Scott Bader

Making a **positive** difference

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

SCOTTBADER.COM

SCOTT BADER LIMITED
COMPANY INFORMATION

Company registration number:
00189141

Registered office:
Wollaston Hall
Wollaston
Wellingborough
Northamptonshire
NN29 7RL

Directors:
Paul Smith
Debbie Baker
Steven Brown
Matthew Collins
Ruzica Geceg
Kevin Matthews
James McTaggart
David Rossouw
Dianne Walker

Secretary:
Matthew Collins

Independent Auditor:
RSM UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

Solicitors:
Shoosmiths
The Lakes
Northampton
NN4 7SH

Bankers:
Royal Bank of Scotland
Cambridge Corporate Office
Unit 2
Wellbrook Court
Girton
Cambridge
CB3 0NA

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BACKGROUND

Scott Bader Company Limited ('Scott Bader'; 'the Company') is wholly owned as a financial and social investment by The Scott Bader Commonwealth Limited ('The Commonwealth'), a company limited by guarantee and a registered charity. Scott Bader was formed by Ernest Bader in the 1920s as a merchant in chemicals; in 1951 he and others gave the ownership of the shares in the Company to The Commonwealth.

Each employee of Scott Bader may become a member of The Commonwealth and, by this means, become a trustee holding, in common with other members, the shares of Scott Bader Company Limited. The Commonwealth and the Company have no external shareholders. Godric Bader, Ernest's son, is Life President of The Commonwealth.

Scott Bader is required by its Constitution to conduct its commercial business activities in order to be profitable. The way in which we at Scott Bader do business is driven by the guiding principles of our Constitution.

£340,000

donated to The Commonwealth

£31,620

donated in matched funding from colleague's charitable fundraising activities

More information about Scott Bader is on our website at: **www.scottbader.com**

A proportion of Scott Bader's profits each year is required by its Constitution to be devoted to charitable and community work, administered by The Commonwealth. Out of the 2019 profits, a donation of £340,000 (2018: £273,000) was allocated by the Company to The Commonwealth. In addition to this, £31,620 (2018: £30,000) of donations were paid by Group companies direct to various charities during the year.

CHAIRMAN'S STATEMENT

I am delighted to have joined Scott Bader at a very important stage in its evolution towards meeting the Company's 2036 vision and commensurate with the challenges that the Company faces in achieving its vision. 2019 represented a period of accelerating change for the company, and these changes are beginning to be felt at all levels of the organisation.

Significant changes took place in the membership of the Group Board in 2019 with Karl Funke (Chairman), Jean-Claude Pierre (CEO) and Malcolm Forsyth (Executive Director) stepping down, and additionally Calvin O'Connor (Non-Executive Director) retired having reached the maximum tenure period.

We are very grateful for their service and important contributions to Scott Bader during their time with us, and we wish them all the best for the future.

The Group Board, supported by the Commonwealth Board and Members Assembly, invited Kevin Matthews, who initially joined Scott Bader as a Non-Executive Advisor in February 2019, to become interim Executive Chairman from the beginning of August 2019, whilst a new Non-Executive Chairman was recruited.

We are grateful to Kevin for his efforts during this period in meeting with and listening to the concerns of the Commonwealth members around the world and in setting out a clear and ambitious strategy for the Company, aligned with the 2036 vision.

I recently joined the Board after the financial year end, in January 2020, as Non-Executive Chairman and concurrently Kevin Matthews assumed the role of Group Chief Executive Officer. Dianne Walker joined the Board as Non-Executive Director, Chair of Audit Committee, in January 2019 and was appointed as the Company's first Senior Independent Director in August 2019, with a remit to strengthen governance and to act as an independent intermediary and channel for communication for the Board, its Directors and its stakeholders, should they require it.

In addition to changes at Board level, the senior leadership team also benefitted from a number of changes designed to streamline decision making and increase accountability. As a Board we recognise that all these changes can be unsettling but if we are to align the Company to achieve the 2036 vision then altering what we do and how we do things is inevitable.

We envision a world where humanity thrives, without compromising the natural systems it depends on. Scott Bader provides essential technologies that address the challenges of our changing society and in doing so is a renowned, trustworthy partner that is globally admired for harnessing the power of chemistry as a force for good.

SCOTT BADER GROUP BOARD

Paul Smith
Non-Executive Chairman

Kevin Matthews
Chief Executive Officer

Matthew Collins
Group Chief Financial Officer & Company Secretary

Dianne Walker
Senior Independent Director

Debbie Baker
Non-Executive Director

Ruzica Geceg
Director of Finance, HR and Administration

Steven Brown
New Technology Development Manager

David Rossouw
Finance Director

James McTaggart
Group Operations Director

CHAIRMAN'S STATEMENT

Scott Bader can look back on a successful year in 2019, recording positive financial results despite ongoing market uncertainty. Robust margin growth against a backdrop of flat volumes indicates that the business strategy is working, particularly when taking into account the growing net cash balance of the Group. It should also be noted that the coordinated efforts across the Group have led to a significant improvement in our HSE statistics, with Lost Time Accidents decreasing to 9 occurrences, a record low for Scott Bader and well below industry average.

The impact in 2020 of the Covid-19 global pandemic on the Group's activities is explained in more detail in the Chief Executive Officer's report. Despite the significant challenges presented by Covid-19 to the Group and its subsidiary companies, the Board believe that Scott Bader is well positioned to successfully implement its updated strategy, further strengthening its global footprint, delivering exciting opportunities in target markets, identifying and mitigating legacy risks and continuing to deliver profitable growth, whilst also continuing to reward the commitment of its employees.

One key facet of the updated strategy is to modernise Scott Bader's approach to corporate governance with the establishment of a Remuneration Committee and a Risk Committee, as well as the Audit Committee driving the implementation of a governance approach aligned with QCA (Quoted Companies Alliance) principles.

Last, but not least, I would like to thank all of our colleagues and our business partners for supporting us in 2019. We appreciate your trust in Scott Bader being and remaining a reliable and fair employer and business partner, 'Making a Positive Difference'."

Paul Smith,
Chairman

> ***Scott Bader can look back on a successful year in 2019, recording positive financial results despite ongoing market uncertainty. Robust margin growth against a backdrop of flat volumes indicates that the business strategy is working, particularly when taking into account the growing net cash balance of the Group.***

CHIEF EXECUTIVE OFFICER'S STATEMENT

Kevin Matthews

I am delighted to have joined the Scott Bader Board in August 2019 and I am excited by the business potential I see and the quality of the colleagues I have met. On joining the Board the Group Leadership Team (GLT) agreed and completed a challenging 100 day plan focused on delivering the budget, developing a detailed strategic plan, improving risk management processes, renewing pay and reward principles and refocusing the technical programme. The subsequent implementation of some of these activities has been delayed by the emergence of the Covid-19 crisis which has demanded significant focus from the GLT.

GENERAL BUSINESS PERFORMANCE

SALES
£218m (4%)
2018: £226m

GROSS PROFIT
£67.1m +12%
2018: £59.8m

OPERATING PROFIT
£7.2m +22%
2018: £5.9m

PBT
£7.7m (10%)
2018: £8.6m

NET CASH
£24.7m +87%
2018: £13.2m

The 2019 financial performance reflects the increasingly competitive market for high volume, low margin products as can be seen by the small fall in year on year external sales (-4%), and our strategic repositioning towards more profitable business with an associated increase in Gross Profit to £67.1m (+12%).

Growth in gross profit was driven regionally by increased sales and margins across both Europe and the Middle East, with the improved margin coming from the Adhesives and Composites businesses. After the successful divestiture of our Polidene business in December 2018, a corresponding contraction in our Functional Polymers business was seen.

Year-on-year Operating Profit performance was up 22%, with a significant proportion of the Gross Profit improvement falling through to Operating Profit as a result of operating cost controls.

The 10% comparative reduction in Profit Before Taxation of £7.7m (2018: £8.6m) was influenced by the 'exceptional' profit on disposal of the Polidene business of £2.1m in 2018, and in 2019 the costs of restructuring (£0.7m) and environmental provisions associated with historic legacy issues for site remediation costs (£0.45m). The booking of an environmental provision, along with the restatement of the 2018 statutory accounts to reflect the requirement to account for tax payable in previously undeclared 'permanent establishment' locations, illustrates our ongoing commitment to improving governance and meeting the "beyond compliance" strategic goal associated with the 2036 vision as we identify and remediate against historical, legacy issues. Adjusting for these 'non-recurring' items in each year produces a Group Profit Before Taxation of £8.9m for 2019 (2018:£6.4m), an increase on the year of 39% (£2.5m).

CHIEF EXECUTIVE OFFICER'S STATEMENT

HEALTH & SAFETY

LOST TIME INCIDENT FREQUENCY RATIO (LTIFR)*

1.26

Industry benchmark: 2.0

PROCESS SAFETY INCIDENTS KPI

31%

improvement vs 2018

LOST TIME ACCIDENTS

53%

improvement vs 2018

We strive for excellence and achieved beyond compliance Health & Safety performance, and reduced our Lost Time Accidents (related to chemical processes and engineering) to 9. In addition, improvements in the number of falls, trips, slips and bumps recorded in 2019 brought our Lost Time Incident Frequency Ratio (LTIFR) below the industry benchmark (2.0) to 1.26 which is a significant achievement.

The behaviour-based Safety Conversations initiative introduced in 2018 continued to be led by all managers across the Group, with the objective of ensuring all colleagues at Scott Bader understand the risks they face in their daily work, know how to handle their activities safely and are given the proper environment to work safely. This best practice approach has positively impacted our Health and Safety performance as shown by the improved performance. Process Safety Incidents (PSI) decreased to 24 (2018: 35), with safety opportunity reporting at a record high. Recognising the importance of this topic, management carried out over 650 behavioural safety conversations in 2019. Health & Safety remains a key focus for 2020.

GOVERNANCE FRAMEWORK

The Audit Committee recommended to the Board that we work towards achieving compliance with the Quoted Companies Alliance ('QCA') Code of Corporate Governance. The requirements of the QCA Code are very much aligned to our own Constitution and ensure that the standards applied by Scott Bader are appropriately benchmarked. We intend to focus on implementing and formalising our governance infrastructure to comply with QCA by the end of 2020 with the first compliant annual report to be published in 2021.

LOOKING FORWARD TO 2020

The Group made a strong start to the year, with sales in January & February above last year in the face of economic headwinds across the globe, supported by continuing stability in raw materials. However, the subsequent rise of the Covid-19 crisis has since changed the landscape dramatically with efforts to restrict the spread resulting in the lockdown of countries around the world causing Scott Bader to see a real impact on its business.

As a direct result of these measures we saw a temporary closure of our sites in Canada and South Africa, which have since reopened. In addition, we anticipate a major macroeconomic downturn as businesses are closed and consumers stay home resulting in business failures and poor investor sentiment. Nonetheless, we are well placed to navigate through this uncertainty with the Group Leadership Team focused on the challenges we will undoubtedly face through 2020, reinforced by our strong balance sheet and healthy cash position.

On a final note, we continue to see Health & Safety as our number one priority. We will strengthen our focus on operational excellence to improve quality and reliability, keeping our costs under control and optimising our processes. A priority for the business is to build our positions in Asia and North America. Finally, as Chairman of the Risk Committee, I will be driving a more rigorous process around managing risks and addressing historic legacy issues."

Kevin Matthews
Group Chief Executive Officer

* Lost Time Incident Frequency Rate (Incl. Contractors)

REPORTS OF THE DIRECTORS

The Directors of Scott Bader Company Limited '(the Company') present the financial statements of the Company and its subsidiaries (together, 'the Group') for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Group continued to be that of the production and distribution of chemicals and related products. The Company continues to act as the holding company for the Group's trading companies.

RESULTS AND DIVIDENDS

The Directors report a Group profit on ordinary activities before taxation of £7.7m (2018: £8.6m) on continuing operations for the year ended 31 December 2019. The Directors do not recommend payment of a dividend (2018: Nil).

PRIOR YEAR ADJUSTMENT

As explained in Note 31, an adjustment has been made to account for foreign taxation payable in respect of overseas "permanent establishments". The financial position as at 31 December 2018 has been restated to account for provisions for these liabilities of £1,581,000, accrued up to that date.

FUTURE DEVELOPMENTS

Details of future developments are given in the Chief Executive Officer's Report.

RESEARCH AND DEVELOPMENT

The focus of research is on new products and processes for all kinds of structures and the enhancement of their physical and chemical properties. The investment in this area in the year was £3.2m (2018: £3.0m).

BUSINESS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group uses various financial instruments including loans, cash and various items such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks. The main risks arising from the Group's financial instruments are market risk and in particular currency risk, receivables recoverability and liquidity and cash flow.

CURRENCY RISK

The Group is an international chemical company. In the international chemical business many of the raw materials used by the Group are priced in Dollars or Euros. Consequently the Group is exposed to exchange rates. The Group does not make extensive use of hedging instruments or derivatives. Customer pricing can be adapted to deal with step changes in exchange rates.

TRADE AND OTHER RECEIVABLES

All operating companies have credit policies and monitor their credit exposure on an ongoing basis. Trading receivables are stated net of allowances for doubtful receivables, estimated by local management based on prior experience of customers and assessment of their current economic environment. Due to the geographical spread of the operating companies the credit risk will vary from site to site and will be influenced by the normal credit practices of that country as well as the prevailing macro-economic climate of each geographic region.

LIQUIDITY AND CASH FLOW

The Group monitors its borrowings on a monthly basis and aims to ensure that there is always available headroom in all entities to meet all obligations as they become due. At 31 December 2019 the Group had substantial headroom which the Directors considered to be adequate for the current business demands.

REPORT OF THE DIRECTORS

HUMANITY

DIVERSITY & INCLUSION
AT SCOTT BADER

BRIEFING AND CONSULTATION OF EMPLOYEES

Industrial democratic practice is a major part of employee engagement, and all those who work within the Group are consulted on decisions that may affect their interests in accordance with Scott Bader's Constitution. It is the policy of Scott Bader that participation in decision-making is implemented at all levels.

Recognising that access to appropriate information is a necessary prerequisite to effective participation and consultation, the Group's monthly financial results and full year forecasts are shared with Commonwealth members and employees. Group companies have continued to provide information concerning business performance, and other relevant matters, to those working within the Group via monthly briefing meetings. Members of The Scott Bader Commonwealth, membership of which is open to all who work on a permanent basis within the Group and who make a commitment to work according to the values expressed in the Constitution, have the opportunity to elect three of their number to serve for three years as members of the Board of Directors of Scott Bader Company Limited.

EMPLOYMENT OF DISABLED PERSONS

It is the Group's policy to offer equal opportunities to disabled persons applying for vacancies, having regard to their aptitudes and abilities in relation to the posts for which they apply. As far as possible, arrangements are made to continue the employment of those employees who have become disabled persons during their employment within the Group. In all instances, consideration will be given to arranging training facilities, or providing special aids, where necessary. It is the Group's policy to provide disabled persons with the same opportunities for training, career development and promotion that are available to all employees, having consideration to their aptitudes and abilities.

EQUALITY

Scott Bader remains committed to offering equal opportunities, regardless of gender or ethnicity. When a vacancy arises, it is the Group's policy to consider all applications, in determining the best fit for the role. This requires an assessment based on aptitude, attitude and ability.

CHARITABLE AND POLITICAL DONATIONS

The Group's donations for charitable purposes charged to the profit and loss account for 2019 amounted to £371,620 (2018: £304,000). Of this, £340,000 related to the 2019 donation to Scott Bader Commonwealth Ltd, a Registered Charity (see its own financial statements for details of its charitable donations), the remainder of the donations being numerous small donations to both national and local charities from the sites where the Group has business operations around the world. No contributions were made for political purposes (2018: Nil).

CORPORATE RESPONSIBILITY

It is our Corporate Responsibility to conduct our manufacturing and distribution businesses in accordance with our principles and we strive to be a role model for the application of these principles.

TEAM WORKING, FAIRNESS, RESPONSIBILITY AND COMMITMENT

We must ensure the Group conducts its business in a fair manner; has regard for the environment; promotes sustainable economic growth; shows respect for individuals but pulls together as a team and cares about the wider community in which it operates. By doing this we will be able to demonstrate that giving people responsibility and involving them in decisions creates a sustainable, profitable, social and responsible organisation.

We aim to achieve this in the following ways:

ETHICAL BUSINESS

We will meet the needs of our customers and suppliers whilst having respect for our employees and the community by acting with honesty, integrity and fairness at all times.

REPORT OF THE DIRECTORS

ECOLOGY

ENVIRONMENTAL CARE

We will ensure our manufacturing operations have the minimum impact on the environment by reducing our energy consumption, emissions and waste, through appropriate chemical production processes and equipment. By investing in development and research to source alternative raw materials we will work to reduce our use of the earth's natural resources.

ECONOMIC GROWTH

We will devote considerable development and research resources to developing new products and technologies to achieve sustainable economic growth for the benefit of Scott Bader, its employees and the broader community.

EMPLOYEE WELFARE

We will provide favourable pay, benefits and safe and healthy working conditions for all our employees to ensure we attract and retain the right people and encourage motivation, commitment and loyalty. We will treat people fairly without discrimination, provide support where necessary and ensure there is a balance between work and family life. We will provide opportunities for training, development and involvement to enable the fulfilment of the individual and the success of the Group.

EXTERNAL COMMITMENT

Through the donation of a proportion of our annual profits to charity we will endeavour to address social, economic and environmental issues, locally, nationally and internationally. We will provide opportunities, and actively encourage and support employee involvement in community and charitable work.

INDEPENDENT AUDITORS

BDO LLP resigned as auditors in the year and RSM UK Audit LLP were appointed. RSM UK Audit LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Directors of the Company are insured against the costs of successfully defending any actions brought for negligence in the performance of their duties as Directors.

BY ORDER OF THE BOARD

DIRECTORS

The Directors who served during the year and up to the date of approval of these financial statements were:

Paul Smith (Chairman, Independent Non-Executive)	Appointed	13 January 2020
Debbie Baker (Independent Non-Executive)	Appointed	1 April 2020
Steven Brown (Elected)		
Matthew Collins (Group Chief Financial Officer)		
Ruzica Geceg (Elected)		
Kevin Matthews (Group Chief Executive Officer)*	Appointed	31 July 2019
James McTaggart (Group Operations Director)	Appointed	1 April 2020
David Rossouw (Elected)		
Dianne Walker (Senior Independent Non-Executive)	Appointed	1 January 2019
Karl H Funke (Chairman)	Resigned	31 July 2019
Malcolm Forsyth (Group Strategy Director)	Resigned	30 July 2019
Jean-Claude Pierre (Group Chief Executive Officer)	Resigned	22 August 2019
Calvin O'Connor (Independent Non-Executive)	Resigned	1 January 2020

* Kevin Matthews served as Chairman from 1st August 2019 and became Chief Executive Officer upon the appointment of Paul Smith as Chairman on 13th January 2020.

In so far as the Directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

DIRECTORS RESPONSIBILITIES STATEMENT

SECRETARY

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

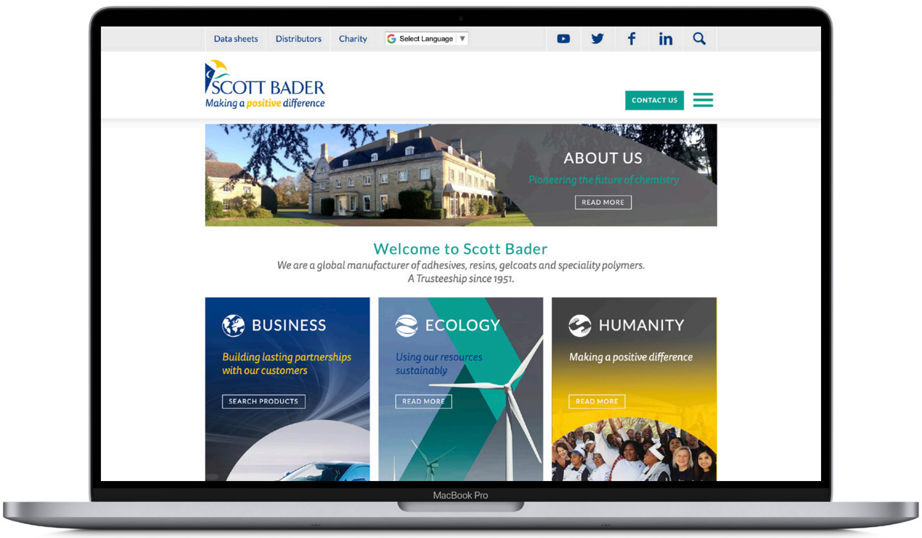
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group 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 corporate and financial information included on the Scott Bader website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



STRATEGIC REPORT

STRATEGY

One of the most significant deliverables in 2019 was the 2020 Strategic Plan, setting out the aspirations for the Company through to 2024. At the core of this update is a new definition of our 'Purpose' that puts the customer at the centre:

TO ENABLE OUR CUSTOMERS TO SUPPLY MORE EFFECTIVE AND SUSTAINABLE PRODUCTS USING INNOVATIVE POLYMER SOLUTIONS AND TO EMPOWER OUR PEOPLE TO LIVE BY OUR VALUES.

BUSINESS **ECOLOGY** **HUMANITY**

As part of the strategic review process, a number of challenges were identified that need to be addressed during the plan period, specifically to:

a. improve the quality of Scott Bader's business and respond to market needs;
b. execute on the transformational change required to achieve the 2036 Vision and the 7 Strategic Goals;
c. drive a strong risk management culture underpinned by effective and efficient processes, in addition to resolving legacy issues once and for all;
d. develop initiatives and actions that meet the requirements of the Commonwealth as the shareholder of SBCL.

The strategic actions that will be implemented to address these challenges are:

1. Empower our people to live Scott Bader values – "being the best we can be";
2. Invest in technology, quality and reliability to allow the business to enter higher margin, more demanding markets;
3. Resource growth into the regions as a priority;
4. Build potential and capacity to capture break-out new business opportunities;
5. Optimise cash generation of the current business.

We look forward to reporting on progress in achieving these objectives in next year's Annual Report.

2036 VISION

The 2036 vision remains firmly in mind as we target commercial success through investment in people and technology to allow for improved decision making as we steer towards sustainable growth and an increased global footprint. As such we remain committed to the 2036 vision and to delivering on each of the 7 strategic goals which underpin all of the company's activities:

2036 VISION

We envision a world where humanity thrives, without compromising the natural systems it depends on. Scott Bader provides essential technologies that address the challenges of our changing society and in doing so is a renowned, trustworthy partner that is globally admired for harnessing the power of chemistry as a force for good.

OUR 7 STRATEGIC GOALS

STRIVING FOR EXCELLENCE

We are purpose-driven, fully meeting the expectations of our customers by continuously improving all our processes and products to deliver world-class business performance.

PIONEERING THE CIRCULAR ECONOMY

We are a recognised circular economy practitioner, collaborating with our partners to optimise our combined resources for a waste and harm-free, closed-loop value chain.

UNLEASHING COLLEAGUES' POTENTIAL

We are driven by the diversity and creativity of our people who are empowered and motivated to make a difference through initiative and innovation at every level of the organisation.

ACTING BEYOND COMPLIANCE

We are a trusted leader, proactively driving a safe, transparent and ethical chemical industry, promoting exemplary conduct to deliver products and processes that safeguard people and planet.

PARTNERING FOR SUCCESS

We are at the heart of a global network of mutually-beneficial partnerships with suppliers, customers and world-leading allies who are engaged with our mission and share our vision.

DELIVERING VALUE TO SOCIETY

We are advocating sustainability, sharing our know-how, profit and Commonwealth vision, and supplying products and services that provide real value to society.

PROTECTING OUR ENVIRONMENT

We are a strong ambassador for the transition to a sustainable planet through our responsible use of our natural resources, our stewardship of clean energy and fresh water, and our commitment to zero emissions.

KEY PERFORMANCE INDICATORS (KPIs)

KPIs are identified and reviewed throughout the organisation.

The Group's performance measures cover all aspects of the business and for the Group Board review covers:

FINANCIAL	Return on net assets, return on sales, interest cover and banking covenants
COMMERCIAL	Volume, margin and sales growth; key customers, speciality and new products
HSE	Lost time accident frequency and environmental incidents
PEOPLE	Number of employees and staff turnover

The headline key performance measures include:

KPI	2015	2016	2017	2018	2019
Volume movement %	(2.6)	(4.9)	(1.3)	10.8	-
Gross margin[1] growth[2] %	15.9	4.9	(8.7)	6.7	12.1
Return[3] on sales %	4.1	5.2	2.7	2.6	3.3
Return[3] on net assets[4] %	12.5	14.7	8.0	7.9	10.4
Average monthly trade working capital as a % of sales	13.5	14.5	14.3	16.7	12.9
Staff turnover %	9.0	9.2	10.7	6.3	12.9
Lost Time Incident Frequency Ratio (LTIFR)[5]	n/a	2.21	1.45	2.70	1.26

[1] excluding manufacturing labour and overhead
[2] at constant exchange rates
[3] operating profit
[4] trade working capital +tangible fixed assets
[5] no. lost time accidents per 200,000 hours worked

PRINCIPAL RISKS

APPROACH TO RISK

Risk is an accepted part of doing business. The real challenge for any business is to identify the principal risks and to develop and monitor appropriate controls. A successful risk management process balances risk and reward and relies on a sound judgement of their likelihood and consequence. The Board of Directors has overall responsibility for risk management and during 2019 established a Risk Committee who worked to update the Group's key risks and ensure that mitigating actions are being established. This has been reviewed by the Board of Directors and the Audit Committee who will continue to review on an annual basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risks are summarised below:

RISK TYPE	RISK / UNCERTAINTY	MITIGATION
Commercial - erosion of profits from reduced sales / increased costs.	The business is exposed to macroeconomic cycles leading to a slowdown or acceleration in demand, increasing raw material pricing, decreasing raw material availability and increased competition which can impact sales, capacity utilisation, profitability and cash generation.	• A broad market and regional platform minimises the exposure to specific markets. • We aim to embed our product / service into the client product cycle to provide a differentiated offering. • Proactively manage raw materials to optimise the balance between price and security of supply with sourcing from a broad and diverse supplier base. • Financial performance closely monitored against operating plans with variances investigated. • Contingency and cost reduction plans can be implemented in an economic downturn.
Compliance - failure to comply with legislation.	The Group operates in multiple countries with differing regulatory environments as a result there is the risk of a major regulatory enforcement action, litigation or other claims arising from products and/or historical or ongoing operations.	• Active compliance and risk management programmes being implemented (including policies, procedures and training). • Insurance programme and risk transfer strategy in place to mitigate financial loss. • Experienced general counsel and head of product regulatory affairs supported by external legal and professional advisors • Regular reviews of litigation and compliance by the Board, Audit Committee and Internal Audit.
Financial - failure to manage and control Group subsidiaries' or JV's finances.	Inadequate oversight of Group entities resulting in financial loss, penalties, and legal claims, reputational damage.	• Finance policies, procedures and training. • Monitoring compliance through internal and external audit. • Appointment of Board Directors with appropriate training, experience and skills.
Health, Safety & Environmental (HSE) - The operations of the Group involve the handling of chemicals that are potentially hazardous to health or the environment and the operation of processes that could result in catastrophic failure releasing chemicals to the environment or a safety incident.	Such incidents can impact the integrity of the Group's operations resulting in financial loss and reputational damage which in the most extreme circumstances could lead to the Group losing its licence to operate, site closure and significant penalties.	• Active HSE management programmes with environmental and safety audits being implemented. • Insurance programmes and the development of business continuity plans. • Good housekeeping, preventative maintenance and process safety systems to help mitigate the risk of a major incident. • Awareness of regulatory trends and awareness of the hazard profile of certain materials in compliance with COSHH regulations.
Operational - ineffective production planning leading to an inability to meet customer demand.	Ineffective supply chain management causing production delays, leading to loss of custom and potential for non-supply fines.	• Stock management and production planning to minimise supply chain disruptions. • Initiatives to improve quality and reliability of production. • Development of dual site manufacturing for key products.
Pandemic – the operations of the Group are disrupted due to the impact of a pandemic.	Such incidents can reduce the availability of trained personnel, disrupt the supply chain and impact demand through a global economic downturn.	• Communicating and enforcing government guidelines, alongside World Health Organisation advice on hygiene, and acting rapidly to strengthen the supply chain.
Technological - failure of any part of the IT network.	Permanent or temporary site closure. Interruption of global supply chain with potential loss of customers.	• Improvement of IT systems and clear investment plans to mitigate potential for obsolescence. • Upgrade of systems and procedures to counter cybercrime.

The Group Risk register contains a comprehensive list of all recognised risks including those categorised as important but not within the highest priority range.

The favourable cash position of the Group gives considerable opportunity to manage risks, drive improvements and also consider opportunities for investment that drive towards the 2036 vision. It is anticipated that there will remain a requirement for some restructuring activities across 2020 as we look to unwind current business practices and streamline processes, aligning with executive level accountability.

From a commercial viewpoint, the key risks relate to raw material price increases and a macroeconomic downturn as a result of the Covid-19 crisis. The current period of low and stable pricing of raw materials should not be considered normal and therefore the reliance on maintaining margins on this basis highlights a key challenge the organisation faces.

The group experienced a strong start to 2020, with the first quarter delivering a Profit Before Tax of over £5,000,000 despite a fall in sales towards the end of March. The impact of Covid-19 continued in April, with significantly reduced demand seen across the group, in addition to temporary closures to sites in Canada and South Africa. However, the immediate introduction of cost controls and pro-active management of the debtor balance had a positive impact resulting in a break even Earnings Before Interest, Tax, Depreciation and Amortisation for the month. May saw countries and customers moving out of lockdown and the upward trend has continued with the Group returning to a profitable monthly result in June.

During this challenging period the Group Leadership Team (GLT) has generated forecasts to 31st December 2021 under a variety of scenarios, and these include particularly prudent, worst case assumptions. On the basis of these forecasts, the Directors remain confident that the Group will be sufficiently well capitalised for the foreseeable future.

There remain significant risks across Scott Bader from a regulatory and legal compliance perspective, business continuity, operational and process efficiency and data integrity. We continue to manage and mitigate these risks as a priority.

BOARD MEETINGS

Director's attendance statistics for the year ended 31 December 2019:

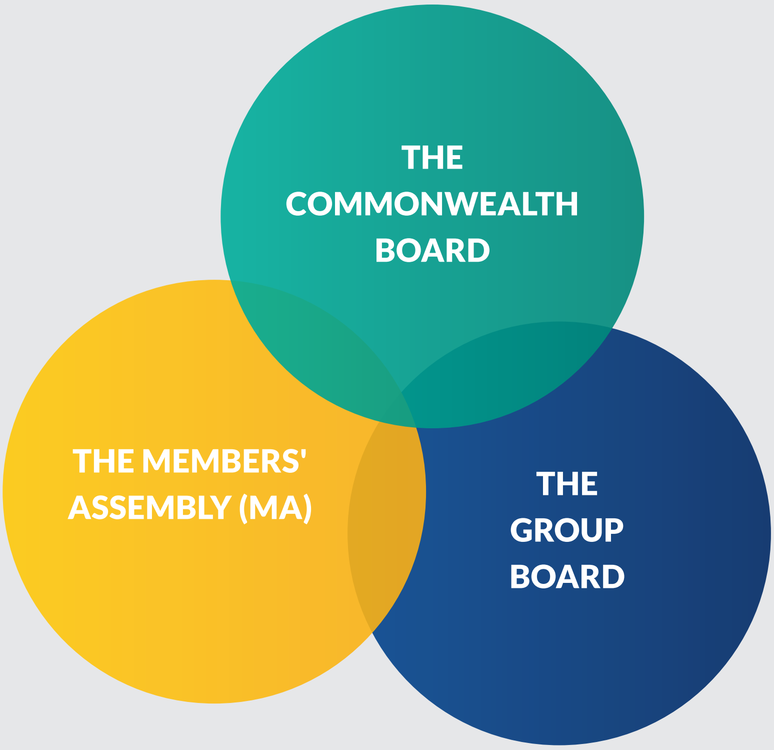
NAME OF DIRECTOR	POSSIBLE MEETINGS	ACTUAL MEETINGS	% ATTENDED
Kevin Matthews (CEO, appointed 31 July 2019)	3	3	100%
Steven Brown	7	7	100%
Matthew Collins	7	7	100%
Ruzica Geceg	7	7	100%
David Rossouw	7	7	100%
Dianne Walker (NXD, SID, appointed 1 January 2019	7	7	100%
Calvin O'Connor (NXD, resigned 1 January 2020)	7	7	100%
Karl Funke (Chair, resigned 31 July 2019)	4	3	75%
Jean-Claude Pierre (CEO, resigned 22 August 2019)	4	4	100%
Malcolm Forsyth (resigned 30 July 2019)	4	4	100%

*NXD – Non-executive Director;
SID -Senior Independent Director

CORPORATE GOVERNANCE

STRUCTURE

The business is an organisation with no external shareholders and with a unique organisation and governance structure comprising three boards:



THE COMMONWEALTH BOARD

The Commonwealth Board represents and controls the holding company of Scott Bader Company Limited and is a registered Charity. All Members of this Board are Directors and Charity Trustees and as such have to ensure that the Charity is run in accordance with Charity Law. This Board does not get involved in the day to day running of the Scott Bader Company Limited business, but it does have the responsibility for ensuring that the Company continues to adhere to Commonwealth Principles.
The Board is consulted about such things as the future direction of the business (i.e. strategy), major acquisitions or disposals, and profit distribution, and will monitor the development of industrial democracy within Scott Bader.

The Commonwealth Board is responsible for oversight of the Group as a whole and is kept informed of business performance by the Group CEO and Group Chairman.

There are nine members of this Board who are Charity Trustees and Directors of The Scott Bader Commonwealth Ltd:

- Five externally nominated Guardian Trustees
- Three internally elected Directors
- The Group Chairman

THE GROUP BOARD

The Group Board is the Company's Board of Directors which has responsibilities as presented on page 9. The Group Board also has additional responsibilities to help promote the Scott Bader Commonwealth Principles, support its Charitable Objects and to operate in accordance with the Commonwealth Guiding Principles.

The Group Board is made up of both independent non-executive and executive Directors. There may be up to nine Directors on the Group Board, the composition of which must be as follows:

- Three Executive Directors
- Three Independent Non-Executive Directors – including the Chairman
- Three internally elected Community Directors – elected from 3 constituencies – the United Kingdom & Eire, Continental Europe and the Rest of the World

New Directors receive formal induction training, including site visits and meetings with the Company's advisors, auditors and major stakeholders; ongoing training is encouraged and provided upon request and as appropriate. This training is customised for each Director and varies depending upon their skills, experience and background.

Directors also received regular updates on changes and developments in the business, legislative and regulatory environments, as well as the Directors' statutory duties. Directors are encouraged to discuss with the Chair any further training requirements which they feel are needed, during the year and in the discussions held during their annual performance evaluation.

THE MEMBERS' ASSEMBLY

The Members' Assembly is the Group's democratic forum, to whom the Group Board can be held accountable for the exercise of their responsibilities and for the health and success of the Scott Bader businesses, as set out in the Constitution. The Assembly monitors adherence to the principles of The Commonwealth. It represents Commonwealth Members and may discuss any issue but cannot displace the overriding authority of Commonwealth Members in General Meeting, to whom it is ultimately subordinate.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors strive to keep pace with best practice and guidance on corporate governance. As a result, the following committees exist in order to formalise the governance of the Group:

AUDIT COMMITTEE

The Audit Committee is chaired by Dianne Walker, Senior Independent Non-Executive Director.

The role of the Audit Committee is to review the significant financial reporting issues and judgements made in connection with the Group's financial statements and reports, also to review the scope and effectiveness of the Group's internal controls, including financial, operational and compliance controls (including systems established by management to identify, assess, manage and monitor key risks).

The Audit Committee appoints the external and internal auditors and reviews the scope and findings of their reports. During the year, the Audit Committee considered the Group's external audit service provision using a competitive tender process and RSM were appointed to this role.

In addition to the assurance provided by the external auditors, BDO provide internal audit services to complement those of the Group's own quality and assurance resources, as required, using a risk-based approach to areas of focus.

During 2019, the Chair of the Audit Committee conducted a Board Evaluation exercise, seeking the feedback of all Directors as well as members of the Commonwealth Board and Members' Assembly. The results of the survey have formed the basis of the improvements made to the Board's structure, controls and assurance process. The Board has now formed a Risk Committee and a Remuneration Committee to support the Directors in the management of these matters. The Group has also updated its policies on whistleblowing, bribery & corruption during the year.

The Audit Committee also considered during 2019 the appropriate benchmark against which to measure the Group's governance arrangements during the year and it was agreed in the coming year to move towards meeting the standards of the Quoted Companies' Alliance.

The Audit Committee met on three occasions in 2019, in April, July and October. All members of the Audit Committee were in attendance.

RISK COMMITTEE

A Risk Committee was established by the Group Board in July 2019 operating under an agreed Terms of Reference and chaired by Kevin Matthews, Chief Executive Officer and Chief Risk Officer.

The Risk Committee is responsible for overseeing the risk management framework for the Group. It maintains risk registers for the Group and is responsible for developing the strategy for managing the risks to which the Group is exposed.

This Committee has made significant progress in embedding risk in the strategic and operational decision making of the Group and will seek to further refine the risk management framework.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Group Board in October 2019 operating under an agreed Terms of Reference and chaired by Calvin O'Connor, Independent Non-Executive Director, until his retirement from the Board at the end of the year. Dianne Walker acted as Chair of the Remuneration Committee. Debbie Baker was then elected chair of this committee, effective from 28th May 2020.

The role of the Remuneration Committee is to assist the Board to fulfil its responsibility to stakeholders to ensure the remuneration policy and practise of the Group reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.

The Committee is also responsible for considering and making recommendations to the Members Assembly in respect of the remuneration policy for the Chairman, Directors and Executive Management. The Committee also has an oversight of the remuneration arrangements for the direct reports to executives.

Under the Constitution, the Members Assembly has the authority to approve the Remuneration of the Group Chairman and CEO. Recommendations were made by the Remuneration Committee to the Members Assembly and were approved for the remuneration of Kevin Matthews on his appointment to the Board. The remuneration of the Independent Non-Executive Directors is reviewed and authorised by the Members Assembly.

The Remuneration Committee met once, in October 2019; all of its members were in attendance.

NOMINATION COMMITTEE

A Joint Nomination Committee appoints the Independent Non-Executive Directors to the Board. As such, Membership of the Committee is not fixed, and will change over time, as and when recruitment for senior roles across the organisation are required. It will usually comprise of Directors, members of the Commonwealth Board and the Members Assembly. The Nomination Committee then makes a recommendation which is put to the Members Assembly which approves all Independent Non-Executive Directors.

MEMBERSHIP

The members of the Board's Committees, who served during the financial year and to the date of this report were:

AUDIT COMMITTEE		
Dianne Walker (Chair)	Senior Independent Director	
Debbie Baker	Independent Non-Executive Director	Joined 29 April 2020
Ruzica Geceg	Elected Director	Joined 29 April 2020
David Rossouw	Elected Director	Joined 29 April 2020
Calvin O'Connor	Independent Director	Resigned 1 January 2020
Steven Brown	Elected Director	Until 29 April 2020
RISK COMMITTEE		
Kevin Matthews (Chair)	Chief Executive Officer / Chief Risk Officer	
Debbie Baker	Independent Non-Executive Director	Joined 29 April 2020
Matthew Collins	Chief Financial Officer	
James McTaggart	Group Operations Director	
Dorota Watzlaw-Kost	Group Compliance Manager	
REMUNERATION COMMITTEE		
Debbie Baker (Chair)	Independent Non-Executive Director	Joined 29 April 2020
Paul Smith	Group Chairman	Joined 29 April 2020
Sam Boustred	Members Assembly Representative	
Dianne Walker	Senior Independent Director	
Calvin O'Connor	Independent Director	Resigned 1 January 2020

NON-EXECUTIVE DIRECTORS

The Board regularly reviews the independence of its independent non-executive Directors to determine whether there are any circumstances that might affect their independence. For the year under review the Board concluded that its non-executive Directors were independent in character and judgement.

SECTION 172 (1) STATEMENT

The Scott Bader Constitution sets out the Governance Principles expected of the Group Board and demonstrates how the Group Board makes decisions for the long-term success of the company and its stakeholders. Although the Constitution pre-dates this section of the Companies Act, the principles are closely aligned with the QCA (Quoted Companies Alliance) governance code and therefore they meet the requirements of Section 172 Companies Act 2006.

KEY DECISIONS IN 2019: GROUP EXECUTIVE RESTRUCTURE

In mid-2019 the Group Board approved a senior level restructure which resulted in a reduction in the size of the Group Leadership Team - the day-to-day decision-making body for business activities. The Group Board felt that the long-term interests of the company would be better suited to have increased accountability for the decisions driving the business strategy, both in terms of commercial success and the drive towards the 2036 vision.

ACQUISITIONS

A number of acquisition opportunities were identified in 2019, the pursuit of which was approved by the Group Board. The identified acquisitions would support ongoing commercial activity in the jurisdictions specifically targeted for growth, and to promote a wider geographical footprint which remains one of the tenets of the future growth strategy. In acquiring distributors or production facilities, it allows Scott Bader to secure routes to market for our current customers as well as expanding our production capability. The acquisition opportunities continue to go through due diligence.

Throughout 2020 the Group Board will continue to review and reflect on the current methods of engagement with employees and stakeholders, to determine how the Group can make improvements.

BY ORDER OF THE BOARD

Matthew Collins

Secretary

7th July 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTT BADER COMPANY LIMITED

OPINION

We have audited the financial statements of Scott Bader Company Limited (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2019 which comprise the Consolidated Profit and Loss, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTT BADER COMPANY LIMITED

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S 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 auditor's 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 consolidated financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RICHARD BARTLETT-RAWLINGS,
Senior Statutory Auditor

For and on behalf of RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2019	2018 (restated)
		£'000	£'000
Group Turnover	5	218,294	225,817
Change in stocks of finished goods and goods for resale		(2,082)	3,517
Other operating income	6	257	636
		216,469	229,970
Raw materials and consumables		134,093	153,405
Other external charges		21,589	22,526
Staff costs	7	37,039	33,515
Depreciation and amortisation		5,072	4,608
Other operating charges		11,483	10,058
		209,276	224,112
Operating profit	8	7,193	5,585
Profit on sale of intangible fixed assets	9	-	2,464
Share of profit in joint ventures		186	28
Profit on ordinary activities before interest and taxation		7,379	8,350
Interest payable and similar charges	10(a)	(83)	(170)
Interest receivable and similar income	10(b)	395	410
Profit on ordinary activities before taxation		7,691	8,590
Taxation on profit on ordinary activities	12(a)	(1,195)	(1,323)
Profit for the financial year		6,496	7,267

See Note 31 for details regarding the restatement as a result of an error in the Financial Statements for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019	2018 (restated)
		£’000	£’000
Profit for the financial year		**6,496**	7,267
Other comprehensive income:			
Re-measurement loss on defined benefit pension scheme	22	**(902)**	(2,864)
Total tax on components of other comprehensive income	12(b)	**166**	500
Currency translation differences		**(1,686)**	966
Cash flow hedges			
- Change in value of hedging instrument	23	**2**	12
Other comprehensive loss for the year, net of tax		**(2,420)**	(1,386)
Total gains recognised since date of last annual report		**4,076**	5,881

See Note 31 for details regarding the restatement as a result of an error in the Financial Statements for the year ended 31 December 2018.

CONSOLIDATED AND COMPANY BALANCE SHEETS

	Notes	GROUP		COMPANY	
		2019	2018 (restated)	2019	2018
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	13	**293**	383	**33**	99
Tangible assets	14	**40,658**	41,591	**2,260**	2,747
Investments	15	**581**	505	**28,811**	28,811
		41,532	42,479	**31,104**	31,657
Current assets					
Stocks	16	18,162	22,225	-	-
Debtors:					
amounts falling due within one year		**39,813**	46,133	**14,119**	11,885
amounts falling due after more than one year		-	-	-	302
	17	**39,813**	46,133	**14,119**	12,187
Cash at bank and in hand		**27,480**	19,109	**3,220**	1,293
		85,455	87,467	**17,339**	13,480
Creditors:					
Amounts falling due within one year	18	**37,743**	44,979	**8,190**	7,468
Net current assets		**47,712**	42,488	**9,149**	6,012
Total assets less current liabilities		**89,244**	84,967	**40,253**	37,669
Creditors:					
amounts falling due after more than one year	19	**2,311**	2,838	-	-
Provisions for liabilities	21	**7,355**	6,605	**1,123**	1,097
Net assets excluding pension asset		**79,578**	75,524	**39,130**	36,572
Pension asset	22	**10,189**	10,167	-	-
Net assets including pension asset		**89,767**	85,691	**39,130**	36,572
Capital and reserves					
Called up share capital	24	**50**	50	**50**	50
Revaluation reserve		**78**	142	-	-
Profit and loss account		**89,639**	85,499	**39,080**	36,522
Total shareholders' funds		**89,767**	85,691	**39,130**	36,572

See Note 31 for details regarding the restatement as a result of an error in the Financial Statements for the year ended 31 December 2018. The financial statements on page 22 to 55 were approved and authorised for issue by the Board of Directors on 7th July 2020 and are signed on their behalf by:

Kevin Matthews
Group Chief Executive Officer
Company registration number: 00189141

The accompanying accounting policies and notes form an integral part of these financial statements. The profit after taxation dealt with in the financial statement of Scott Bader Company Limited was £2,558,000 (2018: profit £3,823,000).

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

GROUP

	Notes	Called up share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2018		**50**	**206**	**81,135**	**81,391**
Prior Year Adjustment to Reserves	30	-	-	(1,581)	(1,581)
Balance as at 1 January 2018 (restated)		**50**	**206**	**79,554**	**79,810**
Profit for the year (restated)		-	-	7,267	7,267
Other comprehensive income		-	13	(1,399)	(1,386)
Total comprehensive income for the year		-	13	5,868	5,881
Transfer to retained earnings		**-**	**(77)**	**77**	-
Balance as at 31 December 2018 (restated)		**50**	**142**	**85,499**	**85,691**
Profit for the year		-	-	6,496	6,496
Other comprehensive income		-	-	(2,420)	(2,420)
Total comprehensive income for the year		-	-	4,076	4,076
Transfer to retained earnings		-	**(64)**	64	-
Balance as at 31 December 2019		**50**	**78**	**89,639**	**89,767**

COMPANY

	Called up share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2018	**50**	**32,699**	**32,749**
Profit for the year	-	3,823	3,823
Total comprehensive income for the year	-	3,823	3,823
Balance as at 31 December 2018	**50**	**36,522**	**36,572**
Profit for the year	-	2,558	2,558
Total comprehensive income for the year	-	2,558	2,558
Balance as at 31 December 2019	**50**	**39,080**	**39,130**

See Note 31 for details regarding the restatement as a result of an error in the Financial Statements for the year ended 31 December 2018.

GROUP CASH FLOW STATEMENT

	Notes	2019		2018	
		£'000	£'000	£'000	£'000
Net cash from operating activities (2018 – restated)	25		17,487		7,220
Taxation paid			(1,110)		(533)
Net cash generated from operating activities			16,377		6,687
Cash flow from investing activities					
Purchase of tangible assets		(4,857)		(5,173)	
Proceeds from disposals of tangible assets		(5)		12	
Proceeds from sale of intangible assets		(30)		2,494	
Proceeds from sale of joint venture		-		130	
Interest received		101		87	
Dividends received from joint ventures		44		85	
Net cash used in investing activities			(4,747)		(2,365)
Cash flow from financing activities					
Receipts from bank loan facilities		-		708	
Repayment of obligations under finance leases		(5)		(5)	
Repayment of bank loans		(349)		(646)	
Interest paid		(86)		(167)	
Net cash used in financing activities			(440)		(110)
Net increase in cash and cash equivalents			11,190		4,212
Effect of exchange rates on cash and cash equivalents			(404)		45
Cash and cash equivalents at the beginning of the year			16,694		12,437
Cash and cash equivalents at the end of the year			27,480		16,694
Cash and cash equivalents consists of:					
Cash at bank and in hand			27,480		19,109
Bank overdrafts			-		(2,415)
Cash and cash equivalents at the end of the year			27,480		16,694
Net cash movement:					
Increase in cash and cash equivalents			11,190		4,212
Net loan repayments / (advances)			349		(62)
Change in net cash			11,539		4,150
Net cash at start of year			13,192		9,042
Net cash at end of year			24,731		13,192

Within cash and cash equivalents is a balance of £660,000 that is held in an escrow account. This escrow account has been established in agreement with the defined benefit pension scheme and the company have been making agreed payments into the account. Further information is included in note 22.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Scott Bader Company Limited ("the Company") and its subsidiaries (together "the Group") develop, manufacture and distribute polyester resins and adhesives on a global basis.

2. STATEMENT OF COMPLIANCE

Scott Bader Company Limited is a private company, limited by shares, incorporated in England and Wales and domiciled in England. The company number is 00189141 and the registered office is Wollaston Hall, Wollaston, Wellingborough, Northamptonshire, NN29 7RL.

The Group and individual financial statements of Scott Bader Company Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' ("FRS 102") and the Companies Act 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

Going Concern

When assessing the going concern principle for the Group, considerations of the Directors include, but are not limited to the following; the Financial position of the Group as at 31st December 2019, the cash position as at 31st May, the projected cashflows and the availability and headroom of the financing facilities across the group.

The group experienced a strong start to 2020, with the first quarter delivering a Profit Before Tax of over £5,000,000 despite a fall in sales towards the end of March. The impact of Covid-19 continued in April, with significantly reduced demand seen across the group, in addition to temporary closures to sites in Canada and South Africa. However, the immediate introduction of cost controls and pro-active management of the debtor balance had a positive impact resulting in a break even Earnings Before Interest, Tax, Depreciation and Amortisation for the month. May saw countries and customers moving out of lockdown and the upward trend has continued with the Group returning to a profitable monthly result in June.

During this challenging period the Group Leadership Team (GLT) has generated forecasts to 31st December 2021 under a variety of scenarios, and these include particularly prudent, worst case assumptions. On the basis of these forecasts, the Directors remain confident that the Group will be sufficiently well capitalised for the foreseeable future.

As a result, and despite the anticipated macroeconomic downturn as a result of Covid-19, the Directors are confident that the Scott Bader Group remains a going concern, and the results within this document represent a true and fair view of the position of the Group.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates made up to 31 December.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other third party entity under a contractual arrangement are treated as joint ventures.

In the Group financial statements, joint ventures are accounted for using the equity method.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

NOTES TO THE FINANCIAL STATEMENTS

Foreign currency
(i) Functional and presentation currency
The Group financial statements are presented in pound sterling and rounded to thousands.
The Company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(iii) Translation
The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'other comprehensive income' and allocated to non-controlling interest as appropriate.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.
The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity.

(i) Sale of goods
The risks and rewards of ownership of goods are deemed to have been transferred when the goods are shipped to, or picked up by the customer.

(ii) Interest income
Interest income is recognised using the effective interest rate method.

(iii) Rental income
Rental income is recognised on a straight line basis over the life of the rental period.

(iv) Royalty income
Income from royalties is accounted for on an accrued basis.

Exceptional items
The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

Employee benefits
The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short term benefits
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans
The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

(iii) Defined benefit pension plan
The Group operates a defined benefit plan for certain UK employees. This scheme was closed to future accrual from 1 April 2006. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset recognised in the balance sheet in respect of the defined benefit plan is the fair value of the plan assets at the reporting date less the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan is recognised in the profit and loss account as employee costs, except where included in the cost of an asset, comprises:
(a) the increase in pension benefit liability arising from employee service during the period; and

(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Interest payable and similar charges'.

(iv) Other retirement benefits
Scott Bader France is required by French law to provide a lump sum to employees on retirement, based on length of service with the employer. Scott Bader is not required under French accounting law to provide for the liability, but under FRS102 the Group does make a provision. The provision is calculated according to French government assumptions of life expectancy and a standard discount rate. The provision is applied to those employees with less than 15 years until retirement because it is assumed that some employees will leave before reaching retirement age.

(v) Annual bonus plan
The Group operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Business combinations and goodwill
Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 5 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Intangible assets
Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, of up to 10 years.

Tangible fixed assets and depreciation
Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives.

(i) Land & buildings
Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

Leasehold properties are amortised in equal instalments over the lesser of the unexpired term of the relevant lease or fifty years, except that premiums paid or receivable on the acquisition of leasehold properties applicable to rental benefits are written off over the period to the first open market rent review.

(ii) Plant and machinery and fixtures, fittings, tools and equipment

Plant and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

(iii) Depreciation and residual values
Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Freehold buildings	50 years
Short leasehold land and buildings	over the lease period
Plant and equipment	3 – 20 years
Motor vehicles	4 – 5 years

Assets in the course of construction a re stated at cost. These assets are not depreciated until they are available for use.

Leased assets
At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance leased assets
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

(ii) Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(iii) Lease incentives
Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

Investments
Company
Investment in subsidiaries and joint ventures are held at cost less accumulated impairment losses.

Group
Investments in joint ventures are stated in the Group balance sheet at the Group's share of their net assets.

The Group's share of profits less losses of joint ventures is included in the consolidated profit and loss account.

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to sell. Stocks are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Provisions and contingencies
(i) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

In particular:
(a) Restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and

(b) Provision is not made for future operating losses.

NOTES TO THE FINANCIAL STATEMENTS

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies
Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when

(a) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date; or

(b) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments
The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when:
(a) the contractual rights to the cash flows from the asset expire or are settled; or
(b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or
(c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement, in which case they flow through Other Comprehensive Income.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Research and development costs
Expenditure on research and development is written off as incurred.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment of debtors (note 17)
The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

(ii) Provisions (note 21)
Provision is made for various employee benefits payable on retirement or exit from the Group. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

(iii) Defined benefit pension scheme (note 22)
The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

(iv) Accruals for customer claims
Accruals are made for customer claims to the extent that they are expected to be payable based upon the historical pattern of customer claims and any known uninsured product liability.

5. TURNOVER

	2019	2018
Turnover by geographical market is analysed below:	£'000	£'000
UK and Eire	48,094	51,419
Continental Europe	77,479	79,945
Rest of world	92,721	94,453
	218,294	225,817

All revenue is generated by the principal activity of the business. The above reflects the geographical destination of the Group's turnover.

6. OTHER OPERATING INCOME

	2019	2018
	£'000	£'000
Royalties receivable	42	83
Income from Joint Ventures – Royalties receivable	-	28
Rents receivable	139	423
Others	76	102
	257	636

7. STAFF COSTS

	2019	2018
	£'000	£'000
Wages and salaries	24,742	23,672
Staff bonuses	2,683	1,544
Other staff benefits	3,153	2,710
Social security costs	3,443	3,560
Pension costs - current service	1,919	1,548
Pension costs - past service	-	253
Other retirement provisions	182	(34)
Redundancy	917	262
	37,039	33,515

The monthly average number of employees of the Group, including Directors, by geographical area was as follows:	2019 Number	2018 Number
UK and Eire	310	318
Continental Europe	191	191
Rest of World	197	196
	698	705

The monthly average number of persons employed by the Group by activity was as follows:	2019 Number	2018 Number
Administration	96	118
Research and Development	86	78
Manufacturing and Distribution	405	398
Sales and Marketing	111	111
	698	705

Directors	2019	2018
Group staff costs include the following remuneration in respect of Directors:	£'000	£'000
Basic Salary	596	658
Pension contributions and other benefits	376	60
Settlement agreement	256	-
Bonuses	37	18
	1,265	736
The remuneration of the highest paid Director was:		
Total emoluments excluding pension contributions	305	233
Payments to defined contribution pension scheme	8	19
Settlement agreement	112	-
Total	425	252

The above does not include emoluments of elected Directors as they are not remunerated for their services as elected Directors but for their normal operational function within their respective Group businesses.

In 2019 the highest paid Director was not a member of the defined benefit scheme and had no accrued pension benefits. No pension benefit accrued to Directors under a defined benefits pension scheme.

The remuneration of key management personnel of the Group was £2,509,000 (2018: £2,054,000). This includes Directors' remuneration noted above. Key management personnel are defined by their involvement within the day to day decision making of the Group strategy, and comprise of the Group Leadership Team (GLT) and Regional Business Leaders.

8. OPERATING PROFIT

	2019	2018
Operating profit is stated after charging/(crediting) the following items:	**£'000**	£'000
Research and development	**3,249**	3,007
Loss on disposal of tangible assets	**131**	27
Impairment of trade receivables	**422**	601
Impairment of inventory	**(23)**	898
Operating lease charges	**1,046**	1,293
Foreign exchange loss / (gain)	**892**	(78)
Auditors' remuneration:		
Fees payable to the Company's auditors:		
– for the audit of the Company's financial statements	45	12
– for the audit of the Company's subsidiaries	105	44
Fees payable to other component auditors for the audit of the Company's subsidiaries	**10**	72
Fees in relation to Group pension scheme	-	5
Other non-audit fees	**4**	50

9. EXCEPTIONAL ITEMS

	2019	2018
Recognised below operating profit:	**£000**	£000
Profit on sale of intangible assets	-	2,464
	-	2,464

10. INTEREST AND SIMILAR ITEMS

	Notes	2019	2018 (restated)
a) Interest payable and similar charges:		**£'000**	£'000
Interest expense on bank loans and overdrafts		**81**	160
Interest expense on other loans		**2**	4
Interest expense on other items		**-**	6
Total interest expense on financial liabilities not measured at fair value through profit or loss		**83**	170
Total interest payable and similar charges		**83**	170
b) Interest receivable and similar income:		**2019**	**2018**
Bank interest received		**99**	87
Interest income on other items		**2**	-
Net interest income on post-employment benefits	22	**294**	323
Total interest receivable and similar charges		**395**	410

11. SCOTT BADER COMPANY LIMITED

No profit and loss account is presented for Scott Bader Company Limited as permitted by section 408 of the Companies Act 2006. The profit after taxation dealt with in the financial statements of Scott Bader Company Limited was £2,558,000 (2018: profit £3,823,000).

12. INCOME TAX

	2019	2018 (restated)
a) Tax expense included in profit or loss	**£'000**	£'000
Current tax:		
– UK Corporation tax on profits for the year	**243**	538
– Foreign corporation tax on profits for the year	**628**	695
– Adjustment in respect of prior periods	**72**	22
Group current tax	**943**	1,255
Share of joint ventures' current tax	**54**	60
Total current tax	**997**	1,315
Deferred tax:		
– Origination and reversal of timing differences	**248**	68
– Adjustment in respect of prior periods	**4**	-
Group and total deferred tax	**252**	68
Group current tax	**943**	1,255
Group deferred tax	**252**	68
Group tax on profit on ordinary activities	**1,195**	1,323

b) Tax expense included in other comprehensive income	2019 £'000	2018 (restated) £'000
Deferred tax:		
– Origination and reversal of timing differences	166	500
Total tax expense included in other comprehensive income	166	500
(c) Reconciliation of tax charge		
The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below:		
Profit on ordinary activities before tax	7,691	8,590
Profit on ordinary activities at standard rate of corporation taxation in the UK: 19% (2018: 19%)	1,461	1,632
Effects of:		
Foreign subsidiary profits within zero tax rate regime	(1,086)	(518)
Other adjustments in respect of foreign tax rates	136	289
Expenses / (Income) not subject to tax	223	(55)
Unrecognised deferred tax	426	(55)
Withholding tax suffered	1	3
Group relief (UK only)	(16)	-
Prior year adjustment	50	27
Group tax on profit on ordinary activities: effective tax rate 16% (2018: 14%)	1,195	1,323

(d) Tax rate changes
A reduction to the UK Corporation tax rate was substantively enacted as part of the Finance Bill 2016 on 6 September 2016. This reduces the main rate to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

13. INTANGIBLE ASSETS

	Group Goodwill £'000	Group Technology £'000	Group Total £'000	Company Technology £'000
Cost at 1 January 2019	1,355	959	2,314	2,375
Additions	-	-	-	-
Cost at 31 December 2019	**1,355**	**959**	**2,314**	**2,375**
Accumulated Amortisation at 1 January 2019	972	959	1,931	2,276
Charge for the year	90	-	90	66
At 31 December 2019	**1,062**	**959**	**2,021**	**2,342**
Net book value at 31 December 2019	**293**	-	**293**	**33**
Net book value at 31 December 2018	383	-	383	99

NOTES TO THE FINANCIAL STATEMENTS

14. TANGIBLE FIXED ASSETS

GROUP	LAND AND BUILDINGS				
	Freehold	Short leasehold	Plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation:				-	-
At 1 January 2019	**31,746**	**4,478**	**77,478**	**572**	**114,274**
Additions	300	93	4,687	20	5,100
Disposals	(143)	(10)	(1,523)	-	(1,676)
Difference on exchange	**1,489**	**(165)**	**(4,105)**	**(21)**	**(2,802)**
At 31 December 2019	33,392	4,396	76,537	571	114,89
Accumulated Depreciation:					
At 1 January 2019	16,571	2,199	53,513	400	72,683
Charge for the year	915	200	3,826	41	4,982
Disposals	(127)	(6)	(1,406)	-	(1,539)
Difference on exchange	(486)	(86)	(1,299)	(17)	(1,888)
At 31 December 2019	**6,873**	**2,307**	**54,634**	**424**	**74,238**
Net book value					
At 31 December 2019	**16,519**	**2,089**	**21,903**	**147**	**40,658**
At 31 December 2018	15,175	2,279	23,965	172	41,591

Assets in the course of construction and on which depreciation has yet to commence are included in the cost of Plant & Equipment; £2,090,000 (2018: £1,624,000) and Freehold Buildings; £87,000 (2018: £36,000). Freehold land of £1,624,000 (2018: £1,684,000) is not depreciated.

COMPANY	PLANT AND EQUIPMENT
Cost	**£'000**
At 1 January 2019	8,056
Additions	299
Disposals	(132)
At 31 December 2019	**8,223**
Depreciation	
At 1 January 2019	5,309
Charge for the year	654
At 31 December 2019	**5,963**
Net Book Value	
At 31 December 2019	**2,260**
At 31 December 2018	2,747

15. INVESTMENTS IN SUBSIDIARIES AND GROUP UNDERTAKINGS

	GROUP		COMPANY	
	2019	2018	2019	2018
Shares in Group undertakings:	**£'000**	£'000	**£'000**	£'000
Cost:				
At 1 January	-	-	**29,301**	29,267
Additions	-	-	-	34
At 31 December	-	-	**29,301**	29,301
Provision for diminution in value:				
At 1 January	-	-	**(784)**	(784)
Net increase of diminution in value	-	-	-	-
At 31 December	-	-	**(784)**	(784)
Net book value: At 31 December			**28,517**	28,517
Interests in joint ventures:				
At 1 January	**505**	729	**294**	414
Disposals	-	(120)	-	(120)
Share of profits	**186**	28	-	-
Dividend received	**(44)**	(85)	-	-
Difference on foreign exchange	**(66)**	(47)	-	-
At 31 December	**581**	505	**294**	294
Total fixed asset investments	**581**	505	**28,811**	28,811

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

16. STOCKS

	GROUP	
	2019	2018
	£'000	£'000
Raw materials and consumables	**6,603**	8,240
Finished goods and goods for resale	**11,559**	13,985
	18,162	22,225

There is no material difference between the balance sheet value of stock and its replacement cost.

17. DEBTORS

	GROUP		COMPANY	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	36,737	42,588	-	-
Amounts owed by Group undertakings	2	25	13,220	11,397
Corporation tax recoverable	396	233	-	-
Other taxation recoverable	418	642	-	-
Other debtors	932	1,339	263	217
Prepayments and accrued income	1,328	1,306	636	573
	39,813	46,133	14,119	12,187

Of the total amounts owed by Group undertakings to Company, £Nil (2018: £302,000) is payable after more than one year.

Trade debtors are stated after provisions for impairment of £938,000 (2018: £1,565,000).

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2019	2018 (restated)	2019	2018
	£'000	£'000	£'000	£'000
Overdraft	-	2,415	-	-
Bank loans	554	782	90	320
Bank and other borrowings (note 20)	554	3,197	90	320
Trade creditors	26,316	31,930	618	417
Bills of exchange payable	334	658	-	-
Amounts owed to Group undertakings	693	531	5,796	5,280
Corporation tax	409	553	-	-
Other taxation and social security	1,543	1,773	44	24
Other creditors	498	518	-	-
Accruals and deferred income	7,396	5,819	1,642	1,427
	37,743	44,979	8,190	7,468

Amounts owed by the Group to Group undertakings relate to the Ultimate Parent Company, Scott Bader Commonwealth Limited. This loan is unsecured, has no fixed date of repayment and incurs interest at 0.7%.

Amounts owed by the Company to Group undertakings include loans of £3,832,000 (2018: £3,755,000) denominated in various currencies which are unsecured, with no fixed date of repayment and bear interest based on LIBOR or the local foreign equivalent of the lending Group company.

NOTES TO THE FINANCIAL STATEMENTS

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP	
	2019	2018
Loans	**£'000**	£'000
Within one to two years	**461**	464
Within two to five years	**1,164**	1,366
In five years or more	**570**	890
	2,195	2,720
Derivative financial instruments		
In five years or more	**116**	118
	2,311	2,838

20. LOANS AND OTHER BORROWINGS

	GROUP		COMPANY	
Loans repayable, included within creditors, are analysed as follows:	2019 **£000**	2018 £000	2019 **£000**	2018 £000
Due within one year or on demand				
Bank Loans and overdrafts	**554**	3,197	**90**	320
Due after more than one year				
Bank Loans	**2,195**	2,720	**-**	-
Total borrowings	**2,749**	5,917	**90**	320
Maturity of financial liabilities				
In one year or less, or on demand	**554**	3,197	**90**	320
In more than one year, but not more than two years	**461**	464	**-**	-
In more than two years, but not more than five years	**1,164**	1,366	**-**	-
In more than five years	**570**	890	**-**	-
	2,749	5,917	**90**	320
Details of loans not wholly repayable within five years are as follows:				
EURIBOR variable rate secured loans payable in quarterly instalments until July 2026	**534**	890	**-**	-
Loan without interest, payable by 60 equal instalments	**36**	-	**-**	-
	570	890	**-**	-

£2,088,000 (2018: £4,376,000) of Group borrowings are secured by fixed and floating charges over the Company's and various subsidiaries' assets.

NOTES TO THE FINANCIAL STATEMENTS

Other Group bank loans
Other bank loans includes loans from three French banks which are denominated in Euros and are all repayable by quarterly instalments with the final payments being due in July 2026. The initial total value of loans taken out in 2014 was €4,000,000 and as at 31 December 2019 the outstanding amount was €2,404,000 (£2,038,000). They are all secured by a charge over the Group's trading subsidiary in France. These loans have variable rates and during 2019 they ranged from 1.02% to 1.14%. They are included within the above bank loans across maturity buckets.

An additional loan with a French bank was taken out in 2018 for €800,000 (€603,000 outstanding). This loan is payable in monthly instalments with the final payment due in August 2023. The loan is unsecured and the interest rate is fixed at 0.8%.

The Company had a bank loan which was repayable in quarterly instalments with the final payment made in August 2019. As at 31 December 2018 the outstanding balance was £320,000. The loan was secured by a fixed and floating charge over the Company's assets. Interest on this loan was variable and was set at GBP Libor + 0.85%.

21. PROVISIONS FOR LIABILITIES

	GROUP					
	Permanent Establishment	Environmental	Leaving Provisions	Retirement Benefits	Deferred Tax	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1 January 2019 (restated)	1,581	-	1,879	1,827	1,318	**6,605**
Foreign exchange impact	-	-	(71)	(49)	42	**(76)**
Amounts charged to the profit and loss account	-	450	369	185	251	**1,255**
Amounts recognised in other comprehensive income	-	-	-	-	(166)	**(166)**
Amounts used during the year	-	-	(201)	(62)	-	**(263)**
At 31 December 2019	1,581	450	1,976	1,901	1,447	**7,355**

Permanent Establishment ('PE'):
A provision was established in respect of an obligation under PE tax regulations to settle the taxation, interest and penalties thereon associated with subsidiaries' overseas business activities for the period prior to 31 December 2018, as identified by the Directors prior to the date of these financial statements. The provision is expected to be utilised in 2020. See Note 31 for details regarding the restatement as a result of an error in the Financial Statements for the year ended 31 December 2018.

Environmental:
The environmental provision is established in Scott Bader Company Limited as a future payment for the required restitution of land when the relevant subsidiary companies vacate the premises currently occupied. The provision is expected to be utilised over 10 years although there is no intention to leave any of the affected sites. The initial provision has been estimated using the reports as provided by an independent third-party specialist. Additional analysis is expected to be performed during 2020 to validate the initial estimates, at which point the individual subsidiary companies will record the relevant provision within the local statutory accounts.

Leaving provisions:
The leaving provision is established in Scott Bader Middle East as a payment based on local requirements when employees leave the business. The provision is expected to be utilised as current employees leave the business between 2020 and 2049.

Retirement benefits:
a) £1,123,000 (2018: £1,097,000) relates to 'quasi pension' commitments given to former employees.

The provision is expected to be utilised over the expected lives of the former employees and their spouses between 2019 and 2036.

b) £778,000 (2018: £730,000) relates to French statutory retirement benefits payable to France based employees of the Group. The provision is expected to be utilised between 2020 and 2033.

Deferred taxation:	2019	2018
The deferred tax liability consists of the following liabilities / (assets) :	**£'000**	£'000
Excess of capital allowances over depreciation	**740**	569
Short term timing differences	**(782)**	(839)
Revaluation of tangible assets	**16**	29
Post-employment benefits	**1,732**	1,728
Losses	**(259)**	(169)
	1,447	1,318

See Note 31 for details regarding the restatement as a result of an error in the Financial Statements for the year ended 31 December 2018.

Company
£1,123,000 (2018: £1,097,000) of the retirement benefits provision relates to the Company. The increase during the year amounted to £26,000, representing a £62,000 release of the provision and an increase in expected liabilities amounting to £88,000.

22. POST EMPLOYMENT BENEFITS

(a) Defined benefit scheme
For UK employees Scott Bader UK operates a defined benefit scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. The plan is administered by an independent trustee, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations.

The date of the most recent actuarial valuation as at 31 December 2016 revealed a funding shortfall of £13,560,000 (31 December 2013: shortfall of £13,045,000). To eliminate this funding shortfall the Company has agreed a schedule of contributions below and the establishment of an escrow account, the aim of which, together with investment performance, is to eliminate the deficit by 31st December 2028.

Contributions:
- £630,000 pa in respect of 1st January 2019 to 31st December 2020
- £200,000 pa in respect of 1st January 2021 to 31st December 2028

In addition, the company has agreed to make payments to an escrow account as follows, at December 2028 these funds may either be returned to the company or paid to the pension fund depending on investment performance and the funding position in 2028.

Escrow payments:
- £330,000 pa in respect of 1st January 2019 to 31st December 2020
- £760,000 pa in respect of 1st January 2021 to 31st December 2028

The 31 December 2016 actuarial valuation figures have been updated to the balance sheet in order to assess the additional disclosures required under section 28 of FRS102 as at 31 December 2019. This update was done by an independent qualified actuary, using the following major assumptions:

	2019	2018
Rates of increase in salaries	**N/A**	N/A
Rate of increase in 5% LPI pensions in payment	**3.2%**	3.4%
Rate of increase in 5% LPI pensions with 3.5% underpin in payment	**3.8%**	3.8%
Rate of increase in pensions in deferment	**2.2%**	2.4%
Discount rate	**2.0%**	2.8%
Inflation assumption	**3.2%**	3.4%

Assumed life expectancies on retirement at age 60:		2019	2018
		Years	Years
Retiring today	Males	**26.5**	25.9
	Females	**28.9**	28.7
Retiring in 10 years	Males	**27.1**	26.5
	Females	**29.7**	29.6

Reconciliation of scheme assets and liabilities:	Assets	Liabilities	Toal
	£'000	**£'000**	£'000
At 1 January 2019	136,933	(126,766)	10,167
Remeasurement gains / (losses)			
- Experience gains on liabilities	-	289	289
- Changes to demographic assumptions	-	(1,008)	(1,008)
- Actuarial gain	-	(15,063)	(15,063)
- Return on plan assets excluding interest income	14,880	-	14,880
Net remeasurement gains	14,880	(15,782)	(902)
Benefits paid	(5,497)	5,497	-
Employer contributions	630	-	630
Interest income/(expense)	3,767	(3,473)	294
At 31 December 2019	**150,713**	**(140,524)**	**10,189**

No amounts (2018: Nil) were included in the cost of assets.

The fair values of the plan assets were:	2019	2018
	£'000	£'000
Equities	**14,569**	18,114
Gilts and LDI funds	**103,698**	90,367
Corporate Bonds	**26,921**	25,866
Cash & net current assets	**5,525**	2,586
	150,713	**136,933**

(b) Defined contribution schemes

Following the closure of the defined benefit scheme in the UK to new entrants, all employees, in countries where the state pension provision is not considered sufficient, have the opportunity to benefit from a defined contribution scheme provide by their local employer.

	GROUP		COMPANY	
The amount recognised as an expense for these defined contribution schemes was:	2019	2018	2019	2018
	£000	£000	**£000**	£000
Current period contributions	**1,919**	1,548	**397**	369

23. FINANCIAL INSTRUMENTS

	Notes	GROUP 2019 £000	GROUP 2018 £000	COMPANY 2019 £000	COMPANY 2018 £000
Financial assets at fair value through profit or loss:					
- Amounts owed by Group undertakings	17	**-**	-	**-**	302
Financial assets that are debt instruments measured at amortised cost:					
- Cash at bank		**27,480**	19,109	**3,220**	1,293
- Trade debtors	17	**36,735**	42,588	**-**	-
- Amounts owed by Group undertakings	17	**2**	25	**13,220**	11,095
- Other debtors	17	**3,074**	3,520	**899**	790
		67,291	65,242	**17,339**	13,178
Financial assets that are equity instruments measured at cost less impairment:		**-**	-	**-**	-
Financial liabilities measured at fair value through profit or loss:					
- Derivative financial instruments	19	**(116)**	(118)	**-**	-
Financial liabilities measured at amortised cost:					
- Bank loans and overdrafts	18/19	**(2,749)**	(5,917)	**(90)**	(320)
- Trade creditors	18	**(26,316)**	(31,930)	**(618)**	(417)
- Amounts owed to Group undertakings	18	**(693)**	(531)	**(5,823)**	(5,280)
- Other creditors	18	**(10,180)**	(9,198)	**(1,686)**	(1,451)
		(39,938)	(47,576)	**(8,217)**	(7,468)

Group:
Derivative financial instruments – Interest rate swaps
The Group has entered into two interest rate swaps to receive interest at EURIBOR and pay interest at a fixed 1.46/1.49%. The two swaps are based on a principal amount of 3,500,000 EUR, equal to loans held with two French banks, and they mature in 2026/2027 on the same date as the bank loans to which they relate.

The instruments are used to hedge the Group's exposure to interest rate movements on the two bank loans. The fair value of the interest rate swaps is £(116,000) (2018: £(118,000)).

Cash flows on both the loan and the interest rate swaps are paid quarterly until 2026/2027. During the financial year a hedging gain of £2,000 (2018: £12,000) was recognised in other comprehensive income for changes in the fair value of the interest rate swap.

Company:
Amounts owed by Group undertakings include loans with a value before amortised cost adjustment of £363,000 (2018: £367,000). These loans are repayable on 31 December 2020. Expected future cash flows have been discounted using a rate of 10.00% p.a. (2018: 10.25% p.a.) to arrive at the fair value of the loans of £330,000 (2018: £302,000).

24. SHARE CAPITAL AND RESERVES

	GROUP AND COMPANY	
	2019	**2018**
Share Capital:	**£'000**	£'000
Authorised, allotted and fully paid		
10,000 (2018: 10,000) Trustee shares of 50p each	**5**	5
90,000 (2018: 90,000) Ordinary shares of 50p each	**45**	45
	50	50

The Trustee Shares are held in trust for the benefit of The Scott Bader Commonwealth Limited and shall, in a winding up, entitle the beneficiaries to repayment pari passu with the holders of the Ordinary Shares of the capital credited as fully paid up thereon, but shall not entitle holders to any dividends of any other participation in the profits or assets of the Company. Trustee Shares have the same voting rights as Ordinary Shares except that, on any Special Resolution to alter the Articles of Association of the Company, each Trustee Share shall carry ten votes and each Ordinary Share shall carry one vote.

Revaluation Reserve: £78,000 (2018:£142,000)

Freehold land and buildings were revalued at 29 December 1989 and the revaluation reserve represents the remaining unamortised excess valuation at this date over the original cost.

25. NOTES TO THE CASH FLOW STATEMENT

	2019	**2018 (restated)**
Reconciliation of operating profit to net cash inflow from operating activities.	**£'000**	£'000
Profit for the financial year	**6,496**	7,267
Adjustments for:		
Tax on profit on ordinary activities	**1,195**	1,323
Net interest expense	**(312)**	(240)
Profit on sales of intangible fixed assets	-	(2,464)
Share of profit in joint ventures	**(186)**	(28)
Operating profit	**7,193**	5,858
Depreciation and amortisation	**5,072**	4,608
Loss on disposal of tangible assets	**131**	27
Gain on disposal of investment in joint ventures	-	(10)
Exchange difference – (gain) /loss	**(713)**	690
Contributions to UK defined benefit pension scheme	**(630)**	(630)
Past service costs re defined benefit pension scheme	-	253
Decrease /(increase) in stocks	**4,064**	(3,741)
Decrease / (increase) in debtors	**6,485**	(7,094)
(Decrease) / increase in creditors	**(4,735)**	6,963
Increase in provisions	**620**	296
Net cash inflow from operating activities	**17,487**	7,220

See Note 31 for details regarding the restatement as a result of an error in the Financial Statements for the year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

26. CONTINGENT LIABILITIES

Group:

Provisions for late filing penalties in respect of overseas taxation liabilities have been recorded (Note 21). There exists the potential for an additional discretionary penalty to be levied by the local tax authority. This would be in addition to any late filing penalties and levied on the basis of non-compliance being over an extended period. A guiding precedent for these penalties that may indicate the likelihood and probably amount of any such fine is not available.

A voluntary self-disclosure was made to the relevant local tax authority in February 2020, and the Scott Bader Group continues to work with the tax authority to conclude the issue, to make a payment for outstanding taxes due, as well as additional interest and penalties. An accurate estimate of the discretionary penalty liability cannot be made at the date of these financial statements. It is possible, however, that the penalty may be aligned with the outstanding overdue tax liability, which has been estimated at €1.3m (£1.1million). To the extent that a further multiplying factor may be applied, we would best estimate an additional penalty not exceeding €5million at present.

See Note 31 for details regarding the restatement as a result of the error in the Financial Statements for the year ended 31 December 2018.

The uncertain estimate of the obligation should be recorded as a contingent liability in accordance with FRS 102 (21.12), as it fails to meet the criteria set out in FRS 102 (21.4 (c)) - the outflow of economic benefits cannot be measured reliably.

Company:

Scott Bader Company Limited entered into a guarantee in March 2007 with Scott Bader Pension Scheme Trustees Limited whereby the Company guaranteed that the Scott Bader UK Limited pension scheme would be 105% funded on an S179 valuation should the principal employer, Scott Bader UK Limited, fail to fulfil its agreed obligations to the Pension Trustees.

27. CAPITAL AND OTHER COMMITMENTS

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
a) Contracts for future capital expenditure not provided in the financial statements – Property, plant and equipment				
No expenditure has been incurred although contracts have been placed	**690**	563	**7**	25
b) future minimum lease payments under non-cancellable operating leases for each of the following periods:				
Not later than one year	**1,369**	1,371	**37**	45
Later than one year and not later than five years	**3,094**	1,802	**54**	57
Later than five years	**873**	773	**-**	-
	5,336	3,946	**91**	102

28. RELATED PARTIES

Company and Group

The Company has granted manufacturing licences to Satyen Scott Bader, one of the Group's joint ventures during the year. Revenue of £186,000 (2018: £28,000) was recognised. At the year end £Nil (2018: £Nil) was outstanding.

The Company has charged £340,000 (2018: £273,000) in the 2019 financial statements as a donation to The Scott Bader Commonwealth Limited. In addition, the Company charged The Commonwealth £26,911 for management services (2018: £24,000). The net balance of money owed by Scott Bader Company Limited to The Scott Bader Commonwealth Limited was £693,000 (2018: £524,000).

29. CONTROLLING PARTY

The immediate and ultimate parent undertaking and controlling party of Scott Bader Company Limited is The Scott Bader Commonwealth Limited, a company incorporated in England and Wales and registered as a charity.

The Scott Bader Commonwealth Limited is the only parent undertaking to consolidate these financial statements at 31 December 2019.

These Group financial statements are prepared for the Scott Bader Company sub-group and include all the trading entities of Scott Bader. The Scott Bader Commonwealth's principal activities are charitable. In addition to the Company consolidated Group financial statements, The Commonwealth are required to produce Group financial statements combining the trading activities of the Company with the charitable activities of The Commonwealth.

The Group financial statements of Scott Bader Commonwealth Limited are available from the Registered office of the Company.

NOTES TO THE FINANCIAL STATEMENTS

30. SUBSIDIARIES AND RELATED UNDERTAKINGS

Subsidiary undertakings

The group holds 100% of the issued shares of all subsidiaries and, except where noted, these are held by the Company. None of the subsidiaries are listed on a recognised stock exchange and all have been included in the consolidation.

COMPANY	COUNTRY OF INCORPORATION AND PRINCIPAL COUNTRY OF OPERATION	NATURE OF BUSINESS	REGISTERED OFFICE
Scott Bader UK Limited	Great Britain	Manufacturer of resins	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL
Scott Bader SAS	France	Manufacturer of resins	65 Rue Sully, 80000 Amiens
Scott Bader Middle East Ltd (Incorporated in Jersey) [1]	United Arab Emirates	Manufacture of resins	One The Esplanade, St Helier, Jersey, JE 3QA, Channel Islands
Scott Bader d.o.o. [2]	Croatia	Manufacture of resins	Radni□ka cesta 173 i, 10000 Zagreb
Scott Bader (Pty) Ltd[1]	South Africa	Manufacture of resins	1 Lubex Road, PO Box 1539, Hillcrest 3650, Hammarsdale, Kwazulu Natal, South Africa
Scott Bader ATC Inc.	Canada	Manufacturer of adhesives	2400, Canadien Street #303, Drummondville (Qc), J2C 7W3, Canada
Scott Bader Scandinavia AB[1]	Sweden	Distributor of resins	BOX 202, 31123 Falkenberg
Scott Bader Eastern Europe[1]	Czech Republic	Distributor of resins	Evropska 2588/33a, Dejvice, 160 00 Praha 6
Scott Bader Iberica SL[1]	Spain	Distributor of resins	Avda. Corts Catalanes, 8, 08173 Sant Cugat del Valles-Barcelona
Scott Bader Inc [3]	USA	Distributor of resins	Registered Agent Solutions, Inc., 9E. Loockerman Street, Suite 311, Dover, DE 19901
Scott Bader (Shanghai) Trading Company Ltd	China	Distributor of resins	Room2402, Hitch Palza 488 Wuning Road(South) Shanghai China
Scott Bader Japan KK	Japan	Distributor of resins	Nisso Bldg#18, Export Office#708, 3-7-18, Shin-Yokohama, Kohoku-ku, Yokohama, Kaagawa, Japan
Synthetic Resins Limited	Great Britain	Intermediate holding company	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL
Boldhelp Limited	Great Britain	Intermediate holding company	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL
Scott Bader Brazil Limited	Great Britain	Intermediate holding company	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL
Scott Bader North America Inc[1]	USA	Intermediate holding company	Registered Agent Solutions, Inc., 9E. Loockerman Street, Suite 311, Dover, DE 19901
Scott Bader Community Fund Trustee Limited	Great Britain	Corporate trustee	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL

[1] held by Synthetic Resins Limited, [2] held by Boldhelp Limited, [3] held by Scott Bader North America Inc

The Group's dormant companies have not been listed in the above table.

NOTES TO THE FINANCIAL STATEMENTS

Joint Ventures

COMPANY	COUNTRY OF INCORPORATION AND PRINCIPAL COUNTRY OF OPERATION	REGISTERED OFFICE
Novascott Especialidades Quimicas Ttda (JV) [1]	Brazil	Rodovia Governador Mario Covas, no 600, sala 48, Lote Tabajara, Serra do Anil, CEP 29.147-030, City of Cariacisa/ES, Brazil
Satyen Scott Bader LLP (JV) previously Satyen Scott Bader Private Limited	India	307, A-Z Industrial Premises G K Marg, Lower Parel Mumbai Mumbai City MH 400013 IN

[1] shares held by Scott Bader Brazil Limited

All joint ventures manufacture and distribute polyester resins and are 50% owned by the group, except where noted above these shares are held directly by the Company.

Branches outside the UK
The Group and Company operate a branch based in Dublin, this is a sales only operation.

31. PRIOR YEAR ADJUSTMENT

During the year ended 31 December 2019, the Group became aware of a Permanent Establishment ('PE') tax risk in relation to certain of its overseas activities in the year ended 31 December 2018 and prior years. A provision of £895,000 has been made to reflect the liability to taxation arising, £224,500 has also been recorded to cover penalties in respect of tax due in respect of those tax years. Interest payable of £461,500 accruing on unpaid taxes has also been provided for. The total PE provision recorded in the financial statements as restated at 31 December 2018 is £1,581,000.

Owing to the size and materiality of the cumulative taxation liability, a prior year adjustment is being applied for the financial year ended 31 December 2018, with an adjustment to the profit and loss account reserve as at that date for the amounts required to account for the liability in the periods prior to 2018. The Company continues to work with the local tax authorities to ensure a compliant position going forward and to remediate the outstanding legacy items. The provision is expected to be utilised in 2020. The Company and Group have ensured compliance with all known applicable tax regulations in respect of the year ended 31 December 2019.

A summary of the restated balances is provided below:

Consolidated Profit and Loss Account for the year ended 31 December 2018	As originally reported	Restatement	As restated
	£'000	**£'000**	£'000
Group Turnover	225,817	-	225,817
Change in stocks of finished goods and goods for resale	3,517		3,517
Other operating income	636	-	636
	229,970	-	229,970
Raw materials and consumables	153,405	-	153,405
Other external charges	22,526	-	22,526
Staff costs	33,515	-	33,515
Depreciation and amortisation	4,608	-	4,608
Other operating charges	10,036	22	10,058
	224,090	**22**	**224,112**

	As originally reported	Restatement	As restated
	£'000	**£'000**	£'000
Operating profit	5,880	(22)	5,858
Profit on sale of intangible fixed assets	2,464	-	2,464
Share of profit in joint ventures	28	-	28
Profit on ordinary activities before interest and taxation	8,372	(22)	8,350
Interest payable and similar charges	(164)	(6)	(170)
Interest receivable and similar income	410	-	410
Profit on ordinary activities before taxation	8,618	(28)	8,590
Taxation on profit on ordinary activities	(1,228)	(95)	(1,323)
Profit for the financial year	**7,390**	**(123)**	**7,267**

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018			
Profit for the financial year	7,390	(123)	7,267
Other comprehensive income:			
Re-measurement (loss) / gain on defined benefit pension scheme	(2,864)	-	(2,864)
Total tax on components of other comprehensive income	500	-	500
Currency translation differences	966	-	966
Cash flow hedges			
- Change in value of hedging instrument	12	-	12
Other comprehensive (loss) / income for the year, net of tax	**(1,386)**	**-**	**(1,386)**
Total gains recognised since date of last annual report	**6,004**	**(123)**	**5,881**

Consolidated Balance Sheet as at 31 December 2018			
Fixed assets			
Intangible assets	383	-	383
Tangible assets	41,591	-	41,591
Investments	505	-	505
	42,479	-	42,479

	As originally reported £'000	Restatement £'000	As restated £'000
Current assets			
Stocks	22,225	-	22,225
Debtors:			
amounts falling due within one year	46,133	-	46,133
Cash at bank and in hand	19,109	-	19,109
	87,467	-	87,467
Creditors:			
amounts falling due within one year	44,856	123	44,979
Net current assets	42,611	(123)	42,488
Total assets less current liabilities	85,090	(123)	84,967
Creditors:			
amounts falling due after more than one year	2,838	-	2,838
Provisions for liabilities	5,024	1,581	6,605
Net assets excluding pension asset	77,228	(1,704)	75,524
Pension asset	10,167	-	10,167
Net assets including pension asset	87,395	(1,704)	85,691
Capital and reserves			
Called up share capital	50	-	50
Revaluation reserve	142	-	142
Profit and loss account	87,203	(1,704)	85,499
Total shareholders' funds	87,395	(1,704)	85,691

32. SUBSEQUENT EVENTS

Subsequent to 31 December 2019, the pandemic known as Covid-19 spread across the globe impacting all aspects of the global economy including, reduced consumer demand, business closures and disrupted supply chains.

The exact impact on the Group of Covid-19 cannot be quantified at the date of these Financial Statements, but recent Group forward forecasts and actual results since the balance sheet date lead management to conclude that the Scott Bader Group remains well positioned to navigate through these uncertain times, and without requirement for adjustments to these Financial Statements as presented.

SCOTT BADER GROUP COMPANIES

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