Dividend

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

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

Balance sheet

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

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

FINANCIAL REVIEW (continued)

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

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

The deferred tax liability has decreased to £30.0m at December 2015 from £35.5m at December 2014, mainly due to the amortisation of intangible assets and also as a result of currency depreciation.

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

Pensions

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

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

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

Cash flow

The Group has had a record year generating a cash flow before financing of £84.4m (2014: £49.6m).

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

FINANCIAL REVIEW (continued)

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

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

Financing and liquidity

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

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

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

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

Stephen Bennett
Chief Financial Officer
1 March 2016

Synthomer plc
Preliminary Results for the year ended 31 December 2015

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 Underlying performance audited £'m	2015 Special items audited £'m	2015 IFRS audited £'m	2014 Underlying performance audited £'m	2014 Special items audited £'m	2014 IFRS audited £'m
Continuing operations							
Group revenue		870.1	-	870.1	936.4	-	936.4
Share of joint ventures' revenue		23.9	-	23.9	54.1	-	54.1
Total sales	2	894.0	-	894.0	990.5	-	990.5
Group revenue		870.1	-	870.1	936.4	-	936.4
Company and subsidiaries before special items		99.1	-	99.1	91.2	-	91.2
Restructuring and site closure		-	(5.4)	(5.4)	-	(4.5)	(4.5)
Sale of land		-	6.5	6.5	-	-	-
Acquisition		-	-	-	-	0.1	0.1
Amortisation of acquired intangibles		-	(23.7)	(23.7)	-	(25.8)	(25.8)
Company and subsidiaries		99.1	(22.6)	76.5	91.2	(30.2)	61.0
Share of joint ventures		3.8	-	3.8	5.3	(1.2)	4.1
Operating profit / (loss)	2	102.9	(22.6)	80.3	96.5	(31.4)	65.1
Interest payable		(3.8)	-	(3.8)	(6.7)	-	(6.7)
Interest receivable		0.5	-	0.5	0.8	-	0.8
		(3.3)	-	(3.3)	(5.9)	-	(5.9)
IAS19 interest charge		(4.3)	-	(4.3)	(4.6)	-	(4.6)
Fair value adjustment		-	(0.2)	(0.2)	-	(0.8)	(0.8)
Finance costs	3	(7.6)	(0.2)	(7.8)	(10.5)	(0.8)	(11.3)
Profit / (loss) before taxation		95.3	(22.8)	72.5	86.0	(32.2)	53.8
Taxation		(21.0)	11.6	(9.4)	(18.4)	10.9	(7.5)
Profit / (loss) for the year		74.3	(11.2)	63.1	67.6	(21.3)	46.3
Profit attributable to non-controlling interests		1.2	1.5	2.7	1.4	(0.4)	1.0
Profit/(loss) attributable to equity holders of the parent		73.1	(12.7)	60.4	66.2	(20.9)	45.3
		74.3	(11.2)	63.1	67.6	(21.3)	46.3
Earnings / (loss) per share							
Basic		21.5p	(3.7)p	17.8p	19.5p	(6.2)p	13.3p
Diluted		21.3p	(3.7)p	17.6p	19.3p	(6.1)p	13.2p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital redemption reserve	Own shares	Hedging and translation reserve	Cash flow hedging reserve
	audited	audited	audited	audited	audited	audited
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 January 2015	34.0	230.5	0.9	-	(23.2)	-
Profit for the year	-	-	-	-	-	-
Actuarial gains and losses	-	-	-	-	-	-
Gains on cash flow hedges arising during the year	-	-	-	-	-	-
Exchange difference on translation of foreign operations	-	-	-	-	(35.7)	-
Gains on a hedge of a net investment taken to equity	-	-	-	-	10.6	-
Tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive (expense) / income for the year	-	-	-	-	(25.1)	-
Dividends paid to shareholders	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
At 31 December 2015	34.0	230.5	0.9	-	(48.3)	-

	Retained earnings	Total	Non-controlling interests	Total equity
	audited	audited	audited	audited
	£'m	£'m	£'m	£'m
At 1 January 2015	24.1	266.3	10.8	277.1
Profit for the year	60.4	60.4	2.7	63.1
Actuarial gains and losses	1.6	1.6	-	1.6
Gains on cash flow hedges arising during the year	-	-	-	-
Exchange difference on translation of foreign operations	-	(35.7)	(1.4)	(37.1)
Gains on a hedge of a net investment taken to equity	-	10.6	-	10.6
Tax relating to components of other comprehensive income	(0.7)	(0.7)	-	(0.7)
Total comprehensive (expense) / income for the year	61.3	36.2	1.3	37.5
Dividends paid to shareholders	(53.7)	(53.7)	-	(53.7)
Dividends paid to non-controlling interests	-	-	(3.0)	(3.0)
Share-based payments	0.6	0.6	-	0.6
At 31 December 2015	32.3	249.4	9.1	258.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

	Share capital	Share premium	Capital redemption reserve	Own shares	Hedging and translation reserve	Cash flow hedging reserve
	audited	audited	audited	audited	audited	audited
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 January 2014	34.0	230.5	0.9	-	(20.0)	-
Profit for the year	-	-	-	-	-	-
Actuarial gains and losses	-	-	-	-	-	-
Gains on cash flow hedges arising during the year	-	-	-	-	-	-
Exchange difference on translation of foreign operations	-	-	-	-	(15.3)	-
Exchange differences recycled on deemed disposal of joint venture	-	-	-	-	1.0	-
Gains on a hedge of a net investment taken to equity	-	-	-	-	11.1	-
Tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive (expense) / income for the year	-	-	-	-	(3.2)	-
Dividends paid to shareholders	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
At 31 December 2014	34.0	230.5	0.9	-	(23.2)	-

	Retained earnings	Total	Non-controlling interests	Total equity
	audited	audited	audited	audited
	£'m	£'m	£'m	£'m
At 1 January 2014	45.1	290.5	12.0	302.5
Profit for the year	45.3	45.3	1.0	46.3
Actuarial gains and losses	(47.8)	(47.8)	-	(47.8)
Gains on cash flow hedges arising during the year	-	-	-	-
Exchange difference on translation of foreign operations	-	(15.3)	-	(15.3)
Exchange differences recycled on deemed disposal of joint venture	-	1.0	-	1.0
Gains on a hedge of a net investment taken to equity	-	11.1	-	11.1
Tax relating to components of other comprehensive income	5.9	5.9	-	5.9
Total comprehensive (expense) / income for the year	3.4	0.2	1.0	1.2
Dividends paid to shareholders	(22.4)	(22.4)	-	(22.4)
Dividends paid to non-controlling interests	-	-	(2.2)	(2.2)
Share-based payments	(2.0)	(2.0)	-	(2.0)
At 31 December 2014	24.1	266.3	10.8	277.1

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015

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

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2016.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015 continued

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

*currency element of derivatives associated with US dollar private placement debt

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO MOVEMENT IN NET BORROWINGS FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	audited £'m	audited £'m
Net cash inflow from operating activities	96.8	64.2
Add back: reduction in factored invoices	-	-
Add back: dividends received from joint ventures	3.6	4.7
Less: net capital expenditure	(16.0)	(21.5)
Less: purchase of business	-	(8.6)
	84.4	38.8
Equity dividends paid	(53.7)	(22.4)
Dividends paid to non-controlling interests	(3.0)	(2.2)
Settlement of equity-settled share-based payments	-	(2.6)
Exchange movements	7.0	9.9
Movement in net borrowings (underlying performance)	34.7	21.5

1 Special items

The special items disclosed are made up as follows:

		Note	2015 audited £'m	2014 audited £'m
Continuing operations				
Operating profit / (loss)				
Acquisition of controlling interests in EKA Synthomer Oy				
Excess of net assets acquired over consideration paid – "Bargain Purchase"			-	1.2
Recycling of foreign exchange on deemed disposal of non-controlling interest			-	(1.0)
Acquisition costs			-	(0.1)
			-	0.1
Restructuring and site closure			(5.4)	(4.5)
Sale of land			6.5	-
Amortisation of acquired intangibles	Subsidiaries		(23.7)	(25.8)
	Share of joint ventures		-	(1.2)
			(22.6)	(31.4)
Finance costs				
Fair value adjustment		3	(0.2)	(0.8)
(Loss) before taxation from continuing operations			(22.8)	(32.2)
Taxation			11.6	10.9
(Loss) for the year from continuing operations			(11.2)	(21.3)

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

2 Segmental analysis

Substantially all revenues earned by the Group are from the sale of polymer products derived from petrochemical monomers. No single customer accounts for more than 10% of the Group's revenues. No information is provided at the divisional level to the Executive Committee, the chief operating decision maker, concerning interest revenues, interest expense, depreciation or amortisation, income taxes or other material non-cash items.

	2015			2014		
	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
	audited	audited	audited	audited	audited	audited
	£'m	£'m	£'m	£'m	£'m	£'m
Total sales by activity						
Continuing activity						
Europe and North America						
Subsidiaries	582.1	-	582.1	661.4	-	661.4
Share of joint ventures	-	-	-	25.8	-	25.8
	582.1	-	582.1	687.2	-	687.2
Asia and Rest of World						
Subsidiaries	288.0	-	288.0	275.0	-	275.0
Share of joint ventures	23.9	-	23.9	28.3	-	28.3
	311.9	-	311.9	303.3	-	303.3
Total sales	894.0	-	894.0	990.5	-	990.5
Total share of joint ventures						
Europe and North America	-	-	-	25.8	-	25.8
Asia and Rest of World	23.9	-	23.9	28.3	-	28.3
	23.9	-	23.9	54.1	-	54.1
Operating profit by activity						
Europe and North America						
Subsidiaries	73.3	(23.4)	49.9	84.0	(24.5)	59.5
Share of joint ventures	-	-	-	1.7	(1.2)	0.5
	73.3	(23.4)	49.9	85.7	(25.7)	60.0
Asia and Rest of World						
Subsidiaries	36.7	1.0	37.7	14.2	(5.7)	8.5
Share of joint ventures	3.8	-	3.8	3.6	-	3.6
	40.5	1.0	41.5	17.8	(5.7)	12.1
Divisional operating profit	113.8	(22.4)	91.4	103.5	(31.4)	72.1
Unallocated corporate expenses	(10.9)	(0.2)	(11.1)	(7.0)	-	(7.0)
Operating profit/(loss)	102.9	(22.6)	80.3	96.5	(31.4)	65.1
Total share of joint ventures						
Europe and North America	-	-	-	1.7	(1.2)	0.5
Asia and Rest of World	3.8	-	3.8	3.6	-	3.6
	3.8	-	3.8	5.3	(1.2)	4.1

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

3 Finance costs

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

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

4 Reconciliation of operating profit to cash generated from operations

	2015 audited £'m	2014 audited £'m
Operating profit – continuing operations	80.3	65.1
Less: share of profits of joint ventures	(3.8)	(4.1)
	76.5	61.0
Adjustments for:		
Depreciation (underlying)	21.8	21.2
Amortisation (underlying)	0.3	0.3
Amortisation (special items)	23.7	25.8
Restructuring and site closure (special items)	5.4	4.5
Share-based payments	0.6	0.3
Profit on sale of land (special items)	(6.5)	-
Profit on sale of fixed assets	-	(0.4)
Cash impact of restructuring and site closure	(5.4)	(3.8)
IAS 19 interest charge	(4.3)	(4.6)
Pension funding in excess of IAS 19 charge	(6.3)	(6.1)
Decrease/(increase) in inventories	7.1	6.0
Decrease in trade and other receivables	4.9	2.5
Decrease in trade and other payables	(2.2)	(17.6)
Cash generated from operations	115.6	89.1
Reconciliation of movement in working capital		
Decrease/(increase) in inventories	7.1	6.0
Decrease in trade and other receivables	4.9	2.5
Decrease in trade and other payables	(2.2)	(17.6)
Movement in working capital (underlying)	9.8	(9.1)

5 Reconciliation of EBITDA

	2015		2014	
	Underlying performance	**IFRS**	**Underlying performance**	**IFRS**
	audited	audited	audited	audited
	£'m	£'m	£'m	£'m
Operating profit	102.9	80.3	96.5	65.1
Add: Restructuring and site closure	-	5.4	-	4.5
Less: Acquisition credit	-	-	-	(0.1)
Less: Profit on sale of land	-	(6.5)		
Add back: amortisation (underlying)	0.3	0.3	0.3	0.3
Add back: amortisation (special items)	-	23.7	-	27.0
Add back: depreciation (underlying)	21.8	21.8	21.2	21.2
EBITDA	125.0	125.0	118.0	118.0

6 Dividends

	2015		2014	
	Pence per share audited	£'m	Pence per share audited	£'m
Interim dividend	3.2	10.9	3.0	10.2
Proposed final dividend	5.4	18.4	4.8	16.3
Special dividend			7.8	26.5

7 Further information

The financial information set out above does not constitute the Company's financial statements for the years ended 31 December 2015 or 2014, but is derived from those statements. Financial statements for 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's annual general meeting. The auditor has reported on those statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) Companies Act 2006 or equivalent preceding legislation. While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement itself does not contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS, a copy of which will be posted to shareholders, on 30 March 2016.

The financial statements were approved by the Board of Directors on 1 March 2016.

The accounting policies used to prepare these preliminary results are the same as those used in the preparation of the Group's audited accounts for the year ended 31 December 2015 which have been delivered to the Registrar of Companies. Copies can be obtained by the public from the Company's registered office Temple Fields, Harlow, Essex, CM20 2BH, or on the Company website www.synthomer.com.

The interim dividend of 3.2p per share was paid on 5 November 2015. The Directors recommend a final ordinary dividend of 5.4p per share payable on 4 July 2016 to those shareholders registered at the close of business on 3 June 2016.

Earnings per ordinary share are based on the attributable profit for the period and the weighted average number of shares in issue during the period – 339.8 million (2014: 339.8 million).

Going concern

The directors have acknowledged the latest guidance on going concern and in reaching their conclusions have taken into account factors including the final repayment under the 2004 series private placement notes of US$22 million due in September 2016.

The Directors have appropriately considered the Group's risks and uncertainties including:

- The current economic conditions and potential impact of the level of demand for the Group's products;
- Recent volatility in the currency markets and the ability of the Company to hedge exposures;
- Volatility in prices of the Group's raw materials; and
- The Group's exposures to credit and liquidity risk.

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

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

8 Glossary of terms

Total sales	Total sales represent the total of revenue from the Company, its subsidiaries, and its share of the revenue of joint ventures.
EBITDA	EBITDA is calculated as operating profit before depreciation, amortisation and special items.
Operating profit	Operating profit represents profit from continuing activities before finance costs and taxation.
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; • Costs of business combinations as defined by IFRS 3 and related debt issue costs; • Re-structuring and site closure costs; • Fair value adjustment – mark to market adjustments in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied; • Amounts advanced in respect of invoices sold under non-recourse factoring arrangements; • Other non-recurring and non-operating items; • Tax impact of above items; and • Settlement of prior period tax issues.
Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding special items.
Net borrowings	Net borrowings 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.
Ktes	Kilotonne or 1,000 tonnes (metric)