SCOTT BADER

*Making a **positive** difference*

2020 SCOTT BADER ANNUAL REPORT

SCOTTBADER.COM

SCOTT BADER COMPANY LIMITED INFORMATION

Company registration number:
00189141

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Northamptonshire
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Directors:
Paul Smith
Debbie Baker
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Matthew Collins
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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 1921 as a merchant in chemicals; in 1951 he and others gave the ownership of their 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, son of our founder Ernest Bader, 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. Today those guiding principles are put into practice by the:

OUR GUIDING PRINCIPLES ARE PUT INTO PRACTICE BY THE...

- way we relate to the **wider community**
- extent to which we each **participate democratically** in the Company's affairs
- concern we have for the **environmental impact** of our manufacturing activities and products
- **service** we offer our **customers**
- **ethical standards** by which we trade
- effectiveness with which we **work together**

£795,000

7.5% of adjusted group profit donated to charitable activities (2019: 5%)

£11,851

of additional donations were paid to various charities during 2020

More information about Scott Bader can be found 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, this is administered by The Commonwealth. Out of the 2020 profits, a donation of £795,000 (2019: £340,000) was allocated by the Company to The Commonwealth. In addition to this, £11,851 (2019: £31,620) of donations were paid by Group companies direct to various charities during the year.

HIGHLIGHTS

2020 HIGHLIGHTS

- Throughout the COVID-19 pandemic, the group moved quickly to ensure the well–being of its employees across all locations, rapidly responding to available guidance as the pandemic progressed, including shutting down operations as required. Throughout the year, health remained at the forefront of our decision making, ensuring staff were able to operate in a suitably safe environment.

- Despite challenging headwinds, gross profit grew 4.4%, and in turn operating profit increased 68% from 2019, to over £12.1m.

- The business continued its successful record of cash generation, resulting in a cash inflow of £13.2m across the year, culminating in a year end net cash balance of over £37.9m.

- On 13th January, Paul Smith and Kevin Matthews were appointed Chair and Chief Executive Officer for the group respectively.

- We were pleased to welcome two new members to our Group Board during 2020; Debbie Baker and Juliet Thorburn.

- The formation of Polymer Mimetics was completed in June 2020, as a new subsidiary of Scott Bader Company Limited, to develop a new polymer chemistry platform in conjunction with the University of Liverpool.

- Also in June 2020, the group announced that Scott Bader Australia Pty Ltd had been established and acquired the assets of Summit Composites Pty Ltd, who had been distributing our high-performance resins, gelcoats and adhesives to the Australian market. This supports our objective of establishing a long-term presence in the Australian composites market.

COVID-19 PANDEMIC RESPONSE

Priority of safety

OPERATING PROFIT GREW

68%

NEW APPOINTMENTS

Chair and Chief Executive

NEW SUBSIDIARY FORMATION

polymer mimetics
A subsidiary of Scott Bader Company

Scott Bader Australia Pty Ltd established

CHAIR'S STATEMENT


Paul Smith

It is impossible to start my message without reflecting on the events of 2020, and in particular, my immense gratitude to the leadership, wider cohort of members in Scott Bader and all our business partners, who in the face of immense global challenges, delivered an exceptional performance. This is reported in more detail in the Chief Executive Officer's report.

SCOTT BADER 100 YEARS

SCOTT BADER 70 YEARS COMMONWEALTH

My first year as Chair of Scott Bader Company has seen us deliver significant progress in organisational effectiveness, grow through acquisition, show remarkable resilience in the face of the COVID-19 pandemic, manage the turmoil around BREXIT impacting the UK and EU operations in particular and demonstrate effective management of a number of legacy issues.

At the same time, we have been able to complete the makeup of the Group Board with the appointment of a third independent non-executive director, Debbie Baker, who also chairs our Board Remuneration Committee.

Towards the end of 2020, we welcomed new Chairs to the Commonwealth Board and the Members Assembly. A warm personal welcome to Robert Gibson and Sam Boustred, respectively, in these key roles. I'd like to record my sincere thanks to Adrian Pryce and Darren Laughton for their contribution in these important governance roles throughout their terms.

In my 2019 Chair's statement, I signalled changes to the Group Leadership Team, and we have continued to build on this by adding a new General Counsel, Jeremy Mutter, and a Chief Information Officer, Mike Findlay-Wilson. The company moved to a functional leadership structure during the year, bringing clarity of purpose and global coordination to our drive to put the customer at the heart of all we do.

We further enhanced our global governance, risk and compliance framework in line with a commitment to operate within the principles of the QCA code, also adding a Sustainability Committee reporting to the Group Board alongside our existing Audit, Remuneration and Risk Committees.

In addition, we launched the development of an Employment, Environment, Social and Governance (EESG) report alongside a new Diversity & Inclusion initiative, adding materially to our strong values built around the three pillars: Business, Ecology and Humanity.

In parallel to a resilient financial performance in 2020, we continued our search for growth in new and growing markets by acquiring the assets of Summit Composites in Australia; please join me in welcoming our new colleagues to the Scott Bader family.

2021 will be a seminal year for Scott Bader as we prepare to celebrate our centenary in parallel to our 70th birthday as an employee-owned company thanks to the vision and principles of our founder, Ernest Bader. We have a lot planned and I look forward very much to sharing our joy and celebration with all our stakeholders as the year unfolds.

I would like to close as I began, by recording again my thanks to all our colleagues. It has been tough for us all this year, but your commitment and ambition to deliver in the face of such difficult operating conditions has been immense.

Thank you.

Paul Smith, Chair

CHIEF EXECUTIVE OFFICER'S STATEMENT

Kevin Matthews

OVERVIEW

2020, my first year as Group CEO, presented a number of unexpected challenges for Scott Bader and I would like to thank my colleagues across the organisation for all their efforts during a period of uncertainty and in some cases, personal difficulties. In 2020, we had to engage with significant legacy issues and supply challenges in addition to the external events of the COVID-19 pandemic, Government mandated plant closures due to national lockdowns, earthquakes and Brexit. However, the Group responded exceptionally well, showing enormous determination and flexibility, to deliver a strong financial performance as well as keeping its customers supplied throughout. At the same time as dealing with all of these events we began to implement the strategy, one of the most significant features of which was the reorganisation of the Group along functional lines associated with strengthening both our Asian and North American businesses.

The 2020 annual review is an expanded report that aims to provide more insight and transparency to Scott Bader's colleagues than the previous Financial Statements. As mentioned last year, the Group Board approved the adoption of the QCA code that sets out the reporting standards and governance principles that the Board should aspire to meet. We will set out in this annual review where the Group does not yet fully comply with the code and our plans to address this.

CHIEF EXECUTIVE OFFICER'S STATEMENT

PEOPLE

The impact of COVID-19 brought a real focus to protecting the health and livelihood of our colleagues. To protect the health of our colleagues the Group responded rapidly to secure PPE and implement strict guidelines in accordance with national government and WHO advice. There was a shift to homeworking for those individuals that were able to do so, as well as altered work patterns to form bubbles and minimise interactions. These socially distanced ways of working have impacted communications and the ability of senior management to visit and spend time on our various sites. As this way of working continues it is vitally important that we make extra efforts to communicate and in addition to regular videos, the GLT have implemented a monthly briefing with one member of the GLT each communicating to a site or region and actively seeking feedback from the ground. We are looking to implement further initiatives though 2021.

We have also worked to protect the business and the income of our colleagues. At the start of the lockdown, as customers closed their facilities and sales fell, salary increases and new hires were frozen. At the same time the Group acted to safeguard the income of all our colleagues regardless of where they worked and the national support structure that existed. We implemented a system to ensure that employees had 80% salary support if they were not at work with a top-up option to sacrifice holidays or bring forward the PPP bonus to maintain normal income levels.

A hardship fund was created to help assist individuals who, through no fault of their own, required additional financial support. As sales recovered rapidly a first half exceptional bonus was paid, based on local performance, in recognition of the commitment of everyone in continuing to meet customer's needs.

The actions taken to control costs and the reduction of activities such as travel and conferences as a result of COVID-19 resulted in 2020 proving to be a strong financial year with profit before tax 62% ahead of 2019. To recognise this and the challenges faced by our colleagues in 2020 the Group Board is proposing an increase in the Group Staff Bonus (GSB) from 5% to 7.5%. When combined with an increased profit this results in a doubling of the GSB payment relative to 2019 which is matched with an equivalent payment to the Commonwealth for charitable activities. Furthermore, salary increases for 2021, typically taking effect in April will be backdated to January 1st 2021.

The Group also undertook a major organisational change programme designed to align the business with a functional matrix in order to strengthen the functional leadership of the Group. As a result of these changes a number of individuals left the organisation due to an organisational redesign in response to the pandemic, some through a voluntary redundancy in the UK. Unfortunately, as a result of the economic backdrop in South Africa a compulsory redundancy programme was undertaken.

The Members Assembly were concerned to ensure that colleagues that had to leave the organisation were treated as fairly as possible and the Company introduced a minimum level of severance terms which was above statutory requirements and for South Africa the Company also provided post-employment support which covered medical and outplacement assistance to help colleagues in finding another role.

The HR team have also been working hard to implement a HR information system that will improve the way in which colleague information is kept, making it further compliant with GDPR (or equivalent) requirements, as well as being more accessible. This project will be rolled out through the first half of 2021. We have been working on diversity and inclusion during 2020. A presentation to the GLT and Group Board from the first Women in Leadership (WIL) cohort produced recommendations on how we could improve our gender diversity. With the recommendations from the WIL along with the tragic death of George Floyd and the worldwide Black Lives Matter movement, we decided to put an additional focus on Scott Bader's responsibility to Diversity & Inclusion (D&I) which is in line with our 2036 vision. One of the actions we committed to is the achievement of the BSI 76005 standard for Diversity & Inclusion and we have formed a working group to develop an action plan to deliver this standard.

BUSINESS

Overall, the business performed very strongly in 2020 despite the significant impact of COVID-19, with reductions in raw material prices assisting year on year gross profit growth of over 4%. The reduced activity, as a result of limited travel and the cancellation of industry conferences, combined with strong cost controls resulted in a reduction in costs of around 2%, this supported a year-on-year improvement in Profit Before Tax of £4.8m (+62%).

Of note in 2020 was the growth in both North America and Asia in line with the Group's strategic plan. North America benefited from windfall sales of a new thickener sold into hand sanitisers and posted a 22% year-on-year growth. In Asia, growth of 118% was driven by a strong wind energy market. The Group completed on the acquisition of the assets of its long-standing Australian distributor Summit Composites Pty Limited, demonstrating Scott Bader's commitment to this important regional market.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Elsewhere, although the trade deal struck between Britain and the EU means significantly reduced uncertainty, with the impact of tariffs kept to a minimum, additional administration costs and other unintended consequences mean the flow of trade will be far from frictionless for the medium term. Despite these challenges the outlook has improved, with the forward order book remaining positive and the Group focused on ensuring that all cross-border trade flows remain compliant and efficient.

Significant progress was also made in New Technology where we have developed a range of resins designed for 3D Printing in collaboration with University College London. In addition, the formation of Polymer Mimetics, a joint collaboration with the University of Liverpool, and a subsidiary of Scott Bader Company Limited is now established with a laboratory in Liverpool and a clear portfolio of development projects including a funded project related to next generation sunscreen formulations. The new company enables us to align ourselves with world class technology leaders to ensure we can meet our customers' needs not only for today but also into the future to develop a new polymer chemistry platform which we believe could be a game changer not just for Scott Bader but also for the wider industrial chemistry sector.

polymer mimetics
A subsidiary of Scott Bader Company

On a final note, we continue to see Health and Safety as our number one priority, and we report on this separately. The commitment to strengthen our focus on operational excellence to improve quality and reliability and optimising our processes was impacted by COVID-19 in 2020 and we have a renewed commitment to this area in 2021.

ECOLOGY AND SOCIAL IMPACT

In order to deliver the 2036 Vision it is important that we measure and benchmark how Scott Bader is progressing in addressing the strategic goals and benchmark these to external standards. As a result, Scott Bader will publish its first Employee, Environment, Society and Governance (EESG) report in 2021, setting out Scott Bader's activities in these areas and its plans for improvement.

In addition to the EESG report, Scott Bader has also established a sub-committee of the Board responsible for Sustainability and championing the Group's activities in this critical area, ensuring that we are developing tangible plans to meet the mid-term goal of being carbon-neutral by 2028.

LOOKING FORWARD TO 2021

With the tumultuous events of the last 12 months continuing to unfold, and countries recovery plans and vaccine roll outs being implemented at a variety of speeds and in a variety of manners, the future remains uncertain. Despite this backdrop our colleagues continue to respond to events and deliver for our customers and I feel confident that we have the right leadership team in place to forge forward with our strategy.

Kevin Matthews
Group Chief Executive Officer

SALES
£196m (-10%)
2019: £218m

GROSS PROFIT
£70m (+4.4%)
2019: £67m

OPERATING PROFIT
£12.1m (+68%)
2019: £7.2m

PBT
£12.5m (+ 62%)
2019: £7.7m

NET CASH
£37.9m (+53%)
2019: £24.7m

STRATEGIC REPORT

STRATEGY AND VISION

STRATEGY

The 2020 strategic review reaffirmed the strategy that was set-out in 2019 with the major focus being on defining and driving execution of projects that will accelerate Scott Bader's journey towards our 2036 vision.

2036 VISION

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

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.

STRATEGY AND VISION

PURPOSE AND VALUES

The purpose of our business and why Scott Bader Company Limited exists was clearly set-out in 2020 and is based upon our three pillars of business, ecology and humanity:

OUR PURPOSE

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.

HUMANITY BUSINESS ECOLOGY

Implicit in this statement are the standards that we hold ourselves to and operate the business to. All of our colleagues bring these values to work every day and it is how each of us behave every day that defines Scott Bader as a good place to work. We define the Scott Bader culture by whether we individually take pride in our environment, work collaboratively and listen to concerns, are honest and open about the challenges we face, are inclusive and treat our colleagues with kindness and respect. The values and principles summarised below are all embedded in the Scott Bader Constitution and Commonwealth Code of Practice. The constitutional review will revalidate these values and principles to ensure they are being effectively communicated and adhered to.

HUMANITY

PEOPLE AND VALUES

- Integrity and honesty
- Commitment and delivery
- Teamwork
- Diversity and inclusion
- Fairness and equality
- Innovation and empowerment
- Compassion and care

"Be the best we can be"

BUSINESS

APPROACH AND PRINCIPLES

- Safety and wellbeing
- Ethical business
- Sustainability
- Responsible stewardship
- Beyond compliance
- Promote Scott Bader Values

"To solve customer problems"

ECOLOGY

IMPACT ON SOCIETY

- Reduced emissions
- Reduced waste
- Sustainable products
- Supplying sustainable industries
- Development of colleagues
- Charity and volunteering
- Investment in local communities

"...and make a positive difference globally..."

STRATEGY AND VISION

STRATEGY AND EXECUTION

In 2020 we outlined five strategic actions to be implemented and indicated that we would report on progress. To further structure our activities to deliver these outcomes we have split our business projects across 5 zones:

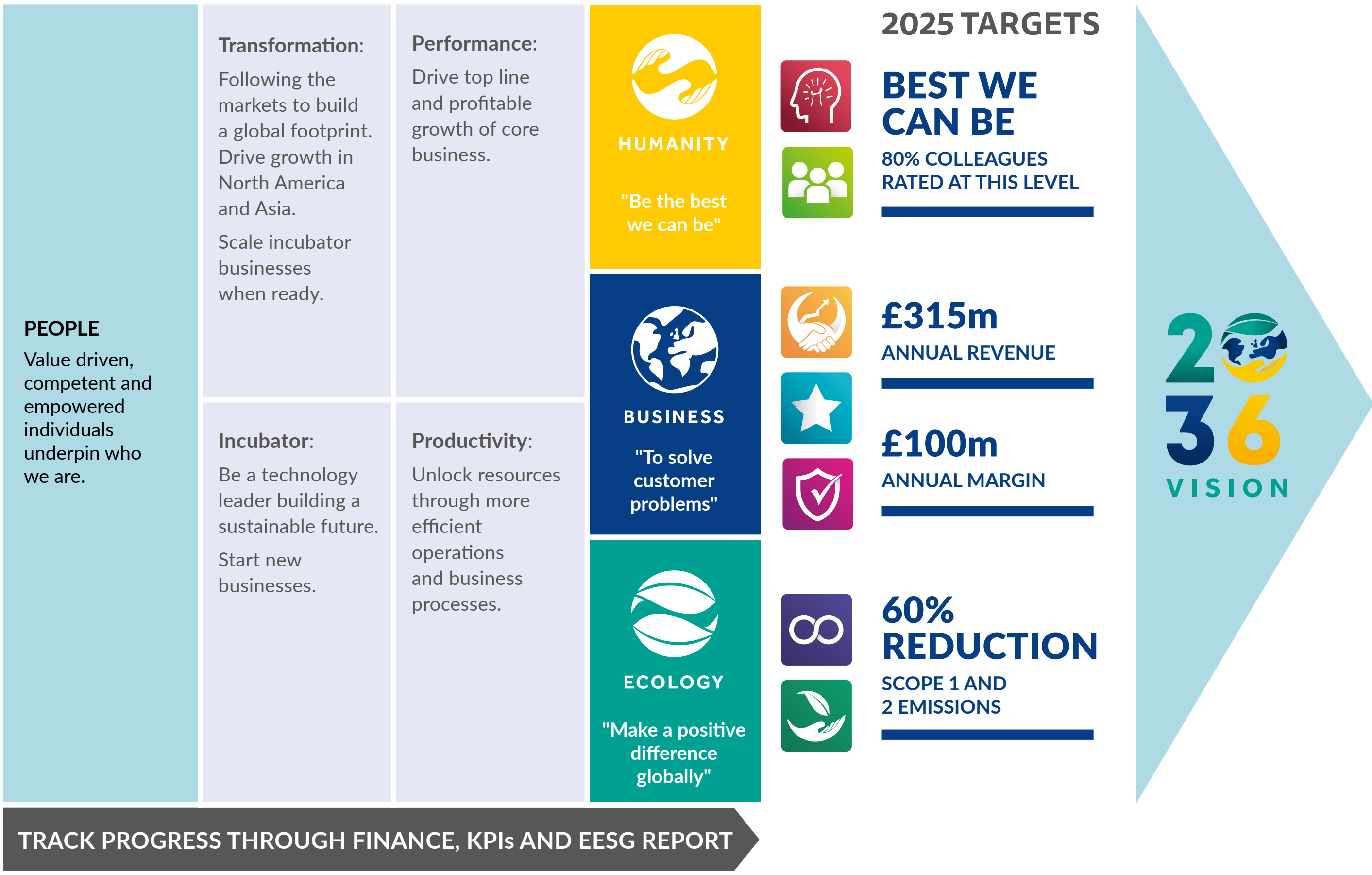
- **People:** People are the bedrock of our organisation and their capability and motivation will drive us forward.
- **Sales Performance**: Growing our markets through effective customer and market engagement is a key driver for the performance of the business.
- **Productivity:** The process of making good quality products and supplying them to customers wherever and whenever they require is a key requirement for a modern business and doing this in an efficient and reliable way is a major requirement for success.
- **Transformation**: We see significant opportunities outside of our core Europe, Middle East and Africa markets. Therefore, we intend to invest in growing our presence in North America and Asia.
- **Incubator**: To meet the 2036 vision we need to develop sustainable products and this zone relates to technology and new business investments that could change the future for Scott Bader.

The strategy that we are following is summarised in the one-page diagram below. All business activities impact on the environment, on customers and on society as a whole.

PURPOSE

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.

SCOTT BADER
Making a positive difference



STRATEGY AND VISION

The ability of the organisation in 2020 to deliver on the actions across the 5 zones was significantly impacted by COVID-19, nevertheless progress was made in all areas.

1. PEOPLE

In 2020 we committed to improving diversity and inclusion, began to celebrate champions of the quarter and invested in a new HR information system that will go live in the first half of 2021. This new system will allow us to set out the competence and behaviours expected at all levels of the Company with the expectation that every individual will have a personal development plan targeted to help the individual "be the best they can be".

2. SALES PERFORMANCE

2020 saw sales impacted by COVID-19, nevertheless Gross Margin for the year finished ahead of prior year with strong sales in North America and Asia driven by sales of a new thickener and the wind energy sector respectively. The commercial organisation also underwent a major reorganisation to better align with opportunities and with the realignment of the global technical support organisation to create a greater focus on solving customer problems.

3. PRODUCTIVITY

On quality, a roadmap was developed, and the priority identified by the steering team was for a system to improve the recording and tracking of non-conformances from all sources and in all areas. This is an effective leading indicator to try and recognise issues as early as possible. Implementation of this system has been delayed and is now due to be operational in the first half of 2021. Reliability is related to quality but also the age of the Group's assets, the maintenance regimes and the S&OP environment and there were a number of challenges in this area experienced early in 2021. This will be a specific focus going forward.

4. TRANSFORMATION

We experienced significant growth in North America and Asia and have formed new toll manufacturing relationships in China to ensure that we meet the expectations of our customers. At the same time, we have acquired the assets of Summit Composites Pty in Australia demonstrating our long-term commitment to this important market.

5. INCUBATOR

In 2020 we realigned the technical function with the commercial organisation to allow better development focus both on long term transformative research as well as short term customer driven projects. The Group is committing to increase its spending on sustainability related projects and is looking to increase R&D spending by one third in 2021. In 2020, we entered into a joint collaboration with the University of Liverpool to develop a novel polymer platform and launched a major development in 3D printing resins in collaboration with University College London.

COMMERCIAL REPORT

Composites GELCOATS

Scott Bader's global composites range supplies resins, gelcoats, fire retardant materials and ancillaries to a variety of markets including building and construction, wind blade production and repair, marine and land transport.

Construction and marine, both key markets for this sector, suffered from the effect of COVID-19 during 2020. However, renewable energy grew in 2020 due to market share growth at key customers.

Geographically this sector is focused in EMEA due to proximity to our manufacturing assets as the majority of revenues are still generated from products that are not price competitive in Americas and Asia. However, we have seen growth in speciality sales in both Asia and Americas, particularly for our styrene free product range reducing our dependence on the EMEA region from 87% last year to 85% in 2020. Through our 2036 vision, Scott Bader is committed to reducing its environmental footprint. During 2020, Scott Bader launched new zero-styrene Crystic® gelcoats and resins as well as resins with up to 30% sustainable content.

In Q2 2020 we formed Scott Bader Australia following the acquisition of the assets of our distributor Summit Composites. The acquisition puts us closer to our customers through several local supply points that will help us capture many opportunities within the highly valued Australian composites market.

A significant highlight for the Composites business was our partnership with Shape Corporation in the USA. We worked together to produce the automotive industry's first curved, multi-hollow pultruded carbon fibre bumper beam for the 2020 Chevrolet Corvette Stingray. The pultruded bumper beam was manufactured using our high performance Crestapol® urethane acrylate resins, chosen by Shape Corp due to their market leading strength, toughness and lightweight properties as well as their ease of use and excellent bonding with carbon fibres.

As part of our strategy to grow in the land transport market we gained several key approvals in the rail market. For Alstom TGV 2020 Interior Moulding applications we gained approval for Crestafire® 78PA and Crestapol® 1211A. Crestafire® P3001PA and Crestafire® GCS1001 were granted EN45545 rail certification, allowing us to sell directly into rail subcontractors for projects where the mechanical performance requirements are lower for ongoing and refurbishment rail projects.

We have also been focussing on the development of resins for 3D printing applications which we hope to launch in 2021.

REVENUE

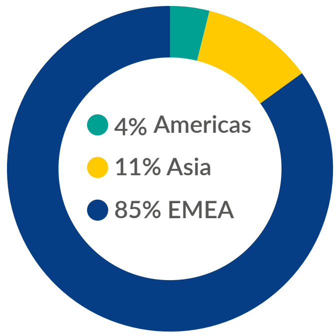
£136.2m*

(Growth of -15%)

PRODUCTS SUPPLIED INTO

79 countries

GLOBAL PRESENCE



MAJOR BRANDS

Crestapol® Urethane Acrylate Technology

Crystic®

GELTINT Rapid Colour

*Includes £4m of revenue from purchased products.

COMMERCIAL REPORT

ADHESIVES by SCOTT BADER

Scott Bader's global adhesives range supplies adhesives and tooling materials to a variety of markets including marine, building and construction, wind blade production and repair and land transport including automotive.

The marine market remains the single most important market for Scott Bader's adhesive products. Unfortunately, the UK and South African marine markets were hit particularly hard in 2020 by the COVID-19 pandemic. Conversely sales into renewable energy more than doubled in 2020 as we grew market share at key customers, and this will continue to be a focus in 2021.

Geographically this is the most diverse of Scott Bader's business sectors with 32% of revenue generated outside of the EMEA region. Sales have grown significantly in China despite the global slow down. We expect a number of programs and approvals to come to fruition in 2021 to further grow our business in key target areas.

Adhesives are a key enabling technology in the drive for light-weighting, especially within the land transport and automotive sectors. As the move towards more efficient fuel systems gathers pace, we see the demand for adhesives increasing further in these markets.

A key part of the adhesive strategy is to gain approvals in the automotive and wind energy markets. In 2020, we gained approval for Crestabond® M7-05 at a major wind turbine manufacturer. This was achieved after a multi-year program of qualification that also included approval for Crestabond® M1-04 for a better bonding application. Both of these approvals are expected to yield significant sales going forward.

REVENUE

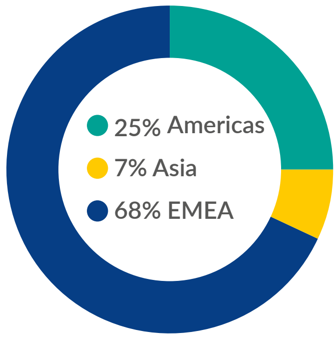
£24.8m

(Growth of -3%)

PRODUCTS SUPPLIED INTO

67 countries

GLOBAL PRESENCE



MAJOR BRANDS

CRESTABOND®

CRESTAFIX®

CRESTOMER®

CRESTAMOULD® Matched Tooling Systems

COMMERCIAL REPORT

Functional Polymers

Scott Bader's global functional polymers business supplies materials to a variety of markets including personal care, paints, construction, textiles and industrial cleaning markets.

The personal care, construction and coatings sectors remain the key sectors for this business. Sales into personal care grew 50% in 2020, driven by sales of thickeners for use in hand cleanser applications. Market share increased in the coatings sector but remained flat across the construction sector which was impacted by the COVID-19 pandemic.

Geographically the business has grown in both Asia and the Americas, reducing its dependence on revenue from the EMEA area to 76% down from 87% in the previous year. There are a number of initiatives in place that will further drive growth in our target regions of Asia and the Americas.

Scott Bader will be introducing a number of new products in 2021 that will have a higher content of bio-derived raw materials, particularly in our personal care range that will further reduce our products impact on the environment in line with our 2036 vision.

REVENUE

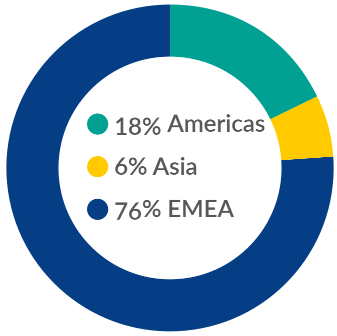
£35.5m

(Growth of 5%)

PRODUCTS SUPPLIED INTO

51 countries

GLOBAL PRESENCE



MAJOR BRANDS

Texipol®
Rheology Modifiers

Texicryl®
Acrylic Dispersions

OPERATIONAL REPORT

OPERATIONS: REPORT FROM THE MANUFACTURING SITES

AMIENS: FRANCE

Thanks to the rapid implementation of a business continuity plan and hazard prevention procedures for staff when COVID-19 first appeared, we were able to keep the site operational throughout the year and maintain customer service. Although marked by a health crisis, unprecedented in our recent history, 2020 was also an exceptional year in terms of performance for Scott Bader SAS.

Our net profit was significantly higher than in 2019, which was already a record year, and while these results were boosted by favourable raw materials price conditions, it is important to recognise that we have also developed our business both for the domestic market and for export. The company's strong financial position has also enabled us to continue to invest with the finalisation of two major projects, the new welfare building and the implementation of another new gelcoat mixer, reinforcing the site as a centre of expertise for gelcoats, compounded products and bonding pastes.

I would like to end by thanking all my colleagues for their commitment and professionalism in overcoming all the challenges we faced during the year.

Didier Mathon

DRUMMONDVILLE: CANADA

2020 started strong for the ATC site, meeting our budgeted volumes and exceeding the preceding year by a material difference for the first three months. Then, because of the pandemic, the government imposed a full lockdown, effectively shutting us down for 5½ weeks. Despite the lockdown, and thanks to the dedicated members of our team, we were able to continue to make some essential shipments to our customers. With great relief, when the lockdown ended, everybody returned to work in good health and we had to tackle a very robust order book for the rest of the year.

2020 also realised a number of positive developments; the entire year without a Lost Time Accident (LTA), one new product formulation launched to meet customer needs, improvements to our production layout and completion of our 5S efforts, further automation of raw material charging and the introduction of an additive pumping and weighing area. A real roller-coaster year, but one that we can proudly look back on, and witness the team's resolve.

Pierre Parenteau

OPERATIONAL REPORT

DUBAI: UNITED ARAB EMIRATES

2020 had many challenges for Scott Bader Middle East, which were successfully navigated following our values of team work, fairness, responsibility and commitment, which are imbedded in our culture of how we operate.

Team work – When we had colleagues affected by COVID-19, everyone stepped forward, willing to take on additional responsibilities. Work groups were formed to find solutions to situations to enable the company to deliver its objectives. The unity of the team ensured that we were able to continue as efficiently as the situation allowed, without compromising safety.

Fairness – Ensuring effective communication between colleagues and having forums to freely engage on how to meet the objective. Financial support was provided to colleagues who were unable to attend the office, frequently communicating to ensure that they had sufficient support to recover and we enabled home working. Active engagement with suppliers and customers to navigate the path through the challenges culminating in strengthened partnerships.

Responsibility – All colleagues took the task assigned to them seriously understanding that their contribution supports the continuance of the company's success. All challenges presented to us were resolved, driving us towards our objectives. Group initiatives were adopted and supported to ensure delivery, and we were successful in meeting all of the requirements.

Commitment – In challenging times, with individuals being asked to take on new activities, there is a greater health and safety risk. We can be proud of our focus on Health, Safety and Environment (HSE), with everyone contributing towards this by following the HSE rules, highlighting unsafe situations and practices and looking out for the safety of each other.

We emerged from 2020 not only stronger but with an increased level of respect for each other, for the appreciation that the values of the company are core to the continued success of our business.

Thank you SBME team!

David Rossouw

DURBAN: SOUTH AFRICA

2020 was a test of adaptability, agility and flexibility for Scott Bader South Africa. Despite the numerous challenges from the total lockdown in the country in April, to uncertainty of demand in the following three months, to major shortages of raw materials and a subsequent organisational redesign, Scott Bader South Africa's performance had improved year-on-year from a HSE perspective with zero loss time accidents for a period of 14 months to December 2020 and a trade profit higher than the prior year. This was achieved with zero COVID-19 positive cases since August 2020 and the dedication and commitment of all at Scott Bader South Africa. I am proud of my South African colleagues in their response to the challenges of 2020!

Buds Mohamed Yunus

OPERATIONAL REPORT

WOLLASTON: UK

2020 was an extremely challenging time for the UK site, both for operations and for Group activities. The first wave of COVID-19 lockdowns resulted in new ways of working for many and safe working practises for everyone that have become all too familiar. We finished the year following an intense effort to prepare for Brexit and further lockdowns. Interspersed with the major events were supply chain issues, customer closures, colleagues leaving the business through voluntary redundancy, furloughs and individuals having to self-isolate. Despite all this there were some real highlights, the rapid development and scale-up of the thickener for hand sanitiser, using an empty building for volunteers to assemble face masks and a HSE landmark with 500 days without an LTA despite all the changes in the business.

So many of the challenges we faced this year have required real collaboration between different parts of our business, with colleagues stepping up when needed to make a positive difference. Your dedication to Scott Bader and your colleagues, despite the challenges, for me stands out as the major achievement of 2020. Well done!

Kevin Matthews

ZAGREB: CROATIA

Last year we operated in an extremely difficult business environment from March 2020 when borders were closed literally overnight with an immediate threat to our supply chain. During the year we had almost one quarter of all staff infected by COVID-19, but we managed to prevent virus outbreaks on site due to successfully implementing safety and protection measures especially within operations.

Despite all of this, we reached the highest ever sales and manufacturing volume, the highest ever site profit, the best ever OTIF (On Time, In Full) score and with no significant delays in shipments which would have caused disruption to our customers. At the same time both cost of claims and percentage of substandard batches stayed at the level of previous years and are *de minimis*. Regardless of the challenging psychological environment for site personnel we had only one minor LTA and PSI (Process Safety Incidents) without any long-term consequences, whilst at the same time both events brought us opportunities to learn and improve our safety record in the future. So, after all, 2020 represented an outstanding site performance - great job and well done to everyone in Croatia!

Andrej Potezica

OPERATIONAL REPORT

OPERATIONS: HEALTH, SAFETY AND ENVIRONMENT

We strive for excellence and achieving beyond compliance in our Health, Safety and Environmental performance.

The **Lost Time Incident Frequency Rate (LTIFR)** improved by 13% compared to 2019, reducing to a record 1.1 (against an industry average of 2.0). Half of the manufacturing sites achieved zero LTAs over the year which was a strong performance considering the operational challenges created by COVID-19. Behavioural safety conversations and safety opportunity reporting remained strong despite the depleted number of colleagues on site.

It was disappointing that the **Process Safety Incident Frequency Rate (PSIFR)** increased by 12% compared to 2019. For 2021 a Group HSE structure has been implemented as part of our strategic roadmap of delivering a world class HSE performance, with the appointment of a Group HSE Manager. This new team is developing clear roadmaps to address weaknesses identified in the Group's HSE framework.

The control of the spread of COVID-19 was and continues to be a major focus for the business. The early adoption of home working where possible and introducing strict site protocols enabled the sites to continue operating with minimal impact from the virus.

LOST TIME INCIDENT FREQUENCY RATE (LTIFR)*

1.1

PROCESS SAFETY INCIDENT FREQUENCY RATE (PSIFR)*

3.2

LOST TIME ACCIDENTS (LTA)

13%

improvement vs 2019

PROCESS SAFETY INCIDENTS (PSI)

12%

increase vs 2019

*incident frequency rate per 200,000 hours worked (incl. contractors)

PEOPLE REPORT

2020 was a turbulent year that will be forever etched in our memories as the year a pandemic hit the global population for the first time in 100 years. Amid the health crisis, this was a year of progress for Scott Bader with many positive 'firsts' accomplished and in-roads to meeting our 2024 strategic goals made.

OUR FIRST THICKENERS FOR THE HAND CLEANSER MARKET

When the pandemic hit, demand for hand cleansers soared and with that so did demand for ingredients used in their production. Colleagues in Functional Polymers and R&D recognised how we could help meet this demand and oversaw the rapid development of two new Ethanol and IPA-based thickeners specifically for use in hand cleansers. Texipol® 13-321 and Texipol® 13-322 were successfully launched in April leading to significant orders in the US.

Scott Bader launched two new thickeners to help the global effort.

OUR FIRST BUSINESS IN AUSTRALIA

With our objective of establishing a long-term presence in the Australian composites market, we acquired the assets of Summit Composites, a company we had worked alongside with for over 10 years distributing our high-performance resins, gelcoats and adhesives and had built up a reputation for quality, performance, and reliability. Scott Bader Australia has been created and is operating from offices in Perth and Melbourne.

Scott Bader Australia colleagues at our offices in Perth and Melbourne.

PEOPLE REPORT

OUR FIRST CHAMPIONS OF THE QUARTER AND CHAMPIONS OF THE YEAR AWARDS

At the start of 2020 we launched our new colleague recognition scheme, Champions of the Quarter. Quarter 1 went off to a flying start, however when the pandemic took hold and many countries went in to lockdown, it quickly became apparent that for quarter 2 the scheme should be adapted to recognise colleagues who went above and beyond to help in some way during the crisis. This resulted in 40 nominations from around the group for Champions of the crisis.

By the end of 2020 we had a great assortment of worthy quarterly Champions and from these the GLT, The Commonwealth Board and the Group Board voted for our first Champions of the year. Our Champions for 2020 are:

- **Our Business Champions for 2020 are the UK Polymer team** for swiftly scaling up production of Texicryl® 13-322 into the larger reactors during shutdown to meet a big order and help secure business from a US customer.
- **Our Ecology Champion for 2020 is a Senior Warehouse Operative from Dubai** who managed to get non-moving quarantine stock product qualified and sold and thus prevented this material from being disposed of as waste.
- **Our Humanity Champion for 2020 is a HR Administrator from South Africa** who showed immense compassion by assisting a colleague who had been diagnosed with cancer and driving her to the hospital, helping her with the filling in of all the forms, and sitting with her for nearly six hours whilst she underwent blood tests and chemotherapy and then drove her home again.
- **Our Values Champion for 2020 is a Senior IT Project Manager from the UK** who demonstrated his commitment through his excellent project management work for the Brexit project.

PEOPLE REPORT

OUR FIRST WOMEN IN LEADERSHIP PROGRAMME COMPLETED, AND OUR FIRST DIVERSITY & INCLUSION GROUP FORMED

DIVERSITY & INCLUSION AT SCOTT BADER

We were immensely proud of the group of 12 female colleagues who, having participated in our first Women in Leadership (WIL) programme, emerged as champions of diversity and inclusion. Their work and recommendations following the WIL programme along with the needless and tragic death of George Floyd and the worldwide Black Lives Matter protest added extra focus on Scott Bader's responsibility to diversity and inclusion. It was largely thanks to the constructive feedback from the WIL and virtual women groups that we have been able to shape our future Diversity & Inclusion goals and actions.

We began to work with renewed vigour to propel Diversity & Inclusion forward at all Scott Bader sites. We outlined our ambitions in our updated Diversity & Inclusion mission statement, and all colleagues completed e-Learning training to expand on their understanding of Diversity & Inclusion including becoming more aware of unconscious bias and other barriers to Diversity & Inclusion.

Scott Bader has committed to meet the BSI accreditation requirements in Diversity & Inclusion as a focused initiative across 2021.

2020 also saw the formation of the first Diversity & Inclusion group at Scott Bader UK whose purpose is to raise cultural awareness across Scott Bader.

Our female colleagues that completed the inaugural Women in Leadership development programme.

OTHER NOTEWORTHY FIRSTS FROM THE YEAR

UK colleagues volunteering to make protective face shields for the NHS; we successfully held our first virtual AGM, Scott Bader Middle East received their first bio diesel delivery to power their plants, our first Mental Health First Aiders completed their training, and after months in the planning our Group IT department began to implement the first phase of the migration to Microsoft Office 365.

Scott Bader Middle East received their first delivery of bio diesel

During 2020 Scott Bader achieved several remarkable accomplishments, and our many 'firsts' would not have been realised without Scott Bader colleagues working together, and their unfaltering support during what was a rollercoaster of a year!

ENVIRONMENTAL REPORT

In line with celebrating our centenary year we are generating a first look Employee, Environment, Social and Governance (EESG) report to hold ourselves to account and increase transparency in these critical areas to meet our 2036 vision and 7 strategic goals.

As noted in the reporting of our energy consumption and emissions on page 52 of the Audited Financial Statement section of this report, we recognise that the production of electricity is a major contributor to CO_2 emissions and we aspire to become energy resilient by generating our own low-carbon energy across sites as well as conserving energy and analysing clean energy sourcing options, conservation and efficiency improvements at every opportunity.

- ✓ **We have adopted green energy tariffs where we can**
- ✓ **We follow new best practices in our facilities to improve efficiency**

Scott Bader has continued to focus on driving reductions on our CO_2 emissions per metric tonne with the following actions having been implemented over recent years:

Croatia - Purchasing green energy means Scott Bader Croatia can use the protected green energy mark and earnings are invested into renewable energy projects for disadvantaged public sector users.

Canada - Along with two-thirds of Canada, our North America site in Drummondville uses hydroelectricity.

Middle East - Scott Bader Middle East is taking advantage of their climate by painting their Diethylene Glycol tank black to preheat the glycol before charging it to a reactor. This simple but effective change has resulted in making the process more energy efficient.

South Africa - Our Hammersdale site has embraced the abundance of sunshine by installing an impressive 60x330w solar panels, inverter, and a solar geyser on site.

UK - Our Scope 2 GHG emissions have dropped to 0kg CO_2/MW simply by changing to a green energy supplier.

FINANCIAL REVIEW

KEY HEADLINES

- Strong Operating Profit of £12.1m versus prior year of £7.2m (+68%)
- Cash Conversion of 114%, +£12.9m during 2020. Gross cash on hand £40.4m
- Strong Working Capital and Debtor management across the year
- Full year return on Sales of 6.2%

+68%
Operating profit

+62%
PBT

+87%
Return on sales

+53%
Net cash

PERFORMANCE

Despite the challenges of COVID-19, 2020 has been a very strong financial year. Although revenues and volumes were both lower than prior year, reflecting the impact of COVID-19, margins and profits both increased. This reflects the deliberate move towards specialist products, building on the Groups technical expertise and reputation, to further establish itself as a producer of tailored solutions.

The positive results and cash generation during the year supported the acquisition of the assets of our distributor in Australia and has provided the liquidity to pursue further acquisitions in 2021. Additionally, the Group continues to invest in plants and systems, as well as providing increased funds for future technology.

For further detail please refer to the Audited Financial Statement section of this report.

RISK REVIEW

PRINCIPAL RISKS

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.

Scott Bader's Board and Management are responsible for developing and implementing a risk framework which supports the identification and mitigation of risks to Scott Bader's operations. Individual roles and responsibilities are set out below.

- Board – The Board is responsible for setting overall risk appetite, approving the risk management framework and approving the main risks identified by the risk committee for inclusion in the annual report.
- The Risk Committee is established to oversee risk management and make recommendations to the Board on the risk management framework and risk appetite. The Risk Committee is also responsible for reviewing the principal risks facing Scott Bader and escalating risk matters to the Board.
- Management – Management is responsible for implementation of the risk management policy and framework within their respective areas of responsibility. Management is also responsible for setting 'tone at the top' in respect of risk management culture.

The Risk Committee is Chaired by Dr Kevin Matthews the Chief Executive Officer acting in the capacity of Chief Risk Officer. The committee held two meetings in 2020. The committee's focus in the year included:

- Developing a risk framework that clearly defines the risk management process, sets the risk appetite for the Group's key risks and determines the maturity level of the risk management process at Scott Bader.
- Reviewing principal risks and communicating these to the Board.
- Development of risk specific scorecards at the site and function level to focus the mitigation activities at the operational level.

The Risk Committee also set out the approach to the control framework with the adoption of a 'three lines of defence' model to managing risk.

- **1st line** – the functions that **own and manage** risk (Financial Transaction Support, Site Management, Engineering and Corporate Functions)
- **2nd line** – the functions that **oversee** risk (Financial Control, HSE Management, Risk Management and Compliance)
- **3rd line** - functions that provide **independent assurance** (Internal Audit, External Audit)

The Audit and Risk Committees recognised that the assurance provided by Internal or External Audit outside of the formal financial control environment requires further collaboration and this will be a focus in 2021.

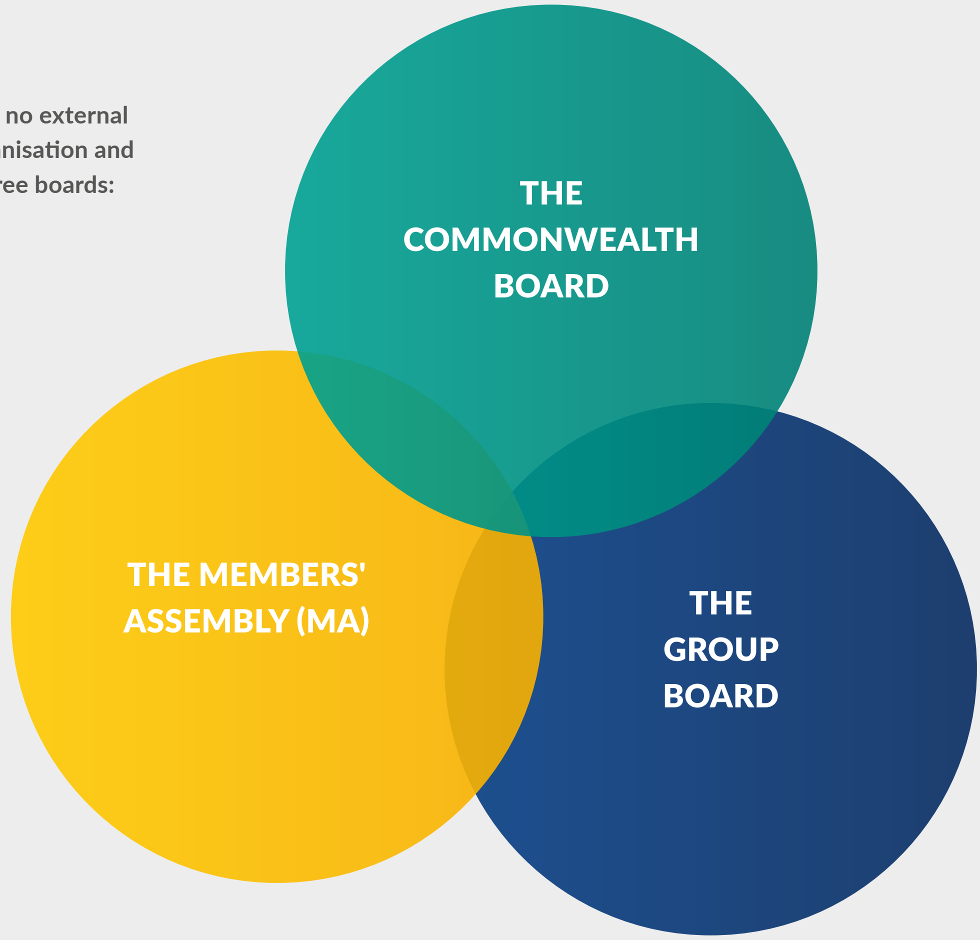
The principal risks recommended by the Risk Committee were reviewed by the Board of Directors and the Audit Committee who will conduct an annual review of the risks and the process.

The Group's key risks are included in the Strategic Report on page 44 of the Audited Financial Statements.

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 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 assets of the Trust continue to be well managed and 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 Chair.

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 Chair

STRUCTURE

SCOTT BADER COMMONWEALTH BOARD MEMBERS

Robert Gibson
Commonwealth Chair

Robert Gibson's career included a formative period in the Co-operative Movement in Training and HR management followed by many years working in the chemical sector for ICI plc in colleague engagement, organisational development and quality improvement. Latterly he ran consulting businesses specialising in individual, team and organisational performance improvement. Robert is a committed Quaker and passionate about Scott Bader's unique position in the world of business.

Retired now, Robert serves on several boards as trustee and non-executive director. These include the Quaker United Nations Office (Geneva); the Sir James Reckitt Charity and The Penn Club In Bloomsbury. He's father of three daughters and grandfather to eight. He's passionate about the Arts and is in demand as a jazz drummer.

Paul Smith
Company Member of the Commonwealth Board

In the recent past, Paul was CEO of first Rahu Catalytics, then the Catexel group of companies, specialty chemical technology businesses within the Unilever VC portfolio, delivering profitable exits for investors. He is currently Executive Chair of Duranta Energy, a waste-to-energy company in the North East of the UK.

He has extensive international experience in Europe, North America and Asia, and lived and worked in Germany for four years. Paul is a German speaker. His primary areas of industry expertise are in commercial strategy and new technology commercialisation.

Hansi Manning
Bader family nominated Guardian Trustee

A family nominated guardian trustee, Hansi's grandfather, Ernest Bader, established Scott Bader in 1921.

Educated at the same school as her father, Godric Bader, Hansi attended the Quaker boarding school Friends School Saffron Walden. She went on to qualify as an interior designer with BA (hons) at Kingston Polytechnic (now Kingston University).

Hansi worked as an interior designer living in London for many years and then moved on to do a PGCE in design technology at Middlesex University. Now living in Hertfordshire with her husband and son, Hansi works with her husband in Dental Technology.

STRUCTURE

David Harris
Global Process Owner

David graduated from Nottingham Trent University with a BSc (Hons) in Chemistry. Before joining Scott Bader he worked in the mining industry in Australia for several years and also worked in South Korea for two years.

David joined Scott Bader in 2015 as a Formulation Chemist. During this time he conducted in-depth research into the fields of resins, gelcoats, bonding pastes and structural adhesives. In 2020, David joined the team of Global Process Owners, supporting both the business and IT to deliver significant process efficiencies across the Scott Bader Group.

David shares the values of Scott Bader and the Commonwealth; he is particularly interested in sustainability and the social and environmental impact of Scott Bader. David was elected to the Commonwealth board in 2017 and elected vice-chair

Jessica Clark
Group Reporting Analyst

Jess joined Scott Bader in 2014 as a cost accounting apprentice. Since then she has been involved in various roles within the finance function mainly in the UK, but she also spent time working at Scott Bader Middle East site in Dubai.

Since 2018, Jess has managed the UK Credit Control department based at Scott Bader UK in Wollaston, before transferring over to Group Finance this year (2020) to become Group Reporting Analyst.

After six years at Scott Bader, she wanted to get more involved with Scott Bader's unique governance structure and how the company is run. Jess is a new member of the Commonwealth board, joining in June 2020.

David Black
Quality and IMS Manager, Scott Bader UK

David has been at Scott Bader UK for six years. David is the Quality and IMS Manager, looking after our quality, environmental and health and safety management systems to maintain our ISO, Halal and customer certifications and approvals.

David trained as an Engineer at British Steel before moving into quality and has been a Quality Manager for over 20 years working in the Aerospace, Defence and Automotive industries.

Having spent three years as a member of the UK Community Council and being the UK board representative for the Council, David joined the Commonwealth Board in October 2020 to help ensure the guiding principles are being maintained across the business and to gain a greater understanding of the group and the charitable aspects of the Scott Bader Commonwealth.

STRUCTURE

Agne Bengtsson
Former Employee
Guardian Trustee

Agne graduated in Finance at a local High School in Falkenberg, Sweden. Before joining Scott Bader, he worked as a Shipbroker/Forwarding agent chartering vessels around Europe for 15 years.

From 1989 until his retirement 2018, Agne was an employee of Scott Bader. During this time he was in charge of Scott Bader Scandinavia as General and Sales Manager. Agne was an integral part of Scott Bader Scandinavia's sales development into Northern Europe including Iceland and the Baltic States.

Agne was a member of the Members Assembly from 2006 to 2009. After his successful period as a Members Assembly representative, Agne was elected, by the European Scott Bader offices, to be their representative on the Group board from 2009 to 2015.

In 2019, Agne was elected to be the Former Employee representative as a Guardian Trustee on the Commonwealth board for three year term.

Andy Bell
Guardian Trustee

Andy has 39 years' experience in financial markets across equity research, sales and management in both developed and emerging markets. He has always had a particular focus on manufacturing sectors and an interest in the benefits of sustainability. Andy has been a top ranked equity analyst and salesperson and has worked for a number of leading global players such as NatWest Securities, Bank of America and, most recently, Credit Suisse.

Andy has significant experience in the development and implementation of strategy at both a macro and micro level as well as of change management. He is an inclusive and team-oriented individual who has witnessed first-hand a number of economic cycles with different severity and duration and the structural challenges they pose for leadership teams.

Andy has a MA (Hons) in Philosophy, Politics and Economics from Mansfield College, Oxford University and is a Fellow of the Chartered Institute of Securities and Investment.

Heather Davison
Guardian Trustee

Heather Davison joined Scott Bader as an external Guardian Trustee in September 2020. She has a background in strategic planning and development and was a Board Director of the Royal Society for Public Health until her retirement in 2018. Prior to that she was Director of Education at the Chartered Institute of Marketing.

Heather has a PhD in innovation and new product development and continues to work in academia as a Honorary Professor at the University of East London.

As a Chair and trustee of various community based charities, Heather brings her experience to Scott Bader and is looking forward to contributing to the ongoing work of the Commonwealth.

COMMONWEALTH BOARD REPORT

2020 has been a very strange year indeed! The pandemic has affected all that we do including our Commonwealth Board (CWB) meetings and processes, but I'm pleased to report that we have discharged our responsibilities in the best possible way, given the circumstances. We congratulate all colleagues for steering Scott Bader through a turbulent year where significant reorganisation has been necessary to address the needs of an ever-changing market. The CWB supports this revitalised strategic direction whilst acknowledging that along with change there has been some pain and discomfort.

The financial results are heartening and we congratulate everyone for playing their part in this success. Alignment-building, cohesiveness and stability has been key to us and we have worked on building more effective connections with colleagues on the Members Assembly and the Group Board. We have been keen to improve communications throughout the company though this has been frustrated by COVID-19 restrictions and there remains much to work on.

With the implementation of the Optimy system we now have a more effective process for organising charitable giving across the Group. The refurbished Keep House on the Wollaston site is up and running with full occupancy by organisations and others benefitting the local community.

The CWB has been working on its own development and efficiency. This has involved a number of training experiences covering areas such as Charity Law, Risk analysis, and other programmes concerning compliance with company policies. We, along with the Group Board and Members Assembly are engaged with a Governance review which should provide further pointers to how we can work even better. Continuous improvement in everything is key.

All of us are involved in the Constitutional Review – an exercise crucial to reinvigorate Scott Bader's values and principles. The process started this year with the setting up of steering and implementation groups. There are high hopes for a root and branch examination in the forthcoming Centenary year. The CWB has been closely involved in planning a wide variety of celebratory activities which we hope will be enjoyed and appreciated by all as an opportunity to honour our past and set a course for a bright future.

Adrian Pryce resigned as Chair of the Commonwealth Board in August, and we pass on our thanks for his service. I'm very pleased that we have four new members appointed - two External Guardian Trustees (Heather Davidson and Andy Bell) and two internal trustee directors (Jessica Clark and David Black). We are a strong team dedicated to delivering our responsibilities. Heartfelt thanks to everyone involved in Commonwealth activities including our colleagues Hayley Sutherland and Chloe Wilson in the office.

Robert Gibson
Commonwealth Board Chair

THE MEMBERS' ASSEMBLY

The Members' Assembly (MA) 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.

MEMBERS' ASSEMBLY REPORT 2020

The MA as described in the constitution "is the democratic forum for Scott Bader Group by whom the Group Board can be held accountable". This means that an elected group of employees regularly come together to ask questions and make recommendations to the Group Board. The role is to represent the best interests of colleagues as beneficiaries of the Trust.

The MA has 12 elected members with an internally elected Chair. The representatives are elected from constituencies that equally represent members from across the Scott Bader Group.

The Chair of the MA has an open invitation to Group Board and Commonwealth Board meetings. The MA Chair also sits on the Group Board's Remuneration Committee and Investment Committee.

Just like the rest of the world a lot of the MA's time has been spent discussing and reacting to COVID-19. All in person meetings have been replaced with video conferencing and the group has responded well given the challenges. As we represent many different time zones the MA have had to hold shorter meetings with an increased frequency. Many of our overseas colleagues speak English as a second language so to conduct meetings online is more challenging but we have responded well.

In terms of the MA's position on the company's response to COVID-19 we have been supportive. For the colleagues who were placed into Furlough or equivalent they were able to top up their income to 100% with use of holiday or to draw down early on their bonus. For those that were working, support to gain key worker status was given and the option of flexible working to provide childcare where necessary.

Scott Bader went through an organisational redesign in 2020. The MA were supportive of the approach to offer 'expression of interest' in which colleagues could choose to leave the organisation with a settlement package. In a few cases there were compulsory redundancies, but these people were generally given enhanced packages given the wider impact of COVID-19 in the employment market. The MA continues to monitor areas with a reduced headcount to ensure that our people and processes are not put under excessive pressure.

A highlight for the MA in 2020 was the launch of the Constitution Review. The MA recognises that this is good practice, to review the basis of our governance structure so we can continually improve. This, along with the external governance review is an exciting time where we can really develop as a body.

The MA had some people changes in 2020 with Darren Laughton stepping down as Chair in October and myself being elected by MA reps to succeed him. I would like to thank Darren for his commitment to the role and the actions he took which have improved the functioning of the MA over his tenure.

As Chair I have made four commitments to the MA reps which are as follows-

- I will lead an increase in member engagement
- Improve our confidence in decision making
- Defend and champion the MA during our constitution review
- Systematically hold the Group Board to account

2021 certainly looks more positive. A subcommittee has been formed to increase member engagement. We have developed and implemented a stage gate process for merger and acquisitions. The Constitution review is progressing well with MA rep Biju Krishnankutty leading the Implementation team. Finally, a governance review conducted by BDO will produce a roadmap to improve how we fulfil our responsibility of holding the Group Board to account.

Sam Boustred
Members Assembly Chair

THE GROUP BOARD

The Group Board is the Company's Board of Directors. The composition of the Group Board, along with the associated responsibilities and statistics relating to meetings through 2020 are presented on pages 46 of the Audited Financial Statement section of this report. 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.

SCOTT BADER GROUP BOARD

Paul Smith
Non-Executive Chair

Paul is a chemistry graduate with more than 40 years' experience in business leadership and strategic marketing with a number of global corporate players such as Albright & Wilson Ltd, Elementis plc and Brent International, before becoming active in Private Equity and Venture Capital investment strategy.

In the recent past, Paul was CEO of first Rahu Catalytics, then the Catexel group of companies, specialty chemical technology businesses within the Unilever VC portfolio, delivering profitable exits for investors. He is currently Executive Chair of Duranta Energy, a waste-to-energy company in the North East of the UK.

He has extensive international experience in Europe, North America and Asia, and lived and worked in Germany for four years. Paul is a German speaker. His primary areas of industry expertise are in commercial strategy and new technology commercialisation.

Kevin Matthews
Chief Executive Officer

Kevin has been a director of both public and private companies in the chemical and biotechnology industries, for over 18 years. He was on the board of Elementis plc for nine years during its transformation into a leading speciality chemical company.

Kevin shares the core values of Scott Bader. In particular, he has a long-standing interest in sustainability, having recently led a bio-based polymer business. His earlier career was in multinational chemical companies including, Rhodia SA, Albright & Wilson plc and ICI plc. His commercial experience includes cosmetics, pharmaceuticals, biotechnology and performance materials, with a focus on growth and strategic development.

Kevin has a doctorate in chemistry from the University of Oxford. A Fellow of the Royal Society of Chemistry, he is a judge on the Society's annual Emerging Technologies Competition. Kevin is also currently a Non-Executive Director of specialty pharmaceutical company, Vectura plc.

THE GROUP BOARD

Matthew Collins
Group Chief Financial Officer and Company Secretary

Matthew joined Scott Bader in June 2018 as Group Chief Financial Officer. Prior to this Matthew held numerous rolls with Orica Ltd, an Australian listed Global Mining Services business and Sygenta Crop Protection, a global leader in the Agrochemicals industry.

Matthew has substantial financial and global experience having spent 14 years living in Australia and Singapore. He has held regional CFO roles across Asia for Orica Mining Services with financial responsibility covering manufacturing, operations and commercial activities across the region. Prior to joining Scott Bader, Matthew was Regional CFO for Minova Ground Support, a division of Orica, with financial responsibility across Europe, Middle East, Africa and CIS.

Matthew has driven significant improvements in business performance, processes and controls throughout his career, and has implemented critical change management programs including process improvement, system implementations and process outsourcing.

Matthew is a member of the Australian Institute of Company Directors, The Chartered Institute of Management Accountants and has a BA(Hons) in Accounting and Finance.

Dianne Walker
Senior Independent Director

Dianne is a graduate in Economics & Financial Management from the University of Sheffield and a Chartered Accountant with 30 years of post-qualification experience.

Formerly, Dianne was part of the senior management team at PricewaterhouseCoopers in Manchester with a broad portfolio of global manufacturing clients. More recently she has been a trusted advisor to a variety of UK & USA businesses in the private sector, ranging from multi-national public companies to medium sized and owner-managed businesses.

An experienced non-executive Director, Dianne's role includes being the Scott Bader Audit Committee Chair. The Audit Committee reviews the integrity of the financial statements as well as internal controls and assurance processes and monitors strategies for dealing with risk.

Dianne also chairs a £3m Community Benefit Fund provided by the Frodsham Wind Farm and plays a prominent role in a number of local voluntary community projects in Helsby, Cheshire, where she lives with her husband and two children. Dianne was given a Sunday Times Non-Executive of the Year award in March 2019.

THE GROUP BOARD

Debbie Baker
Non-Executive Director

Debbie is a graduate in History of Art and Architecture from the Queen Mary, University of London and a member of the Chartered Institute of Personnel and Development with over 20 years of post-qualification experience.

Debbie has worked in a variety of roles in the energy and chemical industry over the last 20 years, and has a background in HR, sustainability management and public affairs. She is currently also Public Affairs Director at CF Fertilisers.

She sits on the Council of the Chemical Industries Association and on the Business Growth Committee for the Cheshire and Warrington Local Enterprise Partnership.

Debbie lives with her husband and four children in Warrington, Cheshire.

Julie Thorburn
Group HR Director

Julie Thorburn joined Scott Bader in September 2019 as Group HR Director. Prior to this, Julie held a variety of HR Director roles in the manufacturing, engineering, construction and chemical industries over the past 20 years. She has worked for large multi-national organisations as well as SME's with responsibility for HR teams in the UK & EIRE, Benelux as well as Globally.

Julie holds a BA (Hons) Degree in Business Studies and a Master of Business Administration. She is also a member of the UK Association of MBA's.

In addition to her HR experience, Julie has served as Chair of Trustees of numerous pension schemes.

Ružica Geceg
Director of Finance,
HR and Administration

Ruzica has been with Scott Bader since February 2000 as director of Finance, Human Resources and Administration for Scott Bader d.o.o (Croatia) and since July 2015 she has also been Finance director for Scott Bader Eastern Europe.

Ruzica graduated from the Faculty of Economics at the Belgrade University. Her previous employment was mainly related to financial auditing and consulting in different businesses with a number of local and international companies.

THE GROUP BOARD

Steven Brown
New Technology Development Manager

Steven joined Scott Bader in 2007 as a polymer chemist within the R&D department. During this time he has worked on, and contributed towards, research projects spanning both Composite and Speciality Polymers. Since 2012 Steven has lead the UK Resin Development team within Scott Bader and since 2016 he has occupied the seat of Chair of the Sustainability sub-group of Composites UK. Within this group he helps steer the composites industry towards a more socially, environmentally and economically sustainable future.

Steven graduated from the University of Strathclyde in 2001 with a Degree in Pure Chemistry and then again in 2004 with a PhD in the area of Imprinted Polymers. Prior to joining Scott Bader he worked for a year in Huntsman Polyurethanes researching Polyurethane Clay Nanocomposites and 2 years in the University of Leeds as a research fellow in the area of RAFT polymerisation.

David Rossouw
Finance Director

David Rossouw has been the Finance Director of Scott Bader Middle East Limited since August 2013, managing the Accounting Department, Human Resources and Purchasing functions.

Before that, he was Finance Director of Scott Bader Pty Limited, based near Durban, from June 1994 to July 2013. Initially joining as the management accountant and progressing through the organisation, David was responsible for the financial management of the company, the Supply Chain and Logistics Department, Purchasing and the Customer Service unit, gaining much experience in the products and markets that the company participates in.

David has previously worked for the South African Post Office as a trainee manager before joining Scott Bader.

He is a graduate of Damelin Business college and a qualified accountant.

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. The Chair of each committee has provided a brief report as noted below:

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. There have been unavoidable limitations on accessibility of sites owing to travel restrictions and some of the assurance visits have been deferred until later in 2021. The Audit Committee has also been satisfied, however, with the significant progress made in 2020 on addressing legacy actions from previous years' internal audit reports.

On behalf of the Group and Commonwealth Boards, the Audit Committee engaged BDO to perform a comprehensive review of the Group's overall Governance, Risk and Compliance framework. This review was commenced in December 2020 and will be delivered in stages during 2021. The Board will act upon its recommendations to ensure the very highest standards of governance are set.

Following the identification of legacy tax permanent establishment control issues in early 2020, the Committee conducted an internal investigation of the matter and is satisfied that the Group has now put in place additional controls as well as recruiting in-house resource to manage and mitigate such risks.

The Audit Committee also further considered 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 2020, in April, July and October. All members of the Audit Committee were in attendance.

Dianne Walker
Chair of Audit Committee

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Group Board in October 2019 to ensure that in line with good governance principles all material remuneration matters would be reviewed and approved by a committee composed of independent individuals. Debbie Baker was appointed as a Non-Executive Director in April 2020 and was elected chair of this committee, effective 28th May 2020. The membership is comprised of the Non-Executive Directors of the Group Board and the Chair of the MA.

Terms of Reference

The Committee has oversight of remuneration arrangements for all colleagues whose base salary is greater than £90,000 (or equivalent) in addition to its responsibility for assessing the remuneration policy for the Group CEO.

Remuneration of the Chair and CEO

Under the Constitution, the Members Assembly has the authority to approve the Remuneration of the Group Chair and Group CEO. Recommendations were made by the Remuneration Committee to the Members Assembly, who approved the remuneration of the new Chair Paul Smith and the remuneration of Kevin Matthews on his appointment as Group CEO following the confirmation of successful completion of his probationary period as Executive Chair.

COVID-19 impact

In March, due to the uncertainty created by COVID-19, the salary review process was put on hold and payment of the 2019 Profit Performance Plan (PPP) placed under review. A targeted redundancy programme was initiated in South Africa and a voluntary process undertaken in the UK in tandem with an organisational restructure to align the business with its strategic plan.

Severance terms

It was agreed that the Remuneration Committee would approve any severance payments for colleagues whose salary was over £90,000, a severance payment over £90,000 or any payment which was outside normal custom and practice.

COMMITTEES OF THE BOARD OF DIRECTORS

In July, the Remuneration Committee approved a minimum level of redundancy terms for colleagues who were being impacted by the redundancy programme within the organisation. Due to the economic challenges in South Africa, in line with Scott Bader values and principles, it was agreed to also offer additional medical coverage support, employee assistance programme and outplacement support.

Bonus payments

The Committee approved a one-off discretionary performance-based bonus payment to recognise the effort by colleagues during the first half of a very challenging year. 2020 full year budget targets were achieved triggering full payment of PPP.

The Committee approved a revision to the structure of the 2021 PPP scheme linking the targets to the Organisation's Strategic Plan. The proposal has been shared and discussed with the Members Assembly who gave their support for the revised scheme.

Looking Ahead

Issues have been identified around variable pay element market alignment for some senior appointments within the remit of the Remuneration Committee and variable pay and benefit benchmarking is consequently being undertaken externally by Willis Towers Watson on behalf of the Remuneration Committee.

Looking forwards, it was agreed that the 2021 Salary Review will focus on the introduction of spinal column approach for process operators, warehouse, engineering and technical, addressing below market salaries and identified gender pay gaps. The Committee also agreed that the 2021 Salary Review could be backdated to January 2021, subject to the Company achieving agreed trading profit targets.

Debbie Baker
Chair of Remuneration Committee

SUSTAINABILITY COMMITTEE

A Sustainability Committee was setup in 2020 to ensure that, using the 7 strategic goals, we achieve carbon neutrality by 2028, and to drive a commitment to meeting our 2036 vision. As Chair of the Sustainability Committee, I sought to create a diverse group that represented the parts of the business that we need to engage with to achieve our goals. The members of the committee as at 31st December 2020 consisted of James McTaggart (Operations), Ingrid Skalleberg (Commercial), Clive Williams (R&D) and Kershia Munsamy (Finance).

We have compiled data from across the Group on energy use, water consumption, emissions to air and waste generation to prepare the first Scott Bader Group Environmental Report. In 2021 the Sustainability Committee will look to build upon the data compiled in 2020 to establish sustainability KPIs across the business functions and create ambitious targets to measure progress against. We will set ourselves the goal of improving our EcoVadis rating from Silver to Gold and obtaining further accreditations that recognises Scott Bader as a business that balances profit and purpose and uses chemistry as a force for good.

We have a lot of work to do between now and 2036 however I am confident that we have the leadership, governance framework and drive to achieve all our goals making Scott Bader not only a great company to work for, but an excellent partner for all our customers.

Steven Brown
Community Director

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.

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. As part of the risk management framework, as set out on page 44, the risk register maintained and used to manage identified risks is noted on page 44 of the Audited Financial Statement section of this report.

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. The Group's key risks are included in the Strategic Report on page 44 of the Audited Financial Statement section of this report.

MEMBERSHIP AND NON-EXECUTIVE DIRECTORS

Membership of the Board's Committees is recorded on page 48 of the Audited Financial Statement section of this report, with the assessment of Non-Executive Directors shown on page 48.

SECTION 172 (1) STATEMENT

In line with Section 172 requirements, key decisions in 2020 are highlighted on page 49 of the Audited Financial Statement section of this report.

QUOTED COMPANIES ALLIANCE

In line with the Groups appetite to continually improve governance, the Quoted Companies Alliance (QCA) has been identified as an appropriate measure against which the Group can assess itself. Although not mandatory, ongoing assessment against this criterion will support continued improvement in our governance journey.

Compliance with the QCA is constructed around the alignment to ten key principles, and Scott Bader remains committed to fully aligning to those recommended principles and continues to move towards this goal in a structured, phased manner. It is recognised that progress towards full compliance has been more challenging than expected through 2020, but significant progress has been made, and the Group is already compliant with six of the ten principles.

The four remaining principles are deemed to be partially compliant, with the work required to move towards full compliance identified and planned for 2021. These relate to closing out current Governance, Risk and Compliance (GRC) reviews with external parties, publishing additional governance data on the website, completing the constitutional review currently underway and progressing other internal reports such as our initial EESG report.

THE FOLLOWING IS A COPY OF THE AUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS

BUSINESS REVIEW

Sales	Gross profit	Operating profit	PBT	Net cash
£196m	£70m	£12.1m	£12.5m	£37.9m
-10%	+4.4%	+68%	+62%	+53%
2019: £218m	2019: £67m	2019: £7.2m	2019: £7.7m	2019: £24.7m

BUSINESS PERFORMANCE

Sales through 2020 were adversely impacted by COVID-19 particularly in the second quarter, leading to a reduction in year-on-year sales of 10%, driven predominantly by shortfalls in April and May. However, over the course of the year, the business performed well despite the presence of COVID-19, and the global slowdown it caused, benefiting from a significant reduction of raw material prices which supported a 4.4% growth in gross profit.

In parallel, the Group continued the strategic repositioning of the business towards lower volume, higher margin specialist products. The evolution of the strategy, allied to strong cost management to counteract the downside margin risk of the pandemic, resulted in a year-on-year improvement in Operating Profit of 68% (£4.9m) and Profit Before Tax of 62% (£4.8m) despite adverse exchange rate movements.

BALANCE SHEET

At the outset of the year the Group had a clear focus on cash generation to support the published expansion strategy. The onset of the global pandemic reshaped targets during 2020, but with careful management of working capital, progress continued, culminating in a strong cash conversion rate of 114% (+£12.9m) and a year-end net cash balance of £37.9m.

Strong working capital management underpinned much of the positive financial trends seen during 2020, with collaborative and open customer engagement at the forefront of the approach to the Q2 disruption. Working quickly and effectively with customers to manage debtor balances through this period resulted in a year end non-compliant debtors balance 20% improved from 2019.

TAXATION

The tax credit on profit before tax was £0.2m (2019: charge - £1.2m). The tax credit for 2020 follows the release of the tax provision previously established in respect of overseas permanent establishment tax obligations. See notes 11 and 20 for further detail. Eliminating the impact of the one-off provision release results in an effective rate of 9.5% (2019: 16%).

Deferred tax assets were recognised in the period, reflecting the expected utilisation of brought forward losses in line with updated forecasts and a likelihood that they will be recognised in future.

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	2016	2017	2018	2019	2020
Volume movement %	(4.9)	(1.3)	10.8	-	(5.7)
Gross margin[1] growth[2] %	4.9	(8.7)	6.7	12.1	4.4
Return[3] on sales %	5.2	2.7	2.6	3.3	6.1
Return[3] on net assets[4] %	14.7	8.0	7.9	10.4	18.0
Average monthly trade working capital as a % of sales	14.5	14.3	16.7	12.9	14.8
Staff turnover %	9.2	10.7	6.3	12.9	15.6
Lost Time Incident Frequency Ratio (LTIFR)[5]	2.21	1.45	2.70	1.26	1.10

[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

Overall sales volumes fell from the prior year, due to a combination of product mix and the impact of COVID-19. Gross margin has grown for the third consecutive year, and the return on sales reached a five year high of 6.1% for 2020. As a consequence of improved margin performance, the return on net assets achieved a five year high at 18.0%.

In comparison to the prior year, the average monthly trade working capital as a percentage of sales increased due to a combination of lower annualised sales as a consequence of the pandemic, increasing raw material pricing in the last quarter and increased inventory holdings to cover Brexit risks at year end.

Staff turnover also rose from prior year to 15.6% reflecting the organisational changes that were made in response to both the pandemic and to align the business structure with future strategic goals.

We are also pleased to report our lowest LTIFR in the last five-year period, illustrating the increased focus on behavioural safety throughout the organisation.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK REPORT

The business has actively focused on improved risk management processes during 2020. The group experienced disruption through 2020 due to COVID-19 with demand being particularly impacted in Q2 and rapid rises in raw material prices towards the latter part of the year.

Although the pandemic continues to create volatility and staffing challenges across the Group, the implementation of effective cost controls and pro-active cash management has enabled a strong full year financial performance. Whilst there has been some supply chain disruption the Directors remain confident that the Group will be sufficiently well capitalised for the foreseeable future as a consequence of current and projected business performance.

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

THE GROUP'S KEY RISKS 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. Significant investment is being undertaken to better balance the Group's geographic footprint. • 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. Clear focus on cash generation. • 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). BDO have been commissioned to further develop the Governance, Risk and Compliance framework. • Insurance programme and risk transfer strategy in place to mitigate financial loss. • Experienced legal counsel, tax manager and head of product regulatory affairs have been recruited in the year and further supported by external legal and professional advisors. • Risk, compliance and governance report is reviewed by the Board, Audit Committee and Internal Audit at each meeting.

PRINCIPAL RISKS AND UNCERTAINTIES

THE GROUP'S KEY RISKS SUMMARISED (CONTINUED):

RISK TYPE	RISK / UNCERTAINTY	MITIGATION
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 and 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.	• The creation of a number of new roles in the year, including Group HSE Manager, Group Process Engineering Manager and Group Process Safety Manager. • Improved focus specifically on process safety management and systems within operations to reduce the risk of a major incident. • Active housekeeping and HSE management programmeswith environmental and behavioural safety audits being implemented. • Review of business insurance programmes. • Improved regulatory monitoring to ensure that risks associated with materials and products are understood and managed.
Operational - ineffective supply chain leading to an inability to meet customer demand. Brexit risk also sits within this risk category following the trade deal concluded between the EU and UK.	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. • Securing external export and in-house regulatory expertise to support quality document compliance.
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.	• Factoring the potential impacts of supply chain disruption. • Communicating and enforcing government guidelines. • Remote working widely implemented. • Support for all impacted workers.
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. • Cloud based disaster recovery system.

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

THE GROUP BOARD

CORPORATE GOVERNANCE

The Group Board is the Company's Board of Directors whose responsibilities are outlined on page 14. There may be up to nine Directors on the Group Board, the composition of which is summarised below:

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

Due to the timing of the recruitment of a Non-Executive Director and the selection of an Executive Director following the stepping down of Calvin O'Connor and Malcolm Forsyth, the Board did not have the full complement of Directors at the start of 2020. This was resolved through the subsequent appointment of Debbie Baker and James McTaggart.

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. In 2020, COVID-19 prevented the Directors from visiting the Group's operating sites as would normally be expected.

Directors also received regular updates on changes and developments in the business, legislative and regulatory environments, as well as the Directors' statutory duties. New Directors have a training plan in place. Directors are encouraged to develop a training and development plan and to raise development needs during the year or during annual performance evaluation.

Director's attendance statistics for the year ended 31 December 2020:

NAME OF DIRECTOR	POSSIBLE MEETINGS	ACTUAL MEETINGS	% ATTENDED
Kevin Matthews, XD	10	10	100%
Steven Brown, CD	10	10	100%
Matthew Collins, XD	10	10	100%
Ruzica Geceg, CD	10	10	100%
David Rossouw, CD	10	10	100%
Dianne Walker, NXD, SID	10	10	100%
Paul Smith Chair, NXD	10	10	100%
Debbie Baker, NXD	7	7	100%
James McTaggart, XD	7	7	100%
Calvin O'Connor, NXD	-	-	-

NXD – Non-executive Director; SID – Senior Independent Director;
XD – Executive Director; CD – Community Director

Jeremy Mutter
Company Secretary

COMMITTEES OF THE BOARD OF DIRECTORS

The committees noted below exist in order to formalise the governance of the Group.

AUDIT COMMITTEE

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, as well as to review the scope and effectiveness of the Group's internal controls, covering 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. 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.

The Audit Committee met on four occasions in 2020, in January, March, June and October. All members of the Audit Committee were in attendance.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for considering and making recommendations to the Members Assembly in respect of the remuneration policy for the Group Chief Executive (being equivalent to the Group Managing Director as outlined in the Articles of Scott Bader Company Limited). The Committee also has an oversight of remuneration arrangements for all colleagues whose base salary is greater than £90,000 (or equivalent).

The membership is comprised of the Non-Executive Directors of the Group Board, excluding the Group Chair, and the Chair of the MA (or nominated delegate). The Remuneration Committee met on five occasions in 2020. All members of the Remuneration Committee or their nominated delegate were in attendance for all meetings.

SUSTAINABILITY COMMITTEE

The role of the Sustainability Committee, established in 2020, is to monitor the Group's environmental impact with a view to achieving carbon neutrality by 2028, in line with the 2036 vision. The committee has compiled data from across the Group on energy use, water consumption, emissions to air and waste generation to prepare the first Scott Bader Group Environmental Report in 2021.

NOMINATION COMMITTEE

The Joint Nomination Committee appoints the Independent Non-Executive Directors to the Board and will usually comprise of Directors, members of the Commonwealth Board and the Members Assembly. The committee makes a recommendation to the Members Assembly which approves all Independent Non-Executive Directors. In 2020, activities of the Joint Nomination Committee included the appointment of Debbie Baker as Non-Executive Director and James McTaggart as Executive Director. The committee also supported the appointment of both external and internal trustees on The Commonwealth Board.

COMMITTEES OF THE BOARD OF DIRECTORS

RISK COMMITTEE

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. Further information on the risks identified are outlined on page 44.

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
Steven Brown*	Elected Director	Until 29 April 2020
Calvin O'Connor	Independent Non-Executive Director	Resigned 1 January 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	
Dorota Watzlaw-Kost	Group Compliance Manager	
James McTaggart	Group Operations Director	Resigned 28 February 2021
REMUNERATION COMMITTEE		
Debbie Baker (Chair)	Independent Non-Executive Director	Joined 29 April 2020
Samuel Boustred	Members' Assembly Representative	Joined 1 November 2020
Dianne Walker	Senior Independent Director	
Calvin O'Connor	Independent Non-Executive Director	Resigned 1 January 2020
Darren Laughton	Members' Assembly Director	Resigned 31 October 2020

*Steven Brown chairs the Sustainability Committee formed in April 2020

NON-EXECUTIVE DIRECTORS

The Board regularly reviews the independence of its 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.

COMMITTEES OF THE BOARD OF DIRECTORS

SECTION 172 (1) STATEMENT

The Scott Bader Constitution sets out the Governance Principles expected of the Group Board and demonstrates how the Group Board should make 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 2020:

Resolution of legacy undeclared ‘permanent establishment’

In 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. During 2020, with the support of external advisors, the Company approached the relevant local tax authorities. The Company worked with the local tax authorities to remediate the matter and to ensure a compliant position going forward. As a result of this pro-active and transparent approach, the issue was able to be quickly resolved, with agreement reached as to the appropriate tax liability outstanding. Payments to settle the outstanding tax liability were made during 2020 to the satisfaction of the local tax authorities.

ACQUISITIONS

A number of acquisition opportunities were identified in 2019, with the acquisition of the assets of Summit Composites Pty Limited being completed in June 2020 for AUD $2.2m (£1.3m). This aligns with the Group strategy of direct expansion beyond our core Europe, Middle East and Africa markets. See note 29 for further detail.

By Order of the Board

Jeremy Mutter 19th April 2021

Secretary

REPORT 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 2020.

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. The Group operates a branch based in Dublin; this is a sales only operation.

RESULTS AND DIVIDENDS

The Directors report a Group profit on ordinary activities before taxation of £12.5m (2019: £7.7m) on continuing operations for the year ended 31 December 2020. The Directors do not recommend payment of a dividend (2019: Nil).

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 31 December 2020, the cash position as at 28th February, the projected cashflows and the availability and headroom of the financing facilities across the group.

During the first quarter of 2021 to date, the Group has experienced results below expectations despite a strong order book, due to supply chain disruptions and continued restrictions as a result of COVID-19. Nevertheless, the Group continues to trade profitably.

As a consequence of how the COVID-19 pandemic progressed through 2020, the future long-term outlook remained uncertain, despite the Group returning to profitability from May 2020. As a result, where available, each Scott Bader division prudently looked to take advantage of any government support available to businesses; the total support received amounted to £642,000 in the year ended 31 December 2020. Buoyed by the Groups continued positive performance into 2021, it became evident that the government support was not required to be utilised. The Directors subsequently decided that the government support should, where possible, be repaid in the first half of 2021, in line with the ethos of the Group.

During this challenging period the Group Leadership Team (GLT) has generated forecasts to 30 June 2022 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.

Having considered the financial forecasts, 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 that the results within this document represent a true and fair view of the position of the Group.

RESEARCH AND DEVELOPMENT

The focus of research is on new products and processes for all kinds of new sustainable polymeric materials that offer a differentiated benefit for the Group's target markets. The investment in this area in the year was £3.3m (2019: £3.2m).

FUTURE DEVELOPMENTS

At the turn of the 2021 financial year, Brexit remained a significant concern due to both supply chain disruption and increased administration to ensure compliance with new trade rules. Although the trade deal reduces uncertainty, the Group remains alert to emerging impacts. The Group is experiencing raw material supply shortages due to supplier problems and has had to respond accordingly, expanding the range of suppliers to minimise the ongoing impact.
The continued presence of COVID-19 and the ongoing lockdown of countries around the world continues to be the major concern as we work to ensure that we focus on the health and livelihood of our colleagues. The business is in a stronger financial position than a year ago, with a number of opportunities offering the potential for growth.
The Group Leadership Team is focused on the key projects that will unlock this growth and deliver the changes required to achieve the 2036 vision.

RESEARCH AND DEVELOPMENT

The focus of research is on new products and processes for all kinds of new sustainable polymeric materials that offer a differentiated benefit for the Group's target markets. The investment in this area in the year was £3.3m (2019: £3.2m).

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.

REPORT OF THE DIRECTORS

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, as are many sales made outside of the UK. 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 2020 the Group had substantial headroom which the Directors considered to be adequate for the current business demands. This included access to a USD $10m revolving credit facility with the Royal Bank of Scotland (RBS).

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 which underpins such consultation throughout the organisation structure. 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 colleagues. 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 to all and has commenced work towards securing a BSI accreditation in Diversity and Inclusion. 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 2020 amounted to £806,851 (2019: £371,620). Of this, £795,000 related to the 2020 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 (2019: 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, and have taken steps to generate a first look Employee, Environment, Social and Governance (EESG) report in 2021 to increase transparency in these critical areas.

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.

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

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.

The focus of the Group at this point is on energy usage and how we generate our energy. We aspire to have all our manufacturing sites audited against ISO 14001, with 5 out of 6 sites already certified. We recognise that the production of electricity is a major contributor to CO_2 emissions.

Scott Bader has continued to focus on driving reductions on our CO_2 emissions per metric tonne. Scott Bader purchases electricity from low carbon suppliers in the UK, France and Croatia. Our renewable energy certificates allow us to report zero CO_2 for our Scope 2 emissions in these locations, however according to recent amendments to the GHG Protocol Corporate Standard, we are reporting both market-based and location-based emissions for Scope 2 CO_2.

We have not included Scope 1 emissions from company owned and company leased vehicles as we do not believe these to be material to the UK business, as it operates a very small number of vehicles. We have been guided by GRI 302 and GRI 305 in the collection and reporting of our energy consumption and CO_2 emission data.

ENERGY CONSUMPTION		SB UK		GROUP	
		LOCATION BASED	MARKET BASED	LOCATION BASED	MARKET BASED
Non-renewable		86,947	61,504	194,579	152,723
Renewable		160	25,603	2,970	44,826
Total (GJ)		87.107		197,549	
GREEN HOUSE GAS EMISSIONS		SB UK		GROUP	
Scope 1 - Manufacturing (Te CO_{2e})		3,190	3,190	7,186	7,186
Scope 1 - Vehicles (Te CO_{2e})		Not able to measure for 2020			
Scope 1 - (Te CO_{2e})		1,648	0	3,964	1,803
Scope 1 - (Te CO_{2e})		4,838	3,190	11,150	8,989
INTENSITY FACTOR		SB UK (incl CL)		GROUP	
Energy Intensity	MJ / T of product	2,447.0		1,593.0	
	GJ / full time employee	308.9		284.7	
	MJ /£000's revenue	1,307.3		1,005.4	
Carbon Intensity	Kge CO_{2e} / T of product	135.9		89.9	
	Te CO_{2e} / full time employee	17.2		16.1	
	Te CO_{2e} / £000's revenue	72.6		56.7	

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 colleagues and the broader community.

Colleagues welfare
We will provide favourable pay, benefits and safe and healthy working conditions for all our colleagues 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.

REPORT OF THE DIRECTORS

DIRECTORS

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

	DATE OF APPOINTMENT	DATE OF RESIGNATION
Paul Smith (Chair, Independent Non-Executive)	13 January 2020	
Debbie Baker (Independent Non-Executive)	1 April 2020	
Steven Brown (Elected)		
Matthew Collins (Group Chief Financial Officer)		
Ruzica Geceg (Elected)		
Kevin Matthews (Group Chief Executive Officer)*	13 January 2020	
David Rossouw (Elected)		
Juliet Thorburn (Group HR Director)	17 March 2021	
Dianne Walker (Senior Independent Non-Executive)		
James McTaggart (Group Operations Director)	1 April 2020	28 February 2021
Calvin O'Connor (Independent Non-Executive)		1 January 2020

*Kevin Matthews served as Executive Chair from 1st August 2019 and became Chief Executive Officer upon the appointment of Paul Smith as Non-Executive Chair on 13 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.

Jeremy Mutter was appointed as Company Secretary on 17 March 2021.

INDEPENDENT AUDITORS

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

Jeremy Mutter
Secretary

19 April 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

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

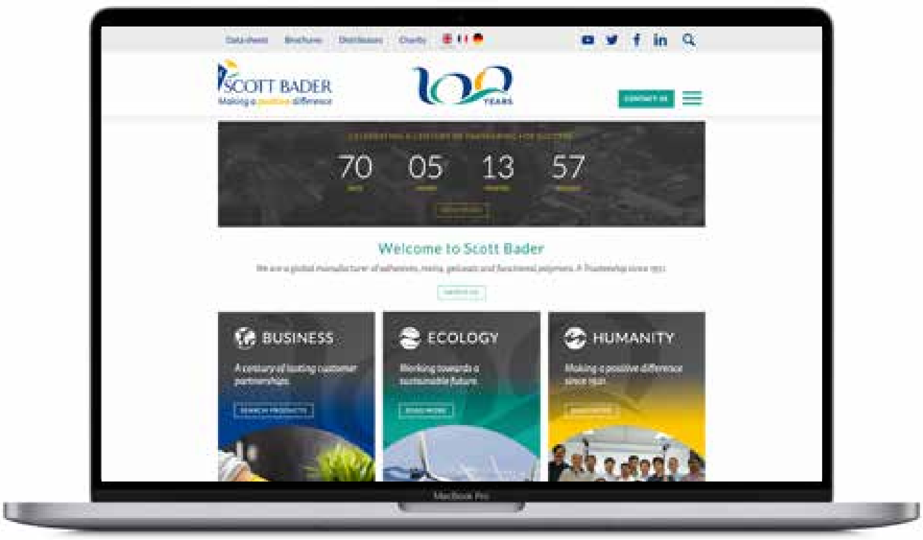
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards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



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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 2020 which comprise the consolidated profit and loss account, 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 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 of the parent company's affairs as at 31 December 2020 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 opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

INDEPENDENT AUDITOR'S REPORT

- 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 54, 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.

THE EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team and component auditors:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety and environmental compliance. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected reports produced by the Group HSE & Sustainability Manager.

The group audit engagement team identified the risk of management override of controls as the area where

INDEPENDENT AUDITOR'S REPORT

the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgements and estimates.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the consolidated financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our group audit approach.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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 1B

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2020	2019
		£'000	£'000
Group turnover	5	**196,496**	218,294
Change in stocks of finished goods and goods for resale		**989**	(2,082)
Other operating income	6	**905**	257
		198,390	216,469
Raw materials and consumables		**113,698**	134,093
Other external charges		**20,066**	21,589
Staff costs	7	**37,656**	37,039
Depreciation and amortisation		**5,410**	5,072
Other operating charges		**9,452**	11,483
		186,282	209,276
Operating profit	8	**12,108**	7,193
Share of profit in joint ventures		**188**	186
Profit on ordinary activities before interest and taxation		**12,296**	7,379
Interest payable and similar charges	9(a)	**(96)**	(83)
Interest receivable and similar income	9(b)	**253**	395
Profit on ordinary activities before taxation		**12,453**	7,691
Taxation on profit on ordinary activities	11(a)	**233**	(1,195)
Profit for the financial year		**12,686**	6,496

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020	2019
		£'000	£'000
Profit for the financial year		**12,686**	6,496
Other comprehensive income:			
Re-measurement loss on defined benefit pension scheme	21	**4,018**	(902)
Total tax on components of other comprehensive income	11(b)	**(756)**	166
Currency translation differences		**(358)**	(1,686)
Cash flow hedges			
- Change in value of hedging instrument	22	**14**	2
Other comprehensive income for the year, net of tax		**2,918**	(2,420)
Total gains recognised since date of last annual report		**15,604**	4,076

CONSOLIDATED AND COMPANY BALANCE SHEETS

		GROUP		COMPANY	
	Notes	2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12	**418**	293	**107**	33
Tangible assets	13	**41,615**	40,658	**2,036**	2,260
Investments	14	**615**	581	**28,919**	28,811
		42,648	41,532	**31,062**	31,104
Current assets					
Stocks	15	**19,843**	18,162	**-**	-
Debtors:	16	**40,531**	39,813	**14,087**	14,119
Cash at bank and in hand		**40,401**	27,480	**9,831**	3,220
		100,775	85,455	**23,918**	17,339
Creditors					
Amounts falling due within one year	17	**44,532**	37,743	**16,750**	8,190
Net current assets		**56,243**	47,712	**7,168**	9,149
Total assets less current liabilities		**98,891**	89,244	**38,230**	40,253
Amounts falling due after more than one year	18	**1,993**	2,311	**-**	-
Provisions for liabilities	20	**6,735**	7,355	**553**	1,123
Net assets excluding pension asset		**90,163**	79,578	**37,697**	39,130
Pension asset	21	**15,208**	10,189	**-**	-
Net assets including pension asset		**105,371**	89,767	**37,697**	39,130
Capital and reserves					
Called up share capital	23	**50**	50	**50**	50
Revaluation reserve		**15**	78	**-**	-
Profit and loss account		**105,306**	89,639	**37,647**	39,080
Total shareholders' funds		**105,371**	89,767	**37,697**	39,130

The financial statements on page 59 to 63 were approved and authorised for issue by the Board of Directors on 19th April 2021 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 loss after taxation dealt with in the financial statement of Scott Bader Company Limited was £1,433,000 (2019: profit £2,558,000).

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

GROUP

	Called up share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2019	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
Profit for the year	-	-	12,686	12,686
Other comprehensive income	-	-	2,918	2,918
Total comprehensive income for the year	-	-	15,604	15,604
Transfer to retained earnings	-	(63)	63	-
Balance as at 31 December 2020	50	15	105,306	105,371

COMPANY

	Called up share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2019	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
Loss for the year	-	(1,433)	(1,433)
Total comprehensive income for the year	-	(1,433)	(1,433)
Balance as at 31 December 2020	50	37,647	37,697

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
Net cash from operating activities	24		19,543		17,487
Taxation paid			(514)		(1,110)
Net cash generated from operating activities			19,029		16,377
Cash flow from investing activities					
Purchase of tangible assets		(5,889)		(4,857)	
Purchase of intangible assets		(208)		-	
Proceeds from disposals of tangible assets		43		(5)	
Proceeds from sale of intangible assets		-		(30)	
Interest received		41		101	
Dividends received from joint ventures		56		44	
Net cash used in investing activities			(5,749)		(4,747)
Cash flow from financing activities					
Receipts from bank loan facilities		51		-	
Repayment of obligations under finance leases		-		(5)	
Repayment of bank loans		(451)		(349)	
Interest paid		(95)		(86)	
Net cash used in financing activities			(495)		(440)
Net increase in cash and cash equivalents			12,785		11,190
Effect of exchange rates on cash and cash equivalents			136		(404)
Cash and cash equivalents at the beginning of the year			27,480		16,694
Cash and cash equivalents at the end of the year			40,401		27,480
Cash and cash equivalents consists of:					
Cash at bank and in hand			40,401		27,480
Bank overdrafts			-		-
Cash and cash equivalents at the end of the year			40,401		27,480

Within cash and cash equivalents is a balance of £459,000 (2019: £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 21.

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 2020, the cash position as at 28th February, the projected cashflows and the availability and headroom of the financing facilities across 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.

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

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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

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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.

Government grants
Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met, and the grants will be received. A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

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, in line with the Director's assessment of the beneficial period:

Goodwill	0 - 10 years
Licence Agreement	0 - 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 and 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

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

(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 are 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.

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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.

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

NOTES TO THE FINANCIAL STATEMENTS

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 16)
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 20)
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 21)
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

	2020	2019
Turnover by geographical market is analysed below:	£'000	£'000
UK and Eire	**38,283**	48,094
Continental Europe	**71,530**	77,479
Rest of World	**86,683**	92,721
	196,496	218,294

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

	2020	2019
	£'000	£'000
Royalties receivable	**175**	42
Rents receivable	**21**	139
Others*	**709**	76
	905	257

*Across the Group, payments from government to compensate employers for part of the staff costs of employees placed on furlough, or similar such schemes, amounted to £642,000. Where possible, these amounts will be repaid in the first half of 2021, in line with the ethos of the Group.

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7. STAFF COSTS

	2020	2019
	£'000	£'000
Wages and salaries	**24,446**	24,742
Staff bonuses	**3,288**	2,683
Other staff benefits	**2,993**	3,153
Social security costs	**3,465**	3,443
Pension costs - current service	**1,906**	1,919
Other retirement provisions	**403**	182
Redundancy	**1,155**	917
	37,656	37,039

The monthly average number of employees of the Group, including Directors, by geographical area was as follows:	2020 Number	2019 Number
UK and Eire	**289**	310
Continental Europe	**198**	191
Rest of World	**207**	197
	694	698

Directors	2020	2019
Group staff costs include the following remuneration in respect of Directors*:	£'000	£'000
Basic salary	**922**	967
Pension contributions and other benefits	**276**	397
Settlement agreement	-	256
Bonuses	**80**	70
	1,278	1,690
The remuneration of the highest paid Director was:		
Total emoluments excluding pension contributions	**321**	305
Payments to defined contribution pension scheme	**7**	8
Settlement agreement	-	112
Total	**328**	425

*Includes non-executive independent Directors, executive Directors and internal employee elected Directors.

The highest paid Director in 2020 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. Pension benefits accrued to four Directors under the defined contribution pension scheme.

The remuneration of key management personnel of the Group was £1,770,000 (2019: £1,972,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

8. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following items:	2020 £'000	2019 £'000
Research and development	**3,250**	3,249
(Profit) / loss on disposal of tangible assets	**(9)**	131
Impairment of trade receivables	**(42)**	422
Impairment of inventory	**21**	(23)
Operating lease charges	**1,377**	1,046
Foreign exchange (gain) / loss	**(43)**	892
Auditors' remuneration:		
Fees payable to the Company's auditors:		
– for the audit of the Company's financial statements	20	45
– for the audit of the Company's subsidiaries	178	105
Fees payable to other component auditors for the audit of the Company's subsidiaries	-	10
Other non-audit fees	**21**	4

9. INTEREST AND SIMILAR ITEMS

a) Interest payable and similar charges:	Notes	2020 £'000	2019 £'000
Interest expense on bank loans and overdrafts		**92**	81
Interest expense on other loans		**4**	2
Total interest expense on financial liabilities not measured at fair value through profit or loss		**95**	83
Total interest payable and similar charges		**96**	83
b) Interest receivable and similar income:			
Bank interest received		**41**	99
Interest income on other items		-	2
Net interest income on post-employment benefits	21	**212**	294
Total interest receivable and similar charges		**253**	395

10. 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 loss after taxation dealt with in the financial statements of Scott Bader Company Limited was £1,433,000 (2019: profit £2,558,000).

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11. INCOME TAX

	2020	2019
a) Tax expense included in profit or loss	**£'000**	£'000
Current tax:		
– UK Corporation tax on profits for the year	**602**	**243**
– Foreign corporation tax on profits for the year	**1,325**	**628**
– Adjustment in respect of prior periods	**(1,671)**	**72**
Group current tax	**256**	**943**
Share of joint ventures' current tax	**-**	**54**
Total current tax	**256**	**997**
Deferred tax:		
– Origination and reversal of timing differences	**(340)**	**248**
– Adjustment in respect of prior periods	**(149)**	**4**
Group and total deferred tax	**(489)**	**252**
Group current tax	**256**	**943**
Group deferred tax	**(489)**	**252**
Group tax on profit on ordinary activities	**(233)**	**1,195**

b) Tax expense included in other comprehensive income	**£'000**	£'000
Deferred tax:		
– Origination and reversal of timing differences	**(756)**	166
Total tax expense included in other comprehensive income	**(756)**	166
c) Reconciliation of tax charge		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK 19% (2019: 19%). The differences are explained below:		
Profit on ordinary activities before tax	**12,453**	7,691
Profit on ordinary activities at standard rate of corporation taxation in the UK: 19% (2019: 19%)	**2,366**	1,461
Effects of:		
Foreign subsidiary profits within zero tax rate regime	**(1,013)**	(1,086)
Other adjustments in respect of foreign tax rates	**394**	136
Expenses / (Income) not subject to tax	**95**	223
Unrecognised deferred tax	**(280)**	426
Withholding tax suffered	**7**	1
Group relief (UK only)	**-**	(16)
Prior year adjustment	**(1,802)**	50
Group tax on profit on ordinary activities:	**(233)**	1,195

The overall tax credit includes a one-off prior year adjustment relating to the release of the Permanent Establishment provision (as per note 20). Excluding this one off prior-year adjustment, the effective rate of tax is 9.5% (2019: 16%).

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12. INTANGIBLE ASSETS

	Group goodwill £'000	Group technology £'000	Group total £'000	Company technology £'000
Cost at 1 January 2020	1,355	959	2,314	2,375
Additions	101	107	208	107
Cost at 31 December 2020	**1,456**	**1,606**	**2,522**	**2,482**
Accumulated amortisation at 1 January 2020	1,062	959	2,021	2,342
Charge for the year	83	-	83	33
At 31 December 2020	**1,145**	**959**	**2,104**	**2,375**
Net book value at 31 December 2020	**311**	**107**	**418**	**107**
Net book value at 31 December 2019	293	-	293	33

13. TANGIBLE FIXED ASSETS

GROUP	LAND AND BUILDINGS				
	Freehold £'000	Short leasehold £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation:					
At 1 January 2020	**33,392**	**4,396**	**76,537**	**571**	**114,896**
Additions	1,187	418	4,208	62	5,875
Disposals	-	(2)	(15)	(153)	(170)
Difference on exchange	**688**	**(131)**	**858**	**(4)**	**(1,411)**
At 31 December 2020	**35,267**	**4,681**	**81,588**	**476**	**122,012**
Accumulated depreciation:					
At 1 January 2020	16,873	2,307	54,634	424	74,238
Charge for the year	1,020	223	4,039	45	5,327
Disposals	-	-	-	(137)	(137)
Difference on exchange	392	(83)	666	(6)	969
At 31 December 2020	**18,285**	**2,447**	**59,339**	**326**	**80,397**
Net book value:					
At 31 December 2020	**16,982**	**2,234**	**22,249**	**150**	**41,615**
At 31 December 2019	**16,519**	**2,089**	**21,903**	**147**	**40,658**

Assets in the course of construction and on which depreciation has yet to commence are included in the cost of Plant and Equipment; £3,286,000 (2019: £2,090,000) and Freehold Buildings; £Nil (2019: £87,000). Freehold land of £1,523,000 (2019: £1,624,000) is not depreciated.

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COMPANY	TOTAL
Cost:	**£'000**
Cost at 1 January 2020	8,223
Additions	453
Disposals	-
At 31 December 2020	**8,676**
Depreciation:	
At 1 January 2020	5,963
Charge for the year	654
At 31 December 2020	**6,617**
Net Book Value:	
At 31 December 2020	**2,059**
At 31 December 2019	2,260

14. INVESTMENTS IN SUBSIDIARIES AND GROUP UNDERTAKINGS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Shares in Group undertakings:	**£'000**	£'000	**£'000**	£'000
Cost:				
At 1 January	-	-	**29,301**	29,301
Additions	-	-	**108**	-
At 31 December	-	-	**29,409**	29,301
Provision for diminution in value:				
At 1 January	-	-	**(784)**	(784)
At 31 December	-	-	**(784)**	(784)
Net book value: At 31 December	-	-	**28,625**	28,517
Interests in joint ventures:				
At 1 January	**581**	505	**294**	294
Share of profits	**188**	186	-	-
Dividend received	**(56)**	(44)	-	-
Difference on foreign exchange	**(98)**	(66)	-	-
At 31 December	**615**	581	**294**	294
Total fixed asset investments	**615**	581	**28,919**	28,811

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

NOTES TO THE FINANCIAL STATEMENTS

15. STOCKS

	GROUP	
	2020	**2019**
	£'000	£'000
Raw materials and consumables	**7,240**	6,603
Finished goods and goods for resale	**12,603**	11,559
	19,843	18,162

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

16. DEBTORS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	**£'000**	£'000
Trade debtors	**37,218**	36,737	**-**	-
Amounts owed by Group undertakings	**-**	2	**12,682**	13,220
Corporation tax recoverable	**472**	396	**-**	-
Other taxation recoverable	**448**	418	**297**	-
Other debtors	**1,152**	932	**379**	263
Prepayments and accrued income	**1,241**	1,328	**729**	636
	40,531	39,813	**14,087**	14,119

Trade debtors are stated after provisions for impairment of £580,000 (2019: £938,000).

NOTES TO THE FINANCIAL STATEMENTS

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank loans	596	554	90	90
Bank and other borrowings (note 19)	596	554	90	90
Trade creditors	31,537	26,316	635	618
Bills of exchange payable	229	334	-	-
Amounts owed to Group undertakings	1,060	693	13,954	5,796
Corporation tax	251	409	-	-
Other taxation and social security	2,025	1,543	-	44
Other creditors	667	498	-	-
Accruals and deferred income	8,167	7,396	2,071	1,642
	44,532	37,743	16,750	8,190

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 £11,185,000 (2019: £3,832,000) 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.

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

	GROUP	
	2020	2019
Loans	£'000	£'000
Within one to two years	495	461
Within two to five years	1,112	1,164
In five years or more	284	570
	1,891	2,195
Derivative financial instruments		
In five years or more	102	116
	1,993	2,311

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND OTHER BORROWINGS

	GROUP		COMPANY	
Loans repayable, included within creditors, are analysed as follows:	2020 £000	2019 £000	2020 £000	2019 £000
Due within one year or on demand				
Bank loans and overdrafts	**596**	554	-	90
Due after more than one year				
Bank loans	**1,891**	2,195	-	-
Total borrowings	**2,487**	2,749	-	90
Maturity of financial liabilities				
In one year or less, or on demand	**596**	554	-	90
In more than one year, but not more than two years	**495**	461	-	-
In more than two years, but not more than five years	**1,112**	1,164	-	-
In more than five years	**284**	570	-	-
	2,487	2,749	-	90

	GROUP 2020 £000	GROUP 2019 £000
Details of loans not wholly repayable within five years are as follows:		
EURIBOR variable rate secured loans payable in quarterly instalments until July 2026	**244**	534
Loan without interest, payable by 60 equal instalments	**40**	36
	284	570

£1,915,000 (2019: £2,088,000) of Group borrowings are secured by fixed and floating charges over the Company's and various subsidiaries' assets.

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 2020 the outstanding amount was €2,050,000 (£1,847,000). They are all secured by a charge over the Group's trading subsidiary in France. These loans have variable rates and during 2020 they ranged from 1.16% to 2.94%. They are included within the above bank loans across maturity buckets.

An additional loan with a French bank was taken out in 2018 and the balance as at 31st December 2020 is €444,000 (2019: €603,000). 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 0.73%.

NOTES TO THE FINANCIAL STATEMENTS

20. PROVISIONS FOR LIABILITIES

	GROUP					
	Permanent establishment	Environmental	Leaving provisions	Retirement benefits	Deferred tax	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1 January 2020	1,581	450	1,976	1,901	1,447	**7,355**
Foreign exchange impact	-	-	(59)	52	835	**828**
Amounts charged to the profit and loss account	(1,331)	330	281	400	(600)	**(920)**
Amounts used during the year	(250)	-	(221)	(59)	2	**(528)**
At 31 December 2020	-	780	1,977	2,294	1,684	**6,735**

Permanent Establishment ('PE'):
The provision 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, was resolved in 2020. As a result, £250,000 was utilised against tax payments made in respect of these prior periods, with the remaining balance of £1,331,000 released to the profit and loss as account through the Taxation on profit on ordinary activities line as the probability of additional payments is now considered low.

Environmental:
The environmental provision was originally 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 provision was estimated using the reports as provided by an independent third-party specialist.

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) £1,422,000 (2019: £1,123,000) 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 2020 and 2036.

b) £872,000 (2019: £778,000) relates to French statutory retirement benefits payable to France based employees of the Group. The provision is expected to be utilised between 2021 and 2033.

NOTES TO THE FINANCIAL STATEMENTS

Deferred taxation:	2020	2019
The deferred tax liability consists of the following liabilities / (assets) :	**£'000**	£'000
Excess of capital allowances over depreciation	**1,893**	740
Short term timing differences	**(884)**	(782)
Revaluation of tangible assets	**3**	16
Post-employment benefits	**1,732**	1,732
Losses	**(1,060)**	(259)
	1,684	1,447

Company
£1,422,000 (2019: £1,123,000) of the retirement benefits provision relates to the Company. The increase during the year amounted to £299,000, representing a £59,000 release of the provision and an increase in expected liabilities amounting to £358,000.

21. 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 2019 revealed a funding shortfall of £4,101,000 (31 December 2016: shortfall of £13,560,000). If the Scheme is in deficit on a Technical Provisions basis calculated by the Scheme Actuary in accordance with the Scheme's Statement of Funding Principles dated June 2020 as at 1 July 2021, contributions into the Scheme will recommence at a level of £460,000 p.a. (£38,333.33 per month) for the period from July 2021 to December 2028 inclusive.

Contributions:

- £52,500 per month from January 2021 to July 2021.
- Potential £460,000 pa in respect of 1st July 2021 to 31st December 2028.

In addition, the company has been making payments to an escrow account, and during 2020 it was agreed that a one of payment was made from the escrow account directly to the pension scheme for £421,667. Post this payment, contributions to the escrow account are currently suspended following the improvement in the Scheme's funding level at the 2019 actuarial valuation. This can be recommenced if the position deteriorates. For any remaining funds as at December 2028, the funds may either be returned to the company or paid to the pension fund depending on investment performance and the funding position in 2028.

The 31 December 2019 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 2020. This update was done by an independent qualified actuary, using the following major assumptions:

	2020	2019
Rates of increase in salaries	**N/A**	N/A
Rate of increase in 5% LPI pensions in payment	**3.20%**	3.20%
Rate of increase in 5% LPI pensions with 3.5% underpin in payment	**3.80%**	3.80%
Rate of increase in pensions in deferment	**2.20%**	2.20%
Discount rate	**1.15%**	2.00%
Inflation assumption	**3.20%**	3.20%

NOTES TO THE FINANCIAL STATEMENTS

Assumed life expectancies on retirement at age 60:		2020	2019
		Years	Years
Retiring today	Males	**26.6**	26.5
	Females	**29.1**	28.9
Retiring in 10 years	Males	**27.2**	27.1
	Females	**29.9**	29.7

Reconciliation of scheme assets and liabilities:	Assets	Liabilities	Total
	£'000	**£'000**	£'000
At 1 January 2020	150,713	(140,524)	10,189
Remeasurement gains / (losses)			
- Experience gains on liabilities	-	3,329	3,329
- Changes to demographic assumptions	-	2,961	2,961
- Actuarial gain	-	(18,787)	(18,787)
- Return on plan assets excluding interest income	16,515	-	16,515
Net remeasurement gains	16,515	(12,497)	4,018
Benefits paid	(6,633)	6,633	-
Employer contributions	789	-	789
Interest income / (expense)	2,959	(2,747)	212
At 31 December 2020	**164,343**	**(149,135)**	**15,208**

No amounts (2019: Nil) were included in the cost of assets.

The fair values of the plan assets were:	2020	2019
	£'000	£'000
Equities	**11,197**	14,569
Gilts and LDI funds	**119,400**	103,698
Corporate Bonds	**29,492**	26,921
Cash & net current assets	**4,254**	5,525
	164,343	**150,713**

(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.

Outstanding contributions included in creditors as at 31st December 2020 were £149k (2019: £145k).

	GROUP		COMPANY	
The amount recognised as an expense for these defined contribution schemes was:	2020	2019	2020	2019
	£000	£000	**£000**	£000
Current period contributions	**1,906**	1,919	**415**	397

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS

	Notes	GROUP		COMPANY	
		2020	2019	2020	2019
		£000	£000	£000	£000
Financial liabilities measured at fair value through profit or loss:					
- Derivative financial instruments	17	(102)	(116)	-	-

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 £(102,000) (2019: £(116,000)).

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 £14,000 (2019: £2,000) 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 £336,000 (2019: £363,000). These loans were repayable on 31 December 2020. However, there was a delay in obtaining approval from the South Africa Reserve Bank for repayment of the loan. RSM have since been engaged to assist with the loan expected to be repaid by 31 July 2021.

With the forthcoming repayment the expected future cash flow has not been discounted.

NOTES TO THE FINANCIAL STATEMENTS

23. SHARE CAPITAL AND RESERVES

	GROUP AND COMPANY	
	2020	2019
Share Capital:	£'000	£'000
Authorised, allotted and fully paid		
10,000 (2019: 10,000) Trustee shares of 50p each	5	5
90,000 (2019: 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: £15,000 (2019:£78,000)

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.

P&L Reserve: £105,306 (2019: £89,639)

The profit and loss account reserve represents cumulative profits and losses, including unrealised profit on the remeasurement of the Pension asset.

24. NOTES TO THE CASH FLOW STATEMENT

	2020	2019
a) Reconciliation of operating profit to net cash inflow from operating activities.	£'000	£'000
Profit for the financial year	12,686	6,496
Adjustments for:		
Tax on profit on ordinary activities	(233)	1,195
Net interest expense	(157)	(312)
Share of profit in joint ventures	(188)	(186)
Operating profit	12,108	7,193
Depreciation and amortisation	5,410	5,072
Profit on disposal of tangible assets	9	131
Exchange difference – (gain) / loss	(699)	(713)
Contributions to UK defined benefit pension scheme	(789)	(630)
(Increase) / decrease in stocks	(1,683)	4,064
(Increase) / decrease in debtors	(643)	6,485
Increase / (decrease) in creditors	6,685	(4,735)
Increase in provisions	(855)	620
Net cash inflow from operating activities	19,543	17,487

NOTES TO THE FINANCIAL STATEMENTS

b) Analysis of changes in net debt	AT 1 JAN 2020	CASH FLOWS	AT 31 DEC 2020
Group			
Cash and Equivalents:			
Cash	27,480	12,921	**40,401**
Borrowings			
Borrowings - repayable within one year	(554)	(42)	**(596)**
Borrowings - repayable after one year	(2,195)	304	**(1,891)**
	(2,749)	262	**(2,487)**
Net cash	24,731	13,183	**37,914**

25. CONTINGENT LIABILITIES

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.

26. CAPITAL AND OTHER COMMITMENTS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
	£'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	**37**	690	**-**	7
b) future minimum lease payments under non-cancellable operating leases for each of the following periods:				
Not later than one year	**1,294**	1,369	**67**	37
Later than one year and not later than five years	**3,179**	3,094	**129**	54
Later than five years	**1,962**	873	**-**	-
	6,435	5,336	**196**	91

NOTES TO THE FINANCIAL STATEMENTS

27. RELATED PARTIES

Company and Group

The Company has granted manufacturing The Company has granted manufacturing licences to Satyen Scott Bader, one of the Group's joint ventures during the year. Revenue of £188,000 (2019: £186,000) was recognised. At the year end £Nil (2019: £Nil) was outstanding.

The Company received dividends from Novascott Especialidades Quimicas Ttda of £56,000 (2019: £44,000), one of the Group's joint ventures, during the year.

The Company is owed £123,000 from Polymer Mimetics, one of the Group's subsidiaries.

The Company has charged £795,000 (2019: £340,000) in the 2020 financial statements as a donation to The Scott Bader Commonwealth Limited.
In addition, the Company charged The Commonwealth £38,088 for management services (2019: £26,911). The net balance of money owed by Scott Bader Company Limited to The Scott Bader Commonwealth Limited was £1,060,000 (2019: £693,000).

28. 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 2020.

29. ACQUISITION OF SUMMIT COMPOSITES PTY LIMITED

On 19 June 2020, Scott Bader Australia Pty Limited ("SB Australia") acquired the assets of a composite product distribution business carried on by Summit Composites Pty Limited ("Summit") for a total purchase consideration of AUD$965,000 (£545,000) , inclusive of transaction costs of AUD$61,000 (£34,000).
This has been accounted for using the 'purchase method' as described under FRS 102 19.7.

In parallel, but by separate agreement, SB Australia purchased a freehold property that the Summit business operates from, for a total purchase consideration of AUD$1,300,000 (£734,000). The total consideration (AUD$2,204,000 (£1,245,000)) for the combined purchase price of the business and property was settled with AUD$1,075,000 (£607,000) paid in cash and AUD$1,129,000 (£638,000) offset against amounts due to SB Australia.

Summit has been distributing composite products in its established market in Australasia (which includes Australia, New Zealand and other local nations) for many years, and so the acquisition allows continued access to these markets to compliment the Group's presence in the region.

The acquisition did not attribute a value to intangible assets, and so the goodwill of AUD$176,000 (£101,000) arising from the acquisition is attributable to the expertise and experience of the workforce, customer relationships and the economies of scale that will arise from combining the operations of the two businesses. Management has estimated the useful life of this goodwill to be 5 years, in line with the group policy.

The following amounts of assets, liabilities and contingent liabilities were recognised at the acquisition date:

	AUD $'000	GBP £'000*
Stock	**694**	392
Property, plant and equipment	**47**	27
Long service liabilities	**(13)**	(7)
	728	412
Freehold property	**1,300**	734
Total	2,028	1,146
Goodwill	**176**	101
Total	**2,204**	1,246

*closing year end exchange rate £1.00 = AUD$1.77

SB Australia (Summit) contributed £1.3m of revenue and an £87,000 loss to the group for the 6 month period from 19 June 2020.

NOTES TO THE FINANCIAL STATEMENTS

30. SUBSIDIARIES AND RELATED UNDERTAKINGS

Subsidiary undertakings

The group holds 100% of the issued shares of all subsidiaries in the below table 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	Manufacturer of resins	One The Esplanade, St Helier, Jersey, JE 3QA, Channel Islands
Scott Bader d.o.o. [2]	Croatia	Manufacturer of resins	Radnička cesta 173 i, 10000 Zagreb
Scott Bader (Pty) Ltd[1]	South Africa	Manufacturer 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
Scott Bader Australia Pty Ltd[1]	Australia	Distributor of resins	P.O.Box 1124, Bibra Lake, Western Australia 6965 Australia

[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

The group holds 80% of the issued shares of the subsidiary in the below table, held by the Company. This subsidiary is not listed on a recognised stock exchange.

COMPANY	COUNTRY OF INCORPORATION AND PRINCIPAL COUNTRY OF OPERATION	NATURE OF BUSINESS	REGISTERED OFFICE
Polymer Mimetics Limited	Great Britain	Research	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL

Polymer Mimetics Limited (12598928) has taken exemption under section 479A of the Companies Act 2006 ("The Act") from the requirement in the Act for their individual accounts to be audited. The guarantee given by Scott Bader Company Limited under Section 479A of the Act guarantees all outstanding liabilities of Polymer Mimetics Limited at 31 December 2020 until those liabilities are satisfied in full.

JOINT VENTURES

COMPANY	COUNTRY OF INCORPORATION AND PRINCIPAL COUNTRY OF OPERATION	REGISTERED OFFICE
Novascott Especialidades Quimicas Ttda (JV)[1]	Brazil	Rodovia Gobernador 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 compounded polyester resins and are 50% owned by the group, except where noted above these shares are held directly by the Company.

31. SUBSEQUENT EVENTS

The following item occurred subsequent to 31 December 2020:

The Group experienced a number of force majeures with regards to the supply of key raw materials in line with the impact experienced across the chemicals industry.

The full impact on the Group cannot be quantified at the date of these Financial Statements, but the Group Procurement team continue to work through the logistical challenges around the disrupted supply chain and the impact to date has been minimal.

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.

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