SCOTT BADER

*Making a **positive** difference*

2021 SCOTT BADER ANNUAL REPORT

SCOTTBADER.COM

SCOTT BADER LIMITED COMPANY INFORMATION

Company registration number:
00189141

Registered office:
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Northamptonshire
NN29 7RL

Directors:
Paul Smith
Debbie Baker
Steven Brown
Matthew Collins
Jean-Marc Ferran
Kevin Matthews
David Rossouw
Julie Thorburn
Dianne Walker

Secretary:
Jeremy Mutter

Independent Auditor:
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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 the shares in the Company to The Commonwealth.

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

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

£552,000

donated to The Commonwealth

£15,599

of donations were paid by Group companies direct to various charities during the year

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

- way we relate to the **communities in which we operate in**
- 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**

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

A proportion of Scott Bader's profits each year is required by its Constitution to be devoted to charitable and community work, this is administered by The Commonwealth. Out of the 2021 profits, a donation of £552,000 (2020: £795,000) was allocated by the Company to The Commonwealth. In addition to this, £15,599 (2020: £11,851) of donations were paid by Group companies direct to various charities during the year.

2021 HIGHLIGHTS

- Throughout the year, health remained at the forefront of decision making, ensuring colleagues were able to operate in a suitably safe environment with the ongoing impact of the COVID-19 pandemic. Putting in place clear and transparent guidance ensured the well–being of employees and customers alike, across all locations.

- Despite challenging headwinds, both volumes (+9%) and gross profit (+8%) were up from prior year, but increased operating costs resulted in a decrease in 2021 operating profit to £8.3m (2020 £12.1m).

- As a result of it's strong cash position, the Group were able to invest over £13m into the asset base across the year, including the acquisition of a 110,000 square foot industrial unit on a 15-acre site in Mocksville, North Carolina to allow the fit out of a state-of-the-art facility. This significant investment aligns with our global expansion strategy and will enable us to provide additional capacity to support customers in the North American market and meet global demand.

- As a consequence of the continued strong performance through 2021 the Group were able to repay all monies received through various COVID-19 related furlough schemes with all repayments complete to local authorities or local charities prior to year-end.

- In May 2021 the Group published its first Employee, Environment, Social & Governance (EESG) report, paving the way for the Group to meet it's 2036 vision, providing stakeholders with the ability to benchmark Scott Bader against industry and corporate best practice, and highlight areas for focus to drive the organisation towards the Commonwealth's stated objectives.

- The Group launched two new brands in 2021, with the roll out of Texique® and Crestaform® to support our strategic growth in the personal care and 3D printing markets.

SALES

+37%

GROSS PROFIT

+8%

OPERATING PROFIT

£8.3m

Texique®
Bio-based personal care additives

Crestaform®
High performance 3D printing resins

CHAIR'S STATEMENT


Paul Smith

If we started 2021 with the hope of reducing COVID-19 pandemic impacts and an easy transition into life after Brexit, we once again proved that prudent management strongly supported by a committed and talented commonwealth of colleagues gave us the platform to meet the challenges of 2021, and to deliver another year of strong financial performance.

Efforts to build a stronger leadership team and in parallel, drive the strategic development of the company, combined to provide a strong basis for coping with the many supply chain issues and increased cost of energy and raw materials arising both because of Brexit and of continuing COVID-19 disruption. Strong communication with all our stakeholders and a more flexible approach to meeting the needs of our customers helped us to deliver a resilient performance in the face of the challenging market conditions.

Last year, I forecast a seminal year in 2021, and so it proved. The Group Leadership Team (GLT) was further enhanced by the arrival of a new Group Operations Director, Andrew Cottrell, supported by significant additional resources in our global SHE (Safety, Health, Environment) and UK operations and delivered a much-improved safety performance as we work towards delivering world class performance in this pivotal area of responsibility.

The SBCL Board welcomed Jean-Marc Ferran as the new Community Director, succeeding Ruzica Geceg who retired from Scott Bader Croatia after 21 years of great service to the company. We wish Ruzica well in her retirement.

In addition, the benefits of a Governance Risk Compliance (GRC) review and commitment to operate within the QCA code of governance provided valuable guidance and direction as we track towards completion of our Constitutional Review. This has been an important initiative for Scott Bader. As a proud employee-owned company, the commitment and engagement of our more than 700 colleagues globally remain at the heart of the Group's culture and values. The Constitutional Review has moved into its final stages, designed to ensure Scott Bader remains fit-for-purpose in a changing world, focused on meeting our 2036 vision, and able to deliver:

- long term financial security
- greater employee engagement and
- enhanced industrial democracy

2036 VISION

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

SCOTT BADER GROUP BOARD

Paul Smith
Non-Executive Chair

Kevin Matthews
Group Chief Executive Officer

Matthew Collins
Group Chief Financial Officer

Dianne Walker
Senior Independent Director

Debbie Baker
Non-Executive Director

Julie Thorburn
Group HR Director

Steven Brown
New Technology Development Manager

David Rossouw
Finance Director

Jean Marc Ferran
Operations Director - Scott Bader France

Jeremy Mutter
Group General Counsel & Company Secretary

CHAIR'S STATEMENT

A key part of this exercise has been to update our values and principles to recognise the importance of taking care of both the physical and mental well-being of our colleagues, and separately, recognising the value of diversity and inclusion as we continue to deliver on our strategic goal of a broader international presence in support of our many customers.

I am delighted to report investment in a major new facility in the USA. The acquisition of land and buildings will be at the heart of a significant new manufacturing unit in Mocksville, North Carolina, designed to meet the increasing demand of our partners in the Americas, and complementing our existing operations in the USA, Canada and our joint venture partner in Brazil.

One of my personal highlights of 2021 was the visit of Her Royal Highness, the Princess Royal, in the company of the Lord Lieutenant of Northamptonshire as part of our centenary celebrations. In the presence of our life president, Godric Bader, and many of our colleagues at our Wollaston Headquarters, we were able share our joy at 100 years of operations and 70 years as an employee-owned organisation. We were blessed with good weather for an event which also saw the unveiling of a commissioned centenary sculpture created by award winning artist John Creed, and the burying of a time capsule to be opened in 2036. And if you haven't yet had the pleasure of watching our Centenary video, I would strongly recommend you find your way to our company website to understand the commitment and pleasure of our colleagues across the world.

Later in 2021, we were delighted to announce that Godric Bader, former Managing Director and Chair of Scott Bader and the son of our founder, Ernest Bader, was voted EO Champion for 2021.

We also delivered a number of other major developments in 2021. Notable amongst these were:

- Further commitments were made to the European customer base with the establishment of Scott Bader Italia and Scott Bader Ireland
- Launched a range of 3D printing resins, Crestaform®
- Added a dedicated website for the personal care range of Texique® bio-based thickeners, celebrating an important step towards the company goal for increased sustainability of products

I am also delighted to report that our CEO, Dr Kevin Matthews, was elected to the Society of Chemical Industry Board of Trustees, a much-deserved recognition of his experience and leadership skills.

As we enter 2022, the outlook for our markets remains uncertain, but as we have proved, clear leadership and a coherent strategy, supported by the skill and continuing engagement of our growing number of colleagues around the world will provide a robust and enduring platform for continued success. My sincere thanks go to all our members for their resilience and commitment.

Paul Smith
Chair

COMMONWEALTH BOARD CHAIR'S STATEMENT

This specially commissioned Centenary sculpture hand-crafted in Corten steel by John Creed symbolises and encapsulates all that we stand for in terms of past, present and future. The solid base represents the strong foundational heritage; the soaring central column - the ambitious direction and reach, and the reflective steel and colours - the bright global future.

This year we have experienced a palpable sense of enthusiasm, energy and renewal across the group and in our own Commonwealth board (CWB) processes and delivery. Concurrent with good business performance we have refocused our efforts to address important issues concerning the engagement with and commitment to our democratic system recognising that without the involvement of everyone, we cannot discharge our aims. This is a continuing challenge which is at the front of our minds as trustees.

It has become obvious in recent times that we must ensure that the unique constitution which lies at the centre of what we do, is updated and remains fit for purpose as Scott Bader enters its second century. Feedback from all parts of the group has helped focus attention on re-examining strategic aims and practical ways of delivering what we stand for. This has been relevant for each board. We are recommitting to SB fundamentals to ensure that the pillars of Humanity, Ecology and Business are obviously at the centre of everything we do in the company. We have ambitious aims which the CWB wants everyone to happily sign up to.

The ongoing COVID-19 pandemic has affected Scott Bader as with all organisations. The CWB has been, and continues to be, supportive of measures which have kept colleagues safe and well and which alleviate particular hardship in parts of the group. Despite restrictions and frustrations, the CWB, in common with the Members Assembly and Group Board, has adapted to work efficiently and productively.

Charitable giving has continued in line with Commonwealth aims. We officially opened Keep House, near the main entrance to the Wollaston site, in September after extensive refurbishment of the building and facilities. It's great to be using it to support several organisations in line with our charitable objectives. A special thank you to all involved in the project.

We are all delighted that Godric Bader was honoured with the award of Employee Ownership Champion this year. This tangible recognition of his unique and pioneering role in the EO movement is richly deserved and we are proud of his achievement and legacy.

I thank my fellow internal and external trustees, as well as the excellent Commonwealth office staff lead by Hayley Sutherland, for their hard work this year. Appreciation also goes to the Group Board, Group Leadership Team and, indeed, all leadership teams across the group for their expertise, tenacity and steadfastness during particularly stretching times. I thank all members and colleagues in Scott Bader for their commitment – not only to the everyday work but to making the difference that Scott Bader represents in the world.

And lastly, your Commonwealth Board hopes that all colleagues will engage in bringing about some necessary change at Scott Bader. There is no better opportunity than to participate in the vote for the new constitution which we believe will provide a clearer governance framework, clearer purpose statements from the CWB, MA and Group Board and more 'teeth' for the MA and CWB to hold the Group Board to account.

Robert Gibson
Chair, Commonwealth Board

MEMBERS' ASSEMBLY CHAIR'S STATEMENT

THE MEMBERS' ASSEMBLY

The Members' Assembly (MA) is the Group's democratic forum, its function is to hold the Group Board to account 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.

Sam Boustred

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.

In a year full of reflection and celebration Scott Bader's Centenary provided the perfect backdrop to complete a review of our Constitution. For the MA this review provided the opportunity to professionalise and strengthen purpose and processes. We recognised that the MA has three primary responsibilities, - leading international and industrial democracy, delivering the voice of our members and holding the Group Board to account for the strategy and its execution. With these responsibilities being core to our purpose we have realised an improved focus on matters that are of strategic importance. One example of this is our close involvement and support of the expansion of our manufacturing capability in North America with our new site in Mocksville North Carolina.

The MA has been supportive of the company strategy and is delighted to see the progress made against this plan, with an improved way of calculating the company bonus to reflect progress against the strategy members will all see the benefit of the hard work and commitment made in 2021. An area that is difficult for many companies to get right is communication. We have been pleased to see the many ways the Group Leadership Team (GLT) try to engage with members. These include quarterly webinars now with live translation and monthly 'connect with' sessions where colleagues can ask key leaders questions in small virtual meetings.

The MA had some people changes in 2021 with Deklyn Barnes and Kristina Balun completing a full first term and being replaced with Gary Carter and Melita Krivski respectively. I would like to thank both Deklyn and Kristina for their contributions and hard work in their time on the MA.

MEMBERS' ASSEMBLY CHAIR'S STATEMENT

We have made some more changes to the MA to professionalise, these include the formation of two sub-committees. First the Member Engagement Research Group (MERG) Chaired by Jeff Starcher this group is responsible for researching and recommending strategies to improve member engagement. Secondly the Policy Group Chaired by Philippa Ayears, is tasked with reviewing and making recommendations to group policy and therefore ensuring the voice of membership is expressed at the highest level. The MA has introduced monthly 1-1s for the reps, annual appraisal, 360 review of the Chair and Board evaluation. These have all been implemented to improve the effectiveness of the MA. You will also see the rep measures that were introduced mid-year to improve accountability to our members.

MERG	CONSTITUTION REVIEW	POLICY COMMITTEE
Sylvie Lehocq	Elena Romanova	Philippa Ayears
Kristina Balun	Biju Krishnankutty	Elena Romanova
Jeff Stracher		Kevin O'Moore
		Jeff Stracher

The MA is looking forward to completion of the Constitution Review in 2022 and speaking to all colleagues about the great benefits that we will experience. As we grow in strength and maturity as a board, we are more equipped for the challenges that 2022 will bring and we are ready to represent the voice of our members.

Sam Boustred
Members' Assembly Chair

CHIEF EXECUTIVE OFFICER'S STATEMENT

Kevin Matthews

OVERVIEW

I would like to start my report by thanking my colleagues for their commitment and tireless efforts during 2021, Scott Bader's centenary year and the 70th anniversary of The Commonwealth. 2021 proved to be as challenging as 2020 with the continuation of the COVID-19 pandemic, Brexit, supply chain and transport challenges, all of which required continued diligence throughout the year to keep our customers supplied. This volatility and uncertainty have put extra pressures and stresses on the organisation in every location, nevertheless, the business has performed incredibly well, and we have still been able to find the resources to continue to deliver on our strategic ambition.

I also have a special thank you to all those individuals who contributed to the Centenary celebrations – the heartfelt message and actions from all of you really emphasised the spirit and values of Scott Bader. Overall, the Centenary celebrations were a great success, but we still have one aspect outstanding which is the opportunity to have Centenary celebration dinners when COVID allows. I have summarised below the progress in the 5 zones as referred to in the Strategy section of this report.

PEOPLE

In many of our locations we operated a hybrid of homeworking and attendance on site with our operations continuing to apply a high level of COVID security including altered work patterns to form bubbles and minimise interactions. With the limitations on direct interaction we have continued to work on improving our communications with a number of new initiatives including; 'Connect with Kevin' where any employee can sign-up to have a virtual coffee with the CEO, ask questions and share their own ideas; 'the GLT cascade' where the GLT reviews performance monthly with colleagues; and 'Connect with the GLT' a webinar which started in the last quarter of 2021 and will run quarterly going forward with the objective of continuing to build more dynamic two-way communications.

I was delighted at the end of 2021 to have been able to visit a number of sites, review the progress that has been made over the last two years and meet face-to-face with our colleagues to hear their concerns and hopes for 2022.

We started the year by winning the Northamptonshire Employer of the Year for the Wollaston site which was a strong endorsement. Since then, significant progress has been made in 2021 to upgrade Scott Bader's HR systems with the introduction of a cloud based, improved GDPR compliant, HR system to most of our locations. This facilitates the effective management of salaries, appraisals and training and is the core platform for our employee journey. A key aspect of this system will be a personal development plan for every individual based on their competences and career ambitions.

The Leadership Competency programme has already been rolled out to over 100 colleagues and the roll-out will continue throughout 2022. At the core of this programme are the Scott Bader values and it is recognised by the GLT that it is the responsibility for all members of the GLT to visibly uphold these values at all times, to codify this commitment the GLT have been engaged in their own development programme and have entered into a team charter which is shown on the next page.

CHIEF EXECUTIVE OFFICER'S STATEMENT

TEAM CHARTER

The core purpose of the Group Leadership Team is to provide leadership and strategic direction across the Scott Bader Group, ensuring empowerment and responsibility is shared across the business whilst maintaining appropriate levels of oversight, decision-making, and communication to support the delivery of our strategic intent.

Following on from the salary freeze in 2020 we were able to begin to fulfil the commitment we made to the Members Assembly around our pay principles. Specifically, we focused the 2021 salary resources to those individuals who were determined to be significantly below market whilst for the majority matching local cost of living increases. We also backdated the increase to January 1, 2021, which when combined with the 2019 half-year bonus reduced the impact of the salary freeze. The basis of how PPP Bonus was determined for 2021 was also changed to measure performance based on growth relative to the prior year benchmarked against the strategic plan ambition rather than against a budget. The Group Staff Bonus (GSB) was also increased in 2021 from 5% to 7.5% of Adjusted Profit Before Tax and was allocated so as to ensure uniform purchasing power across the geographic regions we operate in.

The Group continued the organisational change programme with a new Group Operations Director. A number of other key roles were recruited in the year and overall, 15% of the Group's end of year headcount of 730 employees have joined the business during 2021. We continued to further strengthen diversity and inclusion during 2021 with a new RISE programme being delivered following the successful Women in Leadership (WIL) initiative and engagement with external initiatives to promote diversity in science including BlackinChem week.

Finally, at the end of 2021 we have been informed that we have retained our Investors in People Gold Award.

BUSINESS

PERFORMANCE:

Overall, the business continued to perform very strongly in 2021 despite considerable increases in raw material prices, which impacted Gross Profit at the start of the year, and supply challenges as a result of material availability the business delivered a year-on-year Gross Profit growth of 8% through a combination of pricing and mix. We continued to develop our commercial organisation with the establishment of a sales office in Italy as well as expanding our European customer presence through specialised distributors in the region.

PRODUCTIVITY:

Within our core market of EMEA we have expanded our presence with the commissioning of a new state of the art mixer for gelcoats and formulated products in Amiens. We continue to make progress on improving the Health & Safety of our colleagues as a priority, and we report on this separately. As part of the renewal of our asset base we have developed individual site plans focussed on improving safety and asset reliability over the next three years.

One of the major projects looking forward is a new ERP system and this year has been spent specifying the scope and selecting the provider. The project received Board approval in Q4 2021 and is now moving into the business process design and data cleansing stage. Other key developments around our IT platforms are a move to a Microsoft operating system including cloud-based Office 365 and a significant improvement in our cyber security environment.

TRANSFORMATION:

We have invested significant resources in 2021 to develop our footprint to support our global customer base. One of the major initiatives was the purchase of a new facility in Mocksville, North Carolina with the intention to site a new gelcoat and adhesives facility there. In addition, we are investing in an adhesive product line at our site in Canada and have established further USA based toll manufacturers for specific product lines. We expect this commitment to the North American market to transform our ability to grow with our customers in the region with a more responsive supply chain and a stronger organisation to support our customer's growth ambitions. At the same time, in Asia Pacific we

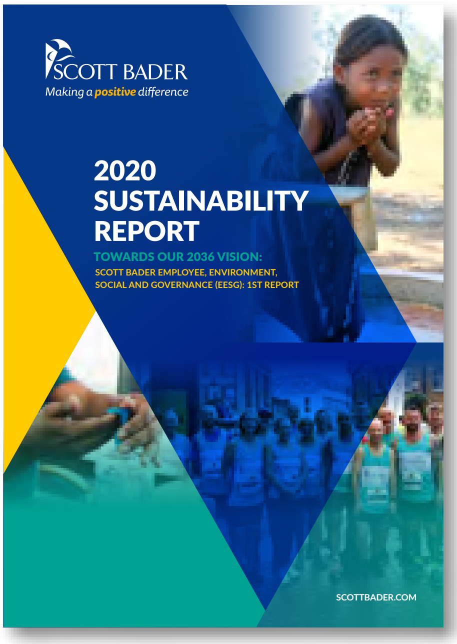
CHIEF EXECUTIVE OFFICER'S STATEMENT

have completed on the integration of the Summit Composites Pty assets in Australia following the acquisition in 2020 and have strengthened our manufacturing footprint in China with the establishment of a number of 3rd party tolling relationships.

INCUBATOR:
In addition to expanding our global footprint we have also been driving our product offering with numerous new product launches. Of note was the launch of a new brand in Q1 2021, Texique®, focused on naturally-derived products for personal care. We followed this in Q3 with the launch of the Crestaform® product line for 3D printing.

ECOLOGY AND SOCIAL IMPACT

As a step towards measuring the Group's progress towards delivering the 2036 Vision Scott Bader published 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.



of the Board oversaw the development of a technology roadmap to build a range of sustainable products and the establishment of a team focused on developing clear plans by site to deliver the targeted reduction in emissions. In the meantime, Scott Bader is fully off-setting its Scope 1 & 2 emissions through a donation to the World Land Trust.

In 2022, the Group will publish its second EESG report.

LOOKING FORWARD TO 2022

The year commenced with a backdrop of the pandemic, volatile recovery as supply chains get back to pre-COVID levels with the accompanying supply disruptions, spikes in energy costs and rising inflation. Subsequently, war broke out in Ukraine and a number of sanctions have been levied against Russia and Belarus, the full impact of which are yet to be determined.

Thus, as we progress in 2022 there are a number of headwinds and the immediate 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 and deliver another strong year.

Kevin Matthews
Group Chief Executive Officer

CHIEF FINANCIAL OFFICER'S STATEMENT

The business has delivered a strong financial performance across 2021 despite the impact of adverse external events including substantial supply chain disruptions, historically high raw material pricing and COVID-19. The business has reacted to and managed these factors throughout the year, protecting margins and ensuring continued supply across our customer base. Despite these disruptions volumes grew (9%), revenue increased by £74m (37%) and margin increased by £5.5m (8%) versus prior year.

H1 performance showed significant improvement as there were no COVID -19 closures unlike the prior year with EBIT up 66%. EBIT across H2 was weaker than 2020 (-69%) due to the non-repeat of Thickener sales into the Hand Sanitiser market which was an opportunistic sale during FY2020 and not expected to repeat in FY2021, plus higher year-on-year operating costs as the business returned to more typical activity levels. Overall, across the year costs remained constrained due to reduced travel and trade shows, however significant additional investment was made into maintenance to increase reliability of existing facilities.

The business recorded a statutory Net Profit after Tax (NPAT) of £7.5m, compared to an NPAT of £12.7m in FY2020. Other significant factors in the year on year movement included the repayment of Global Government Covid Support receipts during 2021 (£0.7m) that had been received in 2020 plus the impact of the reversal of the Tax provision in 2020 following the settlement of legacy permanent establishment tax filings.

In line with recent years, we continued to operate across FY2021 with a disciplined cash management approach, and, despite the significant increase in working capital (£13m) caused by record raw material prices and subsequent increases in sales price to protect margin, we managed to generate £0.9m of Cash from Operating Activities.

In line with our strategic intent, we saw a significant increase in Capital expenditure across FY2021, split across Growth Capital via the site acquisition in North America ($7m) but also maintenance capital (£8m) across existing manufacturing facilities.

As a group we remain ungeared with £25.84m in cash and cash equivalents and £6.4m of borrowings at year end.

In line with our values, we have set aside 5% of our NPAT for distribution to Scott Bader Commonwealth Ltd for Charitable purposes and have matched this value for our Group Staff Bonus, Scott Bader's equivalent of a Dividend payable to our Employees.
As we move into 2022, our focus remains on delivering strong expansion across North America and Asia with increased investment into existing and new production facilities to service these markets.

In addition, we have obtained board approval to replace our existing ERP platform and have partnered with Infor to develop a Scott Bader blueprint of their Chemical Cloudsuite solution. It is expected that the design and roll out of this system will be a 3-year program, with the 2022 deliverables including the initial deployment across the Americas region. This system will deliver a standardised Global platform with enhanced controls and reporting functionality as well as delivering process automation tools that will streamline and eliminate manual and inefficient transactional processes across the group.

Internal and external factors impacted the Group's consolidated effective tax rate and associated tax disclosures through 2021, most notably the enactment of the 25% UK tax rate from 1 April 2023, and the implementation

CHIEF FINANCIAL OFFICER'S STATEMENT

of a new Group Transfer Pricing policy from 1 January 2021 that targets the mid of the arm's length ranges. The combined impact of these changes means the Effective Tax Rate (ETR) of the Group (excluding prior year adjustments) increased by 3.6% to 18.6% (2020: 15.0%).

The Group continued to work with its preferred banking partners to develop its treasury capabilities and began centralising accounts to complete the first phase of its banking strategy.

We will continue to place strong emphasis around Cash generation, with focus around delivering Trade Working Capital efficiencies to self-finance the planned investments across the business.

It is anticipated that 2022 will remain another challenging year with continued supply disruption, ongoing higher raw material pricing, higher levels of inflation and resource constraints, however we remain energised by the opportunities across EMEA and into our growth markets of North America and Asia.

Matthew Collins
Group Chief Financial Officer

STRATEGY AND VISION

STRATEGY

The 2021 Strategic Review reaffirmed the strategy that was set out in 2019 with the major focus now being on execution of projects that will accelerate Scott Bader's journey towards the 2036 vision.

2036 VISION

The 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 the 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 SEVEN 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 exists was clearly set-out in 2020 and is based upon the 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 behaves 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. 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 to 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 diagram below. All business activities impact on the environment, on customers and on society as a whole. An update of progress within these zones is summarised in the CEO report.

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.

PEOPLE
Value driven, competent and empowered individuals underpin who we are.

Transformation:
Following the markets to build a global footprint. Drive growth in North America and Asia.
Scale incubator businesses when ready.

Performance:
Drive top line and profitable growth of core business.

Incubator:
Be a technology leader building a sustainable future.
Start new businesses.

Productivity:
Unlock resources through more efficient operations and business processes.

HUMANITY
"Be the best we can be"

BUSINESS
"To solve customer problems"

ECOLOGY
"Make a positive difference globally"

2025 TARGETS

BEST WE CAN BE
80% COLLEAGUES RATED AT THIS LEVEL

£315m
ANNUAL REVENUE

£100m
ANNUAL MARGIN

60% REDUCTION
SCOPE 1 AND 2 EMISSIONS

2036 VISION

TRACK PROGRESS THROUGH FINANCE, KPIs AND EESG REPORT

COMMERCIAL REPORT

2021 was an unprecedented year with COVID-19, raw material shortages and transportation issues providing noteworthy headwinds in the market. Despite this we still achieved notable growth in the period.

During the year we have worked to increase our geographical footprint from a commercial point of view. We have relocated resource in Europe, adding resource in Italy and Eastern Europe, as well as providing more focussed resource in North Africa. In line with our strategic intent, we have also added further commercial resource in USA and China. In addition, we have integrated our new colleagues that joined us following the acquisition of the assets of Summit Pty in Australia, into the commercial team and aligned processes and procedures.

As part of our increased focus on the customer we have established our customer CARE (Categorisation, Attain, Retain, Experience) programme. The project aims to tailor the service we offer to our customers to provide an improved customer experience for all.

Scott Bader's composites business manufactures and supplies a range of resins, gelcoats and ancillary products which offer customers, in a wide range of industrial sectors, class-leading performance and differentiated technology. Key brands include the high productivity Crestapol® resin range, Crestafire® FST range and widely respected Crystic® resin & gelcoat ranges.

COVID-19 and its impact continued to exert a significant influence on the Composites business in 2021. Acute shortages & cost inflation across a wide range of raw material inputs was a factor throughout the year. Maintenance of key customer relationships and protection of margins in an inflationary environment were a key focus.

Despite the difficult trading conditions, the business grew significantly over 2020 (with volume up 11%), to come back in line with 2019 pre-COVID levels.
In line with strategy, more emphasis was put on business development of value-added formulated products and performance resins resulting in increased volumes of a number of key product lines.

The large construction/building and marine market areas recovered to their pre-COVID levels and robust demand is forecast by the key players for 2022. Further market share gains were seen in the strategically important wind energy sector with business gained in both the EMEA & Asia regions. Future growth in this sector will be supported by Scott Bader's new manufacturing facility in North Carolina USA which will have the ability to manufacture gelcoats and is expected to be fully commissioned in early 2023.

Q3 2021 saw the launch of the Crestaform® 3D printing resin range which gained positive feedback from key users. Further product development will take place during 2022 to expand Scott Bader's offering in this growing sector. Other important projects include the development of a value-added range of resins for pultruders with improved mechanical performance & increased productivity being key differentiators.

Given the unprecedented supply challenges faced in 2021, the focus of many customers has, out of necessity, been short term, sometimes at the expense of longer-term developments. This dynamic has resulted in a number of projects with long approval times proceeding at a slower pace especially in the transport sector. Despite these challenges further approvals for the Crestafire® range of FST products have been received in the Asian region which will help provide a platform for future growth.

Composites

VOLUME

+11%

Compared to 2020

MAJOR BRANDS

Crestaform® High performance 3D printing resins

Crestafire® FST Performance Products

Crystic®

Crestapol® Urethane Acrylate Technology

Functional Polymers

Scott Bader's Functional Polymers business manufactures and supplies a range of emulsions polymers, conventional and inverse, and a range of solvent-based coating resins. The main markets served are predominantly the industrial and construction markets. Key brands are Texipol® inverse emulsion rheology modifiers, Texique® polymer dispersions and Crestakyd®/Crestacryl® solvent-based resins.

From the beginning of 2021 the business saw significant price increases and availability issues with key raw materials. For the first half of the year a large proportion of time was spent working with customers as we responded to external events and were able to supply customers as requested and maintain a positive relationship through what has been a challenging and volatile year. Despite the difficult trading conditions, the business grew with volume up 7% over 2020.

2020 saw significant sales of rheology modifier into the hand sanitiser market. The requests came as a response to the lack of material available in the market. During 2021 the market caught up and the supply of the traditional carbomer polymers stabilised replacing the one-off sales secured in 2020.

As part of our strategy to move into more specialty, technically demanding markets we have added focused resource in personal care. With this renewed focus we have been working hard to drive new product development with the launch of the Texique® range in Q1 2021 and the development of channels to market, with changes in our direct sales representation and ongoing discussions for the appointment of distributors. It is clear however that product naturality and biodegradability are the focus of this market which aligns well with Scott Bader's 2036 vision.

VOLUME

+7%

Compared to 2020

MAJOR BRANDS

Personal Care
from Scott Bader

Texique®
Bio-based personal care additives

Texiterra™
Natural oils for personal care

Texipol®
Rheology Modifiers

Texicryl®
Acrylic Dispersions

COMMERCIAL REPORT

ADHESIVES by SCOTT BADER

Scott Bader's global adhesives and tooling business manufactures and supplies a range of structural adhesives, bonding pastes and tooling products into a wide range of markets including marine, land transport and renewable energy sectors.

In 2021, the business grew significantly over 2020 with volume up 29%, 15% over 2019 pre-COVID levels. This is due to a combination of an uplift in demand from customers across all key markets and an increase of market share; we also saw a shift to more speciality products within the adhesive and tooling portfolio. Overall, prices increased in the year as a result of raw material cost inflation.

Geographically the adhesive and tooling range continues to be the most diverse of Scott Bader's business sectors with 32% of revenue generated outside of the EMEA region. Our ongoing manufacturing investments in North America and Asia will further grow our business in key target areas during 2022.

A key part of the adhesive strategy is contributing to the company`s sustainability goals; both through our product offering and targeting markets that provide sustainable solutions. In 2021, a newly developed structural adhesive was approved by a major battery producer. As requirements for energy storage systems increase, we anticipate significant sales into this market. 2022 will see the collaboration with partners to introduce newly developed products with improved sustainability credentials.

VOLUME

+29%

Compared to 2020

MAJOR BRANDS

CRESTABOND®

CRESTOMER®

CRESTAFIX®

CRESTAMOULD® Matched Tooling Systems

OPERATIONAL REPORT

GROUP SUPPORT STRUCTURE & TEAMS

During 2021 the leadership structure of the operations team was expanded to include new Group SHE and Supply chain functions, a broader strategic Procurement team and enhanced Engineering capability globally.

The supply chain structure will be developed in 2022 to enable the introduction of a group wide Sales & Operations Planning process to build on the existing processes. This will strengthen the business's ability to serve its global customers more effectively. In addition, recruitment to strengthen the group Procurement team was also initiated in 2021 to address the need for a more strategic approach to planning of raw materials and to mitigate the impact of the global supply issues faced in 2021. These problems were the result of multiple Force Majeure declarations across the globe from numerous upstream chemical manufacturers. This impacted multiple sites during the year on many occasions.

Following the successful introduction of a central engineering resource in 2020, this function will be expanded to build the capability across the group to enhance project delivery and capital management across Europe and the Americas. One of the primary focus areas of this team is the development of the site that was acquired in Mocksville, North Carolina to provide gelcoat and adhesives manufacturing capability to the Americas from a USA base. Also, the group's engineering teams are investing significant time and capital in a multi-year programme to upgrade assets and deliver world class maintenance and performance in the future. A new project excellence and asset care programme has been initiated to develop the capability of the teams to optimise asset lifecycle and performance.

SAFETY, HEALTH AND ENVIRONMENT

In 2021 we established a clear framework and roadmap for the achievement of 'world-class' Safety, Health and Environmental performance recognising that this is a multi-year strategy. The early years will be focused on ensuring we 'fix the basics' and set the foundations for sustainable improvements.

We are actively developing and deploying a group wide SHE management system, supported by a suite of tools to both aid delivery and ensure consistency of approach. Each of our manufacturing sites has a clear, risk-based Safety, Health and Environment Improvement Plan (SHEIP) which is aligned to both the Group SHE strategy and local risk profiles.

We have introduced the concept of High Potential (Hi-Po) and Potential Serious Injury and Fatality (pSIF) incidents, to ensure that those incidents with the potential to become Process Safety Incidents or Lost-time / Restricted Duty Incidents are fully investigated, and the learnings shared, to reduce the likelihood of similar incidents with more serious consequences occurring in the future.

In 2021 we moved from reporting on Lost Time Accident Frequency Rate (LTAFR) to a combined Lost Time Accident and Restricted Duty Case Frequency Rate (LTA/RDFR), thereby including all incidents that prevented our colleagues from being able to do their full range of duties. The LTAFR at the end of 2021 was significantly reduced compared to the end of 2020. The Process Safety Incident Frequency Rate (PSIFR) at the end of 2021 was also notably reduced compared to 2020 demonstrating the initial benefit of the increased and targeted focus through the new SHE Improvement Plans.

Projects targeting the reduction of human factor driven PSI's through, for example, the removal of manual valves demonstrated a positive impact on the performance and reduction of incidents. Further work was also initiated to introduce the HALO process and lights system on forklift trucks to reduce the risks associated with pedestrians and FLTs. This project is over 40% complete across the group. Process Safety awareness training was also introduced for all leaders including the Board, Executive Team and site leadership teams. This is part of the programme to improve knowledge and understanding of process safety and the expectations of leadership. A key foundation to any effective process safety programme.

The control of the spread of COVID-19 continued to be a major focus during 2021. The ongoing adoption of home working and strict site protocols coupled with quick responses to potential clusters of cases has minimised the impact on the business and our colleagues and we remain vigilant as we start 2022 with the new Omicron variant being highly contagious.

OPERATIONAL REPORT

REPORTS FROM THE MANUFACTURING SITES

AMIENS: FRANCE

COVID-19 had no repercussions on our activity, thanks to an adapted organisation and effective prevention procedures. Challenges included the shortage and sharp price increases of raw materials, and the disorganisation of sea transport, all of which had consequences for our operations. However, the responsiveness and adaptability of all the teams made it possible to limit the impact on site performance and customer service.

In this challenging economic and health context, we have achieved a very good performance with a 10% increase in production volume and a net result close to that of 2020, which was a record year for SBSAS.

SBSAS has also increased its production capacity for formulated products with the commissioning of a new state-of-the-art disperser, reinforcing the site's position as a center of excellence in this market segment. The development of the site will continue in 2022 with the construction of new R&D laboratories.

A new leadership team is in place. The organization continues to evolve with the recruitment of new people in key roles, bringing their experience and skills to contribute to the ongoing development of the site's performance.

In line with the Group's strategy for sustainable development, SBSAS is the first site in the Group to have obtained ISO50001 certification for energy management. The site is also committed to a decarbonation process with objectives to reduce its scope 1 & 2 CO_2 emissions by 2025.

Finally, I would like to thank all the staff who have demonstrated their commitment and professionalism once again this year. All the teams worked together in the same spirit of success, performance and customer satisfaction.

Didier Mathon
Site Director - Scott Bader Amiens

DRUMMONDVILLE: CANADA

Going into 2021, initial concern was if customer demand would be maintained following shutdowns and general uncertainty about the world economy. Our fears were soon dissipated as we saw an increase for demand of our products. Our troubles lay elsewhere, in the supply chain. A series of external events at the beginning of the year led to raw material disruptions that followed us throughout the year. Thanks to the resolve of the entire ATC team, and with the much-needed help of other Scott Bader sites, we were able to meet customer demand without any interruption to their manufacturing.

Our customer service team, and our colleagues from technical services in the field did a great job of keeping us informed of the immediate needs of our customers. Through tremendous efforts from purchasing, logistics and technical services, we were able to rapidly qualify second sources and urgently get the materials needed to make sure that our manufacturing operation never ran out of supply. All of this teamwork yielded a fantastic result; 2021 marked ATC's record tonnage production, beating 2019's output.

While our manufacturing woes were being handled, we had other big projects in the works. The ATC site was getting ready to take in equipment intended to manufacture Crestabond® by Q2-2022. It is a great undertaking, as this project led us to completely rearrange our material storage layout and implement important civil works inside our plant. Never a dull moment in 2021 at ATC!

Pierre Parenteau
Site Director - Scott Bader ATC

OPERATIONAL REPORTS FROM THE MANUFACTURING SITES

DUBAI: UNITED ARAB EMIRATES

The COVID-19 challenges of 2020 continued through into 2021 and were further compounded by shipping and supply chain issues. SBME overcame these challenges by being flexible and adjusting to these circumstances, enabling us to meet customer requirements and maximising available capacity. We adopted a solutions-based approach to all challenges seeing what we could do and we could not do.

A continuously changing environment required a high focus on Safety and Health and we were able to create an excellent safety environment with no lost time and process safety incidents. Continued colleague safety focus and awareness increased our safety opportunities significantly over the previous year, which reinforces our site principal of “Zero Harm”.
We delivered volumes marginally higher than 2020 and through focus on efficiencies, operating costs and margin management increased the controllable profit notably.

The success achieved by the site is a testament of the strong teamwork culture culminating from a can-do attitude and approach, focus on safety and health, meeting our customer’s requirements on time and within quality specification.

Well done and thank you team SBME for another safe successful year.

David Rossouw
Site Director - Scott Bader Middle East

DURBAN: SOUTH AFRICA

2021 commenced with several supply chain issues from raw material shortages to supply uncertainties compounded by significant shipment delays (both in & outbound). Impact to customers was minimized through supplier collaborations with the wider Scott Bader Group.

Despite the 2nd, 3rd & 4th wave of COVID-19 infections in South Africa, the onsite COVID-19 protocols had prevented colleague to colleague transmission. Despite a small number of positive cases, COVID-19 has had minimal direct impact on commitment to customers during the year.

Demand in the first three quarters was subdued and erratic but peaked in Q4 resulting in a record volume of production during the quarter, leading to a notable increase in controllable trading profit in comparison to 2020. The upswing in production was achieved through prompt resource and investment authorisation from group and dedication and hard work by the Scott Bader South African team. The site also achieved a milestone 22 months without an LTA.

Buds Mohamed Yunus
Site Director - Scott Bader South Africa

OPERATIONAL REPORTS FROM THE MANUFACTURING SITES

WOLLASTON: UK

2021 saw some big changes at the Wollaston site with a notable investment in a leadership re-structure which brought in significant new talent to the site team. This provided dedicated focus in all key operational areas such as health and safety, operational excellence, production, technical, quality control and engineering

The year proved to be challenging with a healthy demand from our customers coupled with complexities in the supply chains of key raw materials leading to some disruption, but this was excellently managed by our procurement, planning and commercial teams who worked hard to ensure that the effect on our customers was minimised.

2021 saw the introduction of some exciting new products such as our Crestaform® 3D printing resin which launched in September.
A number of large projects progressed in 2021 with a major upgrade to our main tank farm nearing completion and expansion in our adhesive plant production capacity being completed.
The improvements made in Wollaston in 2021 have been a great springboard to take us into 2022.

Sean Beaumont
Site Director - Scott Bader UK

ZAGREB: CROATIA

Last year was the most successful and most difficult for Scott Bader Croatia. The continuing pandemic and insecurity of raw materials created both physical and psychological challenges for the team. The site team managed to overcome these primarily thanks to the team spirit and the willingness of people to work for the benefit of the company, stepping forward and taking additional responsibilities.

Despite the difficulties due to key raw material shortages in the first part of the year and colleagues affected by COVID-19 in second part, in November more than half of the operations staff were impacted, the highest ever manufacturing volume and the highest ever site profit was reached with zero Process Safety Incidents. Unfortunately, after 16 months without a lost time accident, in December we had one, but thankfully without short or long-term consequences.

A reduction in the percentage of customer complaints and internal quality problems compared to 2020, are evidence that we have managed to maintain a high level of product and service quality and remain a reliable and significant partner to our customers despite the challenges of the year.

Continuous investment in our people (internal and external education), safety (forklift HALO lights, ATEX footwear tester…), plant (reactor replacement…), automatisation, working environment (laboratory reconstruction according to the latest safety standards), environment (monitoring wells) has helped us to achieve goals and prepare for the future.

Overall, this year will be remembered for exceptional team spirit and ability to overcome difficulties.

Thank you Croatian team for your hard work and dedication!

Tina Buhin
Site Director - Scott Bader Croatia

HUMAN RESOURCES: PEOPLE REPORT

2021 was Scott Bader's Centenary year and in normal circumstances colleagues would come together in person to celebrate the company reaching this tremendous milestone. However, the coronavirus pandemic limited in person celebrations, and presented a challenge for colleagues organising our Centenary celebrations.

Whilst the pandemic put paid to any parties, on our 100th birthday in April colleagues worldwide attended a virtual celebration with videos, speeches and of course a very impressive birthday cake. And as is usual at the end of a party, colleagues received a special gift bag that included, amongst other things, a Commemorative book around Scott Bader's rich history and reflections from people who have played a role over the years.

During our centenary year Scott Bader wanted to support some environmental initiatives to both protect and reduce our impact on the environment. These included donating £10,000 to the World Land Trust (WLT); we took part in their Buy an Acre Programme for a conservation project in Argentina and committed to their Carbon Balanced Programme which places a pledge on the company to reduce its carbon emissions.

Centenary time capsules were buried at each manufacturing site by trees planted originally to mark the launch of our 2036 vision. These time capsules contain colleague aspirations for the future of Scott Bader by 2036 and will not be opened until then. At our Wollaston head office, we were delighted to welcome Her Royal Highness, The Princess Royal for a site tour meeting several colleagues, to unveil a commemorative plaque, and to 'bury' our time capsule.

"The global pandemic has kept us apart but, in our celebrations, we have never been more together."

We wanted our 100 year celebrations to honour our Ecology, Business and Humanity pillars; these sit at the heart of Scott Bader's culture and philosophy and are engrained into the fabric of our organisation. Our Centenary celebrations put a spotlight on what makes Scott Bader a great place to work today and why it will continue to be a great place to work for generations to come. For anyone visiting Wollaston, a sculpture representing our journey so far, by metal work artist John Creed, is on display for all to see for now, for the next 100 years and beyond!

HUMAN RESOURCES: PEOPLE REPORT

CHAMPIONS OF THE QUARTER

Our Champions of the Quarter colleague recognition scheme continued throughout 2021 with a steady flow of nominations throughout the year for colleagues from across the group deserving recognition. At the end 2021 our quarterly Champions had opportunity for further recognition as Champions of the year. Our Champions of 2021 were voted for by the GLT, The Commonwealth Board and the Group Board.

Our 2021 Champions are:

- **Our Values Champion for 2021 is an HSEQ Manager from Dubai** who reported a facilitation payment offered by a potential contractor to the Site Director. With immediate effect the contractor was blacklisted for any future business. The colleague's behaviour reflects his alignment to company values and that these are embedded in the way he conducts business supporting zero tolerance to behaviours not aligned to Scott Bader's values.

- **Our Business Champion for 2021 is a Maintenance Supervisor from Dubai** who designed and made a 0.54-ton vessel for a Release Agent. This vessel has reduced manpower, increased production, reduced the time cycle and made it safer to use by avoiding the interference of a Forklift Truck (FLT). Furthermore, as there is no need to use a FLT diesel consumption has reduced and as such the operation is more environmentally friendly.

- **Our Ecology Champion for 2021 is a Logistics Team Leader from South Africa** who noticed a Styrene spill in the pump bund section of a tank area, and immediately raised the finding to the Engineering department. Had the spill not been found, it would have been a major environmental incident. Styrene is toxic and a spill would have impacted negatively on the environment.

- **Our first Humanity Champion for 2021 is an Operator from Croatia** who has given blood over 120 times and actively promotes the benefits of blood donation. He has received a medal from the President of the Republic of Croatia for his contribution.

- **Our second Humanity Champion for 2021 is a Shipping Officer from Dubai** who helped an organization in UAE with repatriation work for people who due to the pandemic had lost their jobs and did not have enough money to return to their home countries. He gave his time to help with paperwork and also made a financial contribution towards air tickets. His compassion and generosity paved way for the people to return to their homeland during a difficult time.

HUMAN RESOURCES: PEOPLE REPORT

ROLL OUT OF TAS

We have expanded our Training and Assessment Scheme (TAS) across the five manufacturing sites, France, Croatia, South Africa, UAE and the original site in the UK and it now covers over 200 colleagues. Originally set up in 2008 TAS was developed to determine competency levels in the workplace. Assessment is carried out by our qualified assessors, supported by a team of internal verifiers. The team of assessors evaluate the candidate's performance and knowledge against the Standard Operating Procedures in the workplace. The scheme evaluates competence in many of the departments in operations including Logistics, Quality Control, Processing plants and Engineering. Implementing TAS across all our manufacturing sites enables us to increase the skill levels of our colleagues, provide a clear career path for colleagues covered by the scheme, ensures the standard operating procedures are up to date and optimised to contribute to safe ways of working and consistent quality.

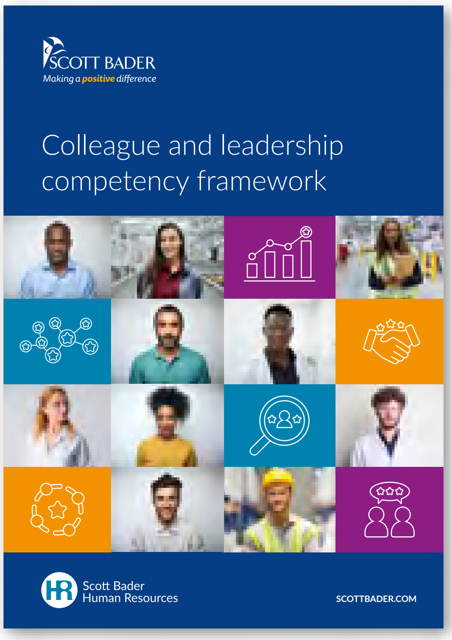
Our aim is for colleagues to be the best they can be and for 85% of colleagues covered by the TAS scheme to have achieved spinal column 3 which is regarded as fully competent. As at the end of December 2021, we have achieved 85% but this will change as we develop our own colleagues and start new colleagues.

LEADERSHIP COMPETENCIES

We successfully launched our leadership competency framework with a pilot group of 110 leaders from different sites. The aim of the competency framework is to create consistency of what great looks like for a leader at Scott Bader. Colleagues are assessed against the framework and completed a self-assessment to identify their strengths and development goals. We have used the roll out of the framework to drive conversations around career development, to encourage colleagues to capture their career aspirations and build development plans as well as create succession plans for key positions in the organisation.

There are nine competencies over three themes within the framework; Leading Self, Leading Others and Leading the Business and our core values are at the heart of the framework. All colleagues are assessed against the core values as part of our annual and mid-year review process.

The framework consist of nine leadership competencies:



HUMAN RESOURCES: PEOPLE REPORT

REMUNERATION APPROACH IN 2021

We agreed our pay principles with the MA and agreed a salary benchmarking exercise across the Group to ensure colleagues are fairly and consistently rewarded. We have been implementing a pay and reward framework with focus on specific families with a commitment to addressing any pay gaps against the benchmark in the salary review process as well as addressing any gender pay gaps. We intend to carry out a further salary benchmarking in 2022 to measure the impact of our actions to focus on the priority areas.

We have finished a benefit benchmarking activity and will be discussing with the Remuneration Committee and Members Assembly our benefit principles for implementation during 2022 /2023.

GENDER PAY GAP

We were pleased to voluntarily publish our 2020 UK Gender Pay report with a median gender pay gap at 0.7% which is significantly lower than the national average of 15.5% as estimated by the Office for National Statistics for 2020. Our 2021 median gender pay gap remains low and is 0.9% and an updated report will be issued in line with reporting regulations.

We have been working on a number of initiatives that we believe will increase our Diversity and Inclusion as well as address gender pay gaps.

- Training and Development – focused on Women in Leadership and RISE (diversity in leadership) programmes as well as e-learning on Diversity & Inclusion and unconscious bias.

- Leadership Competency Framework – being cascaded through the organisation and focusing on inclusive behaviours linked to our core values.

- Fair pay and reward – we have carried out a salary benchmarking exercise across the Group to ensure colleagues are fairly and consistently rewarded. We have been implementing a pay and reward framework with focus on specific job families as well as addressing any gender pay gaps.

HUMAN RESOURCES: PEOPLE REPORT

DIVERSITY AND INCLUSION

DIVERSITY & INCLUSION AT SCOTT BADER

Scott Bader continued to work towards the BSI accreditation requirements, and now towards the updated ISO 30415:2021 Human resource management, Diversity and Inclusion framework. In our pursuit of this we have updated our policies to reflect diversity and inclusion priorities. We have seen steps forwards in several key areas.

- **Data capture** – This year we implemented a new HR system, which has enabled us to collect and monitor diversity data. We are using this data to drive targets and activity.

- **Recruitment** - The recruitment of new colleagues has enabled us to increase the age diversity of colleagues and increase our female colleagues from 24.08% at the end of 2020 to 26.34% at the end of 2021.

- **Leadership** - The introduction of the leadership competency framework has enabled us to address the behaviours of leaders and their responsibility in making Scott Bader a great place work.

- **Values** - We are updating our core values to ensure they reflect the diverse, innovative organisation we are today as part of our constitution review.

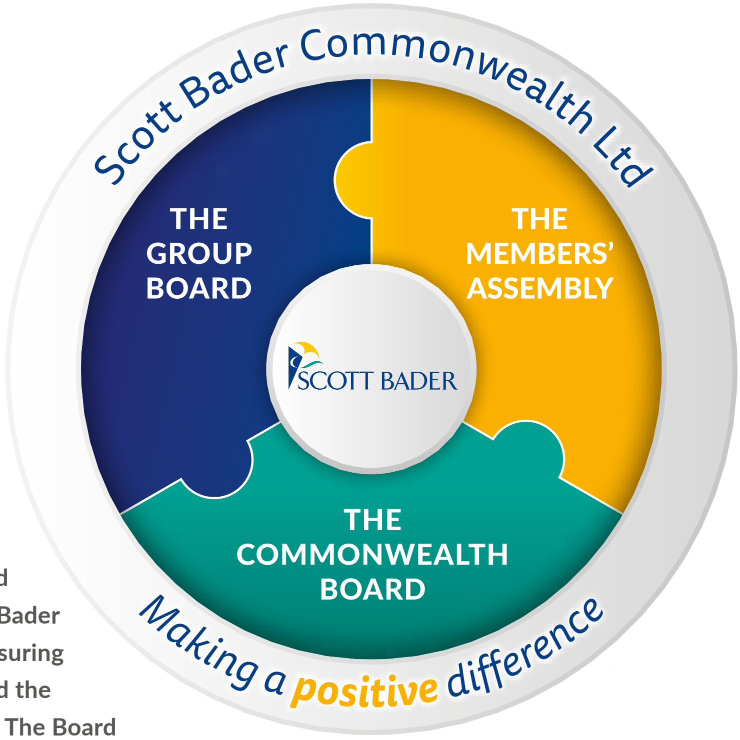
- **Education** - We continued to build the learning opportunities we offer colleagues around diversity and inclusion. Many employees completed either self-directed courses or participated in live learning events, topics include overcoming unconscious bias, and building cultural awareness.

- **Diversity in Leadership** – Our first RISE Programme was a great success. Potential participants applied to join the programme and 14 participants were selected. The programme content focused on the “Leading Self” part of the Leadership Competency framework which included having courageous conversations, confidence, and beliefs, building your strategic understanding and creating your career. In addition to the training, they received sponsorship from a senior leader and access to 1:1 coaching. Feedback from participants has been extremely positive and we have started to see the benefits of the programme with the participants moving into expanded roles or promotions.

CORPORATE GOVERNANCE

STRUCTURE

The business is an organisation with no external shareholders and with a unique organisation and governance structure comprising of 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 both 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 however it does have 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 regularly consulted on 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

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

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. More recently, he was CEO of Rahu Catalytics, the Catexel Group, specialty chemical technology businesses within the Unilever VC portfolio, delivering profitable exits for investors.

Alongside his role with Scott Bader, Paul is currently an advisor to Greensphere Capital – a "green technology" investor in renewable energy and land – and an investor/non-executive Director at Marine Bioploymers Limited. With extensive international experience in Europe, North America and Asia, Paul's primary areas of industry expertise are in commercial strategy and new technology commercialisation.

David Harris
Global Process Owner

David graduated from Nottingham Trent University with a BSc (Hons) in Chemistry. Before joining Scott Bader in 2015 as a Formulation Chemist he worked in the mining industry in Australia for several years and also worked in South Korea for 2 years. 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 all 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 of the Commonwealth board in 2020.

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.

Jessica Clark
Group Reporting Analyst

Jessica 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 6 years at Scott Bader, she wanted to get more involved with Scott Bader's unique governance structure and how the company is run, becoming a Commonwealth Board member in June 2020.

David Black
Quality and IMS Manager,
Scott Bader UK

David has been at Scott Bader UK for six years and 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.

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, and also 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.

He 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.

THE FOLLOWING IS A COPY OF THE AUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS OF SCOTT BADER COMPANY LIMITED

BUSINESS REVIEW

SALES
£270m +37%
2020: £196m

GROSS PROFIT
£76m +8%
2020: £70m

OPERATING PROFIT
£8.3m -31%
2020: £12.1m

PBT
£8.7m -30%
2020: £12.5m

NET CASH
£24m -37%
2020: £37.9m

BUSINESS PERFORMANCE

Annual sales increased by £74m (37%), reflecting volume growth of 9% and selling price uplifts made in response to unprecedented increases in raw material prices that took effect in the first quarter. Despite the raw material price challenge, the Group delivered a strong 2021 financial result with a £6m (8%) increase in Gross Profit.

The Group continued its strategic focus on higher margin per tonne specialist products; and whilst cost management remained a priority, increased operating costs resulted in a £3.8m (31%) decrease in Operating Profit to £8.3m, and a decrease in Profit Before Tax by £3.8m (30%) to £9.3m.

Other operating charges and other external charges increased from 2020 by £5.2m and £5.6m, respectively, reflecting additional costs in relation to commercial activity; logistics and consumables both rose significantly. Additionally, the Group recorded a negative impact of £0.3m in respect of foreign exchange and the repayment of furlough payments of £0.7m.

BALANCE SHEET

Despite the challenging economic environment, the business operations continued to deliver positive cash generation across the year. The significant and sustained increase in raw material pricing, however, adversely impacted working capital (£13m), together with significantly higher capital spend (£13.2m) on business transformation activities, resulting in the year end Group cash position being decreased by £13.9m to £24.0m.

Strong credit control and price management combined with collaborative customer engagement ensured that non-compliant debtor balances remained at levels comparable to 31 December 2020.

The non-controlling interest relates to the 20% University of Liverpool share of the Polymer Mimetics subsidiary as disclosed in note 29.

TAXATION

The tax charge on profit before tax was £1.2m (2020: tax credit £0.2m). See notes 11 and 20 for further detail. The effective rate of tax for 2021 is 18.6% (2020: 15.0%).

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 the 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
COMMERCIAL	Volume, margin, and sales growth; key customers, speciality, and new products
SHE	Lost time accident frequency, process safety and environmental incidents
PEOPLE	Number of employees and staff turnover, gender pay gap, diversity

The key performance measures include:

KPI	2017	2018	2019	2020	2021
Volume movement %	(1.3)	10.8	-	(5.7)	**9.0**
Gross margin[1] growth[2] %	(8.7)	6.7	12.1	4.4	**8.0**
Return[3] on sales %	2.7	2.6	3.3	6.1	**3.1**
Return[3] on net assets[4] %	8.0	7.9	10.4	18.0	**9.8**
Average monthly trade working capital as a % of sales	14.3	16.7	12.9	14.8	**12.5**
Staff turnover %	10.7	6.3	12.9	15.6	**12.3**
Lost Time Incident Frequency Ratio (LTIFR)[5]	1.45	2.70	1.26	1.10	**1.04**

[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

Sales volumes grew over prior year, as the impact of COVID-19 dissipated. Gross margin value rose for the fourth consecutive year, although return on sales fell from a five year high in 2020 of 6.1% to 3.1% for 2021, reflecting the impact of price increases as a result of underlying raw material inflation.

The consequence of increased trade working capital, plus significant capital investment, was a reduction in the Return on Net Assets to 9.8% (2020: 18%).

In comparison to the prior year, average monthly trade working capital as a percentage of sales decreased following the growth of rolling sales as a consequence of price increases due to sustained and significant increased raw material pricing.

Staff turnover also fell from prior year to 12.3% (2020: 15.6%) reflecting a continuation of the organisational changes underway to align the business structure with future strategic goals and a focus on talent development and retention.

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. This measure also included Restricted Duties, making the actual measure stricter than in previous years. On a like-for-like basis, excluding incidents where individuals took on restricted duties, the measure would have been 0.75 (2020: 1.10).

* Lost Time Incident Frequency Rate (Incl. Contractors)

RISK REPORT

APPROACH TO RISK

Risk is an accepted part of doing business. The real challenge for any business is to identify the principal risks and to develop and monitor appropriate controls. A successful risk management process balances risk and reward and relies on a sound judgement of their likelihood and consequence.

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 the Chief Executive Officer acting in the capacity of Chief Risk Officer. The committee held three meetings in 2021. 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 for inclusion in the Annual Report
- Update and review of risk specific scorecards at the site and function level to focus the mitigation activities at the operational level.
- Support of an independent review of the Group's risk management including risk appetite conducted by external advisors, BDO.
- Review of the BDO report and development of an action plan to address key findings, phase one of which was a series of workshops designed to broaden the understanding of risk and increase engagement in the risk management system. Phase two includes an update of the risk scorecards to support the risk statements in the annual report.

The principal risks recommended by the Risk Committee were reviewed by the Board of Directors and the Audit Committee.

2021 RISK MANAGEMENT

In 2021 the business continued to invest in strengthening risk management most noticeably in health and safety and tax compliance and planning. In addition, focus has been on managing significant external risks around the COVID-19 pandemic and the consequent disruption in global material flows with an unprecedented number of Force Majeures being called by suppliers. As a result of the 2021 material shortages, raw material prices continue to be above long-term market averages, resulting in inflationary pressures that have been further amplified by increased energy costs.

Despite the headwinds that the Group is experiencing, the business continues to perform well as we continue to implement COVID safe work practices, develop our supply chain capabilities and continue to manage costs. The cash position of the Group remains healthy despite the higher raw material prices driving up working capital. Despite these challenges, the Directors remain confident that the Group will be sufficiently well capitalised for the foreseeable future based upon 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risks summarised below:

STRATEGIC RISKS: Strategic risks are risks, both internal and external, associated with the business model, corporate strategy and long-term planning.		
RISK / UNCERTAINTY	**MITIGATION**	**YEAR-ON-YEAR CHANGE**
Geopolitical uncertainty and macroeconomic change There is a risk that external geopolitical and macroeconomic factors lead to severe supply chain disruption, loss of revenue, talent and strategic control as well as potential closures of sites.	• Continued evolution of our strategy to consider potential macroeconomic and geopolitical risks • Ongoing monitoring of our exposure against sanctioned countries/businesses/individuals • Our broad market and regional platform minimise the exposure to specific markets. Significant investment is being undertaken to better balance the Group's geographic footprint • Contingency and cost reduction plans are in place for implementation in the event of an economic downturn	The war in Ukraine has demonstrated the interconnectedness and fragility of global supply chains. Furthermore, we envision deep and lasting consequences from geopolitical uncertainties of such proportions.

2021 RISK MANAGEMENT

The Group's key risks summarised (continued):

OPERATIONAL RISKS: Operational risks are risks derived from Scott Bader's core business practices, which rely on systems, equipment and processes.		
RISK / UNCERTAINTY	**MITIGATION**	**YEAR-ON-YEAR CHANGE**
Supply chain management There is a risk that ineffective management of our supply chain causes production delays leading to revenue losses and increased likelihood 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	No change. Management continues to prioritise this risk in the context of increased disruptions and uncertainties due to the effects of the COVID-19 pandemic, Brexit and the conflict in Ukraine.
Health & Safety There is a risk that poor safety performance leads to serious injury, loss of life, temporary or permanent site closure – with potential for exposure to significant penalties.	• Formal Health & Safety strategy, framework and refreshed policies in place with clear KPIs and audits • Investment in Health & Safety resourcing (hiring of Group HSE Manager and further recruitment into the team) • Ongoing engagement with senior management at all our site levels to ensure closing off of HSE actions • Identification of key materials of concern and active development programmes to remove them from our products	No change. This remains a high ongoing risk for the Group and one that continues to receive ongoing investment and monitoring by management.
Security and resilience of plant process control systems There is a risk that we do not identify and/or address IT resilience and security risks related to plant process control systems and locally procured software leading to temporary or permanent site closure, loss of revenue and interruption to our supply chain.	• 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 • Aligned ownership across different facets of the risk across dedicated functions (Operations and IT) and improved standardisation of processes • A global PCS assessment is in progress, with support from third party experts, to help set out PCS automation strategy from 2022	No change. This remains a high ongoing risk for the Group and one that continues to receive ongoing investment and monitoring by management.
Cyber and information security There is a risk that Scott Bader fails to maintain the confidentiality, integrity and availability of information and key systems leading to a loss of customer, personnel or confidential data and resulting in disruption to our business, reputational damage and significant fines.	• Continued improvement and updating of our IT systems, including investment in cloud-based disaster recovery and clear investment plans to mitigate potential for obsolescence • Ongoing assessment of data loss prevention enablers and tooling • Ongoing penetration testing exercises to ensure the effectiveness of existing IT controls	No change. This remains a high ongoing risk for the Group and one that continues to receive ongoing investment and monitoring by management.

2021 RISK MANAGEMENT

The Group's key risks summarised (continued):

FINANCIAL RISKS: Financial risks are risks associated with an organisation's ability to raise capital, maintain access to capital and deliver profitable growth.		
RISK / UNCERTAINTY	**MITIGATION**	**YEAR-ON-YEAR CHANGE**
Volatility of demand There is a risk that a slowdown or acceleration in demand leads to increasing raw material pricing, decreasing raw material availability and results in competition which can impact sales, capacity utilisation, profitability, and cash generation.	• 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	No change. This remains a high ongoing risk for the Group and one that continues to receive ongoing investment and monitoring by management.
Liquidity management and foreign currency exposures There is a risk that the current levels of working capital, anticipated capital investment and strong acquisition pipeline significantly impact liquidity levels across the Group. There is a risk that Group's financial results are materially impacted by adverse currency movements leading to volatility in the reported profits and asset values.	• Development of an in-house treasurer resource to advance Scott Bader's Treasury plan to continue maturity of the Treasury function • Planned programme of work to update and Treasury policies around FX management and hedging • Ongoing monitoring of foreign exchange exposure	Our acquisition pipeline is robust this year and may have a material bearing on liquidity risk. The foreign exchange risk is increased due to fluctuation of the sterling vis-à-vis other currencies in markets we incur a significant proportion of our profits.

2021 RISK MANAGEMENT

The Group's key risks summarised (continued):

PEOPLE RISKS: People risks are risks associated with an organisation's strategy and relationship with its people, including talent attraction and retention, behaviour and culture, industrial relations and learning and development.		
RISK / UNCERTAINTY	**MITIGATION**	**YEAR-ON-YEAR CHANGE**
Attraction and retention of talent There is a risk that Scott Bader fails to attract, develop and retain high quality talent and capabilities required to deliver the firm's strategy and commercial ambitions.	• Scott Bader offers competitive compensation and benefits packages, and we are currently carrying out a salary benchmarking exercise • Regular performance reviews and appraisals • Development of an employee value proposition	New risk
Succession planning There is a risk that unplanned departures and overreliance on key individuals leads to knowledge, customer and supplier relationships and competitive advantage are lost or compromised.	• Succession plans and retention strategies are in place for Group leadership and other key positions • Ongoing talent reviews and succession planning programmes • Talent management programme launched in 2021	New risk

REGULATORY & COMPLIANCE RISKS: Regulatory and compliance risks are risks associated with compliance to laws and regulations, industry standards, contract requirements and internal policies.		
RISK / UNCERTAINTY	**MITIGATION**	**YEAR-ON-YEAR CHANGE**
Changing regulatory environment There is a risk of failing to comply with key laws and regulations across the different regulatory environments in which we operate leading to major regulatory enforcement action, litigation or other claims arising from products and/or historical or ongoing operations.	• Experienced legal counsel, company secretary, tax manager and head of product regulatory affairs have been recruited in the prior year and are 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 • Ongoing support from third party advisors to enhance the Governance, Risk and Compliance Frameworks and to supplement our internal knowledge of regulatory change • Established delegation of authority between Group leadership and local leadership teams in owning local risks and complying with local laws	No change. This remains a high ongoing risk for the Group and one that continues to receive ongoing investment and monitoring by management.

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

CORPORATE GOVERNANCE

THE GROUP BOARD

The Group Board is the Company's Board of Directors. This relates to the Directors responsibility statement on page 54. 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 3 constituencies – the United Kingdom & Eire, Continental Europe, and the Rest of the World

Community Director, Ruzica Geceg, stepped down as a Director on her retirement on 30 June 2021. Jean-Marc Ferran was then appointed to the Board on 1 July 2021.

Executive Director, James McTaggart, resigned his position on leaving the Group in February 2021. Julie Thorburn was then appointed to the Board on 17 March 2021.

New Directors receive formal induction training, including site visits (where feasible) 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 2021, COVID-19 restrictions once again prevented the majority of the Directors from visiting the Group's operating sites outside of their domestic location.

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 receive feedback on their performance and are encouraged to develop a training and development plan.

BOARD MEETINGS

Directors' attendance statistics for the year ended 31 December 2021:

NAME OF DIRECTOR	POSSIBLE MEETINGS	ACTUAL MEETINGS	% ATTENDED
Debbie Baker NXD	6	6	100%
Steven Brown CD	6	6	100%
Matthew Collins XD	6	6	100%
Kevin Matthews XD	6	6	100%
David Rossouw CD	6	6	100%
Paul Smith NXD, Chair	6	6	100%
Dianne Walker NXD, SID	6	6	100%
Julie Thorburn XD	5	5	100%
Ruzica Geceg CD	3	3	100%
Jean-Marc Ferran CD	2	2	100%
James McTaggart XD	1	1	100%

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

COMMITTEES OF THE BOARD OF DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee is chaired by Dianne Walker, FCA, 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.

Responsibilities of the Committee also include oversight of the work of the Group's Risk Committee, its risk management processes and reviews of the scope and effectiveness of the Group's internal controls, including financial, operational and compliance controls (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. The Audit Committee considers the Group's external audit service provision periodically using a competitive tender process; RSM UK Audit LLP were appointed to this role in 2019.

There is ongoing monitoring and review by the Audit Committee of the external auditor's independence, and objectivity and the effectiveness of the audit process; any threats are considered with the auditor. The level of non-audit fees compared to audit fees is kept under review. The Committee is responsible for monitoring non-audit services with the objective that the provision of such services does not impair the auditor's independence or objectivity. In doing so it considers various factors relating to whether it is appropriate for the auditor to provide such services, including that the auditor's skills and experience make it the most suitable supplier. Fees for non-audit services amounted to 42% of the fees paid to RSM for audit, audit-related and other services in 2021 (2020: 31%), the majority of these were tax related.

Considering the Group's scale, risk profile and controls within the Finance function, the Committee and Board have not, historically, believed that a separate internal audit function is required. 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 2022. The Audit Committee has also been satisfied, however, with the significant progress made in 2021 on addressing legacy actions from previous years' internal audit reports and targeting risk areas.

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 reports on governance and risk were delivered in stages during 2021, with the remaining Compliance reporting to be completed in 2022. The Board and Group Leadership Team have received the recommendations made to date and set in place actions and training to ensure the very highest standards of governance and risk management are set.

In 2020 the Audit Committee considered the appropriate benchmark against which to measure the Group's governance arrangements and it was agreed to move towards meeting the standards of the Quoted Companies' Alliance and in 2021 the Board has made significant progress towards compliance with the QCA.

The Audit Committee met on three occasions in 2021, in March, June and October. All members of the Audit Committee were in attendance.

Dianne Walker
Chair of Audit Committee

COMMITTEES OF THE BOARD OF DIRECTORS

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.

The membership comprises two Non-Executive Directors of the Group Board and the Chair of the Group Members' Board. Debbie Baker, (MCIPD), Non-Executive Director, was elected Chair of this committee in 2020.

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 Remuneration Committee met on eight occasions in 2021. All members of the Remuneration Committee were in attendance for all meetings.

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. The Remuneration Committee agreed to increase this salary threshold to £100,000 in December 2021.

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

AREAS OF FOCUS FOR 2021

The Committee have focused on improving the governance around the relatively newly established Committee to ensure that the information was available to support decision making, including formulating a calendar of events around its meetings to help structure and reduce the number of meetings moving into 2022. A Remuneration Policy was drafted and finalised by the Committee in December 2021.

PAY

The Committee reviewed CEO pay ratios for 2021 and approved the first Gender Pay Gap Report for 2020.

As agreed with the Committee, the 2021 Salary Review focused on addressing the priority groups of Engineering and Technology and those colleagues whose remuneration fell below market rate, as well as identified gender pay gaps. The Committee also agreed that the 2021 Salary Review would be backdated to January 2021. Principles for a more robust process for 2022 were agreed, focusing on the introduction of robust performance management review processes.

In line with best practice, it was agreed that an external Executive Salary Benchmark Review, conducted by Willis Towers Watson, would be completed prior to the 2022 Salary Review.

BONUS

The Committee approved a revision to the structure of the 2021 PPP (Profit Performance Plan) scheme, aligning these more closely to Scott Bader's strategic objectives and ensuring that the bonus will pay out in full where these stretching targets are attained.

Wills Towers Watson were appointed to benchmark the level of variable pay and to assist in the design of a scheme which ensures Scott Bader is competitive against the market; this will be a priority for the coming year.

BENEFITS

A global benefit benchmarking survey was completed during the year. It was agreed that a set of benefit principles would be developed to inform and support any adjustments to benefits moving forwards into 2022.

LOOKING AHEAD

Ensuring that we are investing in fair pay and reward within the Group and establishing clear benefit principles will be a key area of focus for the Remuneration Committee during 2022.

Debbie Baker
Chair of Remuneration Committee

COMMITTEES OF THE BOARD OF DIRECTORS

SUSTAINABILITY COMMITTEE

A Group Sustainability Committee was established in 2020 to ensure that, using the seven strategic goals, we achieve carbon neutrality by 2028, and drive a commitment towards meeting our 2036 vision. The Sustainability Committee has used its time to identify relevant sustainability metrics and ratios for R&D; to map out our energy intensive processes; engage with low carbon transition consultants and establish an operational sustainability team. The operational team is Chaired by Andrew Cottrell, Group Operations Director, and has representation from all our manufacturing sites. Their remit is to define and deliver the projects that reduce our Scope 1 and Scope 2 emissions by 60% by 2025. With monthly meetings and a direct report into the Sustainability Committee I believe we now have an effective infrastructure to meet our carbon reduction targets.

Since its inception, several changes within the Sustainability Committee have taken place. I have entered my final term with the Group Board and consequently, I will stand down as Chair of the Sustainability Committee at the end of June. Debbie Baker, Non-Executive Director, will then take on the Chair role and I am pleased to accept her invitation to remain a member of the committee. Debbie has worked in a variety of roles in the energy and chemical industry over the last 20 years and has a proven track record in sustainability management; she also sits on the Council of the Chemical Industries Association and on the Business Growth Committee for the Cheshire and Warrington Local Enterprise Partnership and I am confident her tenure will drive the committee's mandate and deliver upon our net zero and carbon neutrality commitments.

Steven Brown
Community Director,
Chair of Sustainability Committee

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.

RISK COMMITTEE

The Risk Committee, chaired by the Group CEO, Kevin Matthews, 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 pages 38 to 41.

INVESTMENT COMMITTEE

The Investment Committee, chaired by the Group CEO, Kevin Matthews, is responsible for overseeing the investment strategy for the Group, developing the Group's investment objectives and policies on investing according to the financial needs and circumstances of the Group.

COMMITTEES OF THE BOARD OF DIRECTORS

MEMBERSHIP

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

AUDIT COMMITTEE		
Dianne Walker (Chair)	Senior Independent Non-Executive Director	
Debbie Baker	Independent Non-Executive Director	
Ruzica Geceg	Elected Director	Resigned 30 June 2021
David Rossouw	Elected Director	
RISK COMMITTEE		
Kevin Matthews (Chair)	Group Chief Executive Officer / Chief Risk Officer	
Debbie Baker	Independent Non-Executive Director	
Matthew Collins	Group Chief Financial Officer	
Dorota Watzlaw-Kost	Group Compliance Manager	
James McTaggart	Group Operations Director	Resigned 28 February 2021
Andrew Cottrell	Group Operations Director	Appointed 1 July 2021
Jeremy Mutter	Group General Counsel & Company Secretary	Appointed 1 October 2021
REMUNERATION COMMITTEE		
Debbie Baker (Chair)	Independent Non-Executive Director	
Samuel Boustred	Members' Assembly Chair	
Dianne Walker	Senior Independent Non-Executive Director	
SUSTAINABILITY COMMITTEE		
Steven Brown	New Technology Development Manager	
Kershia Munsamy	Accountant, SB Pty Ltd	
Clive Williams	Group Polymer Development Manager	
Ingrid Skalleberg	Product Manager, Adhesives & Tooling	
David Jones	Group SHE and Sustainability Manager	
INVESTMENT COMMITTEE *		
Kevin Matthews (Chair)	Group Chief Executive Officer / Chief Risk Officer	Joined 1 January 2021
Dianne Walker	Senior Independent Non-Executive Director	Joined 1 January 2021
Matthew Collins	Group Chief Financial Officer	Joined 1 January 2021
Jonathan Stowell	Group Commercial Director	Joined 1 January 2021
Samuel Boustred	Members' Assembly Chair	Joined 1 January 2021
Paul Smith	Group Chair	Joined 1 January 2021
Andy Bell	Independent Guardian Trustee Commonwealth Board	Joined 1 August 2021
Jeremy Mutter	Group General Counsel & Company Secretary	Joined 1 January 2021

* Investment Committee was formed 1 January 2021.

COMMITTEES OF THE BOARD OF DIRECTORS

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.

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 2021:

1. Diversification of supply chain

In order to manage the supply chain disruption seen through 2021, along with the significant and sustained increase in raw material pricing, the Group took the decision to expand beyond its historic supplier list. In addition, the Group also took the decision to REACH register certain key raw materials to provide more flexibility within the supply chain. These actions have supported the mitigation of single supplier risk.

2. Repayment of COVID-19 related Government support

Following the decision by the Group Board in early 2021, and as disclosed in the 2020 Financial Statements, local divisions across the Scott Bader Group who accessed support from local government schemes during 2020, made full repayment of these funds where possible. In countries where direct repayment was not possible, the equivalent value of this support was donated to local charities that supported local communities. The full value of the 2020 support of £742,000, was either repaid or donated to charity in full prior to 31 December 2021.

3. Creation of Scott Bader Ireland Ltd

Scott Bader Ireland Limited was incorporated in Ireland on 6 May 2021 to clarify and simplify the group structure, and associated filings. The purpose of the transaction was to support the continuing operations in Ireland for commercial purposes.

4. Investment in US operations

During 2021 the Group acquired a 110,000 square foot industrial unit on a 15-acre site in Mocksville, North Carolina. Development of a substantial, brand new production facility is underway with the intention to invest to bring the site to operational readiness for early 2023. This facility will increase the operational capacity of the Group and fundamentally improve the Groups ability to deliver its products across the Americas region.

5. Implementation of new Transfer Pricing Policy

The Group's Transfer Pricing Policy was updated during 2021 targeting the midpoint of the arm's length ranges for returns from each division. A change of this nature, while not directly impacting the external sales of each entity within the group, will impact the internal pricing applied and therefore the level of trading profit across each region. This then subsequently impacts on taxable profit, which will better reflect the reality of performance across the Group.

6. Publication of the Group's first EESG report

The publication of a first EESG Report in 2021 enabled the Group to benchmark itself against industry and corporate best practice, not only as a reference point but also to add external pressure to drive necessary change within the organisation to ensure we live up to the stated objectives of The Commonwealth.

7. Commencement of Constitutional Review

A Constitutional Review was initiated that will provide new documentation setting out the precise purpose of each of the governing boards and how they interrelate. This will be produced in more than four languages and will improve the governance of the Group and provide further transparency on the interactions and accountability between bodies.

8. Commissioning of an independent examination of Governance, Risk and Compliance

In 2020 the Group Board commissioned an independent review of Scott Bader's Governance and Risk framework.
The Governance Review was completed in 2021 and will support the company in revising its governance operating model to assist the Board in meeting the requirement of the new constitution and to provide the foundation for updated governance framework, policies, practices, procedures, and job responsibilities within the corporate governance infrastructure.
The Risk Management Framework Review was also concluded in 2021 and will support the group in developing a pragmatic, integrated risk management framework. The findings of this exercise will support the achievement of the Board's desired risk maturity level, control framework and associated risk assurance model.

9. Implementation of Oracle

The Group undertook a project to upgrade the current HR system in 2021, moving to Oracle. The project sought to standardise the capture of data, improving the efficiency and effectiveness of recording performance reviews and absences and training, amongst other data. Another benefit of this new system was the improvement in quality and security of data available for management decisions.

The next phase of the Oracle project will be to identify and transition to a leading global payroll solution with improved efficiency and reduced operational risk.

BY ORDER OF THE BOARD

Jeremy Mutter 20 April 2022
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 2021.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Directors report a Group profit on ordinary activities before taxation of £8.7m (2020: £12.5m) on continuing operations for the year ended 31 December 2021. The Directors do not recommend payment of a dividend (2020: 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 2021, the cash position as at 28 February, the projected cashflows and the availability and headroom of the financing facilities across the group.

During the first quarter of 2022 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.

Given continuing economic uncertainty, including adverse macroeconomic changes resulting from the ongoing war in Ukraine, performance forecasts to 30 June 2023 have been generated 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 potential macroeconomic downside because of COVID-19 and other geopolitical factors, 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.

FUTURE DEVELOPMENTS

The impact of Brexit has been felt across the Group with increased work required to ensure ongoing compliance. These additional administrative requirements continue to be a cost for the business, however the impact of this has been limited through pro-active planning.

The Group continues to experience raw material supply shortages due to supplier constraints; the response has included expanding the range of suppliers to mitigating and limit supply chain issues where possible.

The ongoing presence of COVID-19 and the varied response of local governments remains an area of focus as we continue to ensure we focus on the health and livelihood of our colleagues. The business remains in a strong financial position, with a number of opportunities offering strong 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 our 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 £3.8m (2020: £3.3m).

REPORT OF THE DIRECTORS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Currency risk

The Group is an international chemical company. In the international chemical business, many of the raw materials used by the Group are priced in US 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 may 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. Trade 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 monthly and aims to ensure that there is always available headroom in all entities to meet all obligations as they become due. At 31 December 2021 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 COLLEAGUES

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

The Group Leadership Team deliver a monthly briefing highlighting key performance or business challenges to members. In addition, a quarterly webinar has been introduced that allows all colleagues to attend to receive an update on company performance and to ask questions.

Membership of The Scott Bader Commonwealth 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.

Members also have the right 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 colleagues 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 colleagues, having consideration to their aptitudes and abilities.

EQUALITY

Scott Bader remains committed to offering equal opportunities to all and is committed to working towards securing an ISO 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 2021 amounted to £560,000 (2020: £806,851). Of this, £552,000 related to the 2021 donation to Scott Bader Commonwealth Limited, 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 (2020: Nil).

REPORT OF THE DIRECTORS

CORPORATE RESPONSIBILITY

It is our Corporate Responsibility to conduct our manufacturing and distribution businesses in accordance with our principles; we strive to be a role model for the application of these principles and have published the first Employee, Environment, Social and Governance (EESG) Report in 2021 to increase transparency across these critical areas.

TEAM WORKING, FAIRNESS, RESPONSIBILITY, AND COMMITMENT

Our core values remain at the heart of the Group to ensure we work co-operatively and collaboratively across our colleagues, customers and suppliers to deliver excellence, and to conduct ourselves in a fair, honest and ethical way Colleagues are expected to take personal responsibility to do their best for the Group and in so doing, colleagues commit to the principles of common trusteeship and to making the Group a successful and sustainable organisation. Our core values are considered and shared during the selection of new colleagues and are part of our annual appraisal process and included in our new colleague and leadership competency framework launched in 2021.

ETHICAL BUSINESS

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

ENVIRONMENTAL CARE

In 2020 we published our first EESG Report and through this process we established our Scope 1 & Scope 2 carbon footprint, making a commitment to reduce this by 60% over a 5-year period. To support this, we have established an Operational Sustainability Team to identify key projects and investment opportunities to reduce energy consumption across our manufacturing, warehousing, and office areas. In addition, this team will drive and manage future investments to reduce our reliance on fossil fuels across our manufacturing sites.

Scott Bader already purchases electricity from low carbon suppliers in the UK, France and Croatia and our renewable energy certificates allow us to report zero CO_2 for our Scope 2 emissions in these locations. However, in line with the GHG Protocol Corporate Standard, we report 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 believe these to be immaterial given the 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.

2021

<table>
<tr><th rowspan="2">ENERGY CONSUMPTION</th><th colspan="2">SB UK</th><th colspan="2">GROUP</th></tr>
<tr><th>LOCATION BASED</th><th>MARKET BASED</th><th>LOCATION BASED</th><th>MARKET BASED</th></tr>
<tr><td>Non-renewable (GJ)</td><td>80,424</td><td>54,018</td><td>201,419</td><td>157,793</td></tr>
<tr><td>Renewable (GJ)</td><td>151</td><td>26,557</td><td>3,004</td><td>46,629</td></tr>
<tr><td>Total (GJ)</td><td colspan="2">80,575</td><td colspan="2">204,422</td></tr>
<tr><th>GREENHOUSE GAS EMISSIONS</th><th colspan="2">SB UK</th><th colspan="2">GROUP</th></tr>
<tr><td>Scope 1 (TeCO$_2$e)</td><td>2,778</td><td>2,778</td><td>8,204</td><td>8,204</td></tr>
<tr><td>Scope 2 (TeCO$_2$e)</td><td>1,557</td><td>0</td><td>4,116</td><td>2,249</td></tr>
<tr><td>Scope 1 and Scope 2 (TeCO$_2$e)</td><td>4,335</td><td>2,778</td><td>12,320</td><td>10,452</td></tr>
</table>

<table>
<tr><th colspan="2">INTENSITY FACTOR</th><th>SB UK</th><th>GROUP</th></tr>
<tr><td rowspan="3">Energy Intensity</td><td>MJ/Te of product</td><td>2,142</td><td>1,541</td></tr>
<tr><td>GJ/full time employee</td><td>417</td><td>291</td></tr>
<tr><td>MJ/£000's revenue</td><td>906</td><td>757</td></tr>
<tr><td rowspan="3">Carbon Intensity (market based)</td><td>kgCO$_2$e /Te of product</td><td>74</td><td>79</td></tr>
<tr><td>TeCO$_2$e/full time employee</td><td>14</td><td>15</td></tr>
<tr><td>kgCO$_2$e/£000's revenue</td><td>31</td><td>39</td></tr>
</table>

REPORT OF THE DIRECTORS

2020

ENERGY CONSUMPTION		SB UK		GROUP	
		LOCATION BASED	MARKET BASED	LOCATION BASED	MARKET BASED
Non-renewable (GJ)		86,947	61,504	195,265	153,409
Renewable (GJ)		160	25,603	2,970	44,826
Total (GJ)		87,107		198,235	
GREENHOUSE GAS EMISSIONS		SB UK		GROUP	
Scope 1 ($TeCO_2e$)		3,196	3,196	7,927	7,927
Scope 2 ($TeCO_2e$)		1,648	0	3,938	1,997
Scope 1 and Scope 2 ($TeCO_2e$)		4,844	3,196	11,864	9,924
INTENSITY FACTOR		SB UK		GROUP	
Energy Intensity	MJ/Te of product	2,447		1,599	
	GJ/full time employee	309		286	
	MJ/£000's revenue	1,307		1,009	
Carbon Intensity (market based)	$kgCO_2e$ /Te of product	90		80	
	$TeCO_2e$/full time employee	11		14	
	$kgCO_2e$/£000's revenue	48		51	

The 2020 data noted above has been updated to reflect improved utilisation of CO_2 emissions data, which provides for an increased level of accuracy for reporting purposes.

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.

COLLEAGUE 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 with the right skills and competencies and encourage motivation, commitment, and loyalty. We will treat colleagues 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 our colleagues to be the best they can be for their own fulfilment 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)		
Debbie Baker (Independent Non-Executive)		
Steven Brown (Elected)		
Matthew Collins (Group Chief Financial Officer)		
Jean-Marc Ferran (Elected)	1 July 2021	
Ruzica Geceg (Elected)		30 June 2021
Kevin Matthews (Group Chief Executive Officer)		
James McTaggart (Group Operations Director)		28 February 2021
David Rossouw (Elected)		
Julie Thorburn (Group HR Director)	17 March 2021	
Dianne Walker (Senior Independent Non-Executive)		

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.

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 20 April 2022
Secretary

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

TO THE MEMBERS OF SCOTT BADER COMPANY LIMITED

OPINION

We have audited the financial statements of Scott Bader Company Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, consolidated balance sheet, company balance sheet consolidated statement of changes in equity, company statement of changes in equity, 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 2021 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,

INDEPENDENT AUDITORS REPORT

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:

- 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 operate 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 internal and 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 correspondence with licensing or regulatory authorities.

INDEPENDENT AUDITORS REPORT

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where 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 significant, unusual transactions and transactions entered into outside the normal course of business, review of accounting policies in relation to revenue recognition and sample testing revenue.

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 1BP

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2021	2020
		£'000	£'000
Group Turnover	5	270,039	196,496
Change in stocks of finished goods and goods for resale		8,251	989
Other operating income	6	286	905
		278,576	198,390
Raw materials and consumables		183,715	113,698
Other external charges		25,715	20,066
Staff costs	7	40,957	37,656
Depreciation and amortisation		5,262	5,410
Other operating charges		14,608	9,452
		270,257	186,282
Operating profit	8	8,319	12,108
Share of profit in joint ventures		280	188
Profit on ordinary activities before interest and taxation		8,599	12,296
Interest payable and similar charges	9(a)	(95)	(96)
Interest receivable and similar income	9(b)	187	253
Profit on ordinary activities before taxation		8,691	12,453
Taxation on profit on ordinary activities	11(a)	(1,174)	233
Profit for the financial year		7,517	12,686
Attributable to Group		7,486	-
Attributable to Non-Controlling Interest		31	-
Profit for the financial year		7,517	12,686

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021	2020
		£'000	£'000
Profit for the financial year		**7,517**	12,686
Other comprehensive income:			
Re-measurement loss on defined benefit pension scheme	21	**1,183**	4,018
Total tax on components of other comprehensive income	11(b)	**(292)**	(756)
Currency translation differences		**(992)**	(358)
Cash flow hedges			
- Change in value of hedging instrument	22	**44**	14
Other comprehensive income for the year, net of tax		**(57)**	2,918
Total gains recognised since date of last annual report		**7,460**	15,604

Attributable to Group		**7,429**	-
Attributable to Non-Controlling Interest		**31**	-
Total gains recognised since date of last annual report		**7,460**	15,604

CONSOLIDATED AND COMPANY BALANCE SHEETS

	Notes	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020 (restated)
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12	272	418	71	107
Tangible assets	13	48,729	41,615	3,115	2,036
Investments	14	591	615	27,393	28,919
		49,592	42,648	30,579	31,062
Current assets					
Stocks	15	32,898	19,843	-	-
Debtors	16	49,498	40,531	24,703	13,630
Cash at bank and in hand		32,186	40,401	7,565	9,831
		114,582	100,775	32,268	23,461
Creditors:					
Amounts falling due within one year	17	61,237	44,532	27,312	16,750
Net current assets		53,345	56,243	4,956	6,711
Total assets less current liabilities		102,937	98,891	35,535	37,773
Creditors:					
Amounts falling due after more than one year	18	1,366	1,993	-	-
Provisions for liabilities	20	5,536	6,735	1,442	533
Net assets excluding pension asset		96,035	90,163	34,093	37,240
Pension asset	21	16,796	15,208	-	-
Net assets including pension asset		112,831	105,371	34,093	37,240
Capital and reserves					
Called up share capital	23	50	50	50	50
Revaluation reserve		-	15	-	-
Profit and loss account		112,750	105,306	34,043	37,190
Equity attributable to owners of the parent		112,800	105,371	34,093	37,240
Non-Controlling Interest		31	-	-	-
Total shareholders' funds		112,831	105,371	34,093	37,240

The financial statements on pages 59 to 88 were approved and authorised for issue by the Board of Directors on 20 April 2022 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 in the financial statements of Scott Bader Company Limited was £3,147,000 (2020: £1,433,000)

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

GROUP

	Called up share capital	Revaluation reserve	Retained earnings	Non-Controlling Interest	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2020	**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**
Profit for the year	-	-	7,486	31	7,517
Other comprehensive income	-	-	(57)	-	(57)
Total comprehensive income for the year	-	-	7,429	31	7,460
Transfer to retained earnings	-	(15)	15	-	-
Balance as at 31 December 2021	**50**	-	**112,750**	**31**	**112,831**

COMPANY

	Note	Called up share capital	Retained earnings	Total
		£'000	**£'000**	**£'000**
Balance as at 1 January 2020		**50**	**38,080**	**39,130**
Adjustment for prior periods	30	-	(457)	(457)
Balance as at 1 January 2020 (restated)		50	38,623	38,673
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**	**37,190**	**37,240**
Loss for the year		-	(3,147)	(3,147)
Total comprehensive income for the year		-	(3,147)	(3,147)
Balance as at 31 December 2021		**50**	**34,043**	**34,093**

GROUP CASH FLOW STATEMENT

	Notes	2021		2020	
		£'000	£'000	£'000	£'000
Net cash from operating activities	24		894		19,543
Taxation paid			(1,633)		(514)
Net cash generated from operating activities			739		19,029
Cash flow from investing activities					
Purchase of tangible assets		(13,006)		(5,681)	
Purchase of intangible assets		-		(208)	
Proceeds from disposals of tangible assets		(4)		43	
Interest received		187		41	
Dividends received from joint ventures		96		56	
Net cash used in investing activities			(12,727)		(5,749)
Cash flow from financing activities					
Receipts from bank loan facilities		-		51	
Repayment of bank loans		(590)		(451)	
Interest paid		(95)		(95)	
Net cash used in financing activities			(685)		(495)
Net increase in cash and cash equivalents			(14,151)		12,785
Effect of exchange rates on cash and cash equivalents			(473)		136
Cash and cash equivalents at the beginning of the year			40,401		27,480
Cash and cash equivalents at the end of the year			25,777		40,401
Cash and cash equivalents consist of:					
Cash at bank and in hand			32,186		40,401
Bank overdrafts			(6,409)		-
Cash and cash equivalents at the end of the year			25,777		40,401

Within cash and cash equivalents is a balance of £459,000 (2020: £459,000) 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

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account. The Company has also taken advantage of the exemption from disclosing the following information in its company only accounts, as permitted by the reduced disclosure regime within FRS 102:-

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures

- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Interest income/expense and net gains/losses for financial instruments not measured at fair value, amount of any impairment loss, risks arising from financial instruments, and transferred financial assets not derecognised, loan defaults or breaches, and descriptions of hedging relationships.

- Section 33 'Related Party Disclosures' – Compensation for key management personnel

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 2021, the cash position as at 28th February 2022, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency (continued)

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

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

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

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity.

(i) Sale of goods
The risks and rewards of ownership of goods are deemed to have been transferred when the goods are shipped to or collected 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.

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'.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

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

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

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
Technology	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 & 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 50 years, except that premiums paid or receivable on the acquisition of

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets and depreciation (continued)

leasehold properties applicable to rental benefits are written off over the period to the first open market rent review.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions and contingencies (continued)

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.

Bills of exchange are recognised at face value and recorded at amortised cost until the date of maturity and the payment against it is realised.

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.

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

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

(i) Impairment of debtors (note 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.

Provision is also made for potential future tax liabilities incurred within the group, and for the release of any such provisions, as a result of prior year restatements. These provisions require management's best estimate of the costs that will be incurred based on available expert opinion and legislative requirements.

Provision is also made for potential future payment for the required restitution of land when subsidiary companies vacate premises currently occupied. These provisions require management's best estimate of the costs that will be incurred based on available expert opinion and legislative requirements.

(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.

NOTES TO THE FINANCIAL STATEMENTS

5. TURNOVER

Turnover by geographical market is analysed below:	2021 £'000	2020 £'000
UK and Eire	56,374	38,283
Continental Europe	100,052	71,530
Rest of World	113,613	86,683
	270,039	196,496

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

	2021 £'000	2020 £'000
Royalties receivable	100	175
Rents receivable	15	21
Others	171	709
	286	905

NOTES TO THE FINANCIAL STATEMENTS

7. STAFF COSTS

	2021	2020
	£'000	£'000
Wages and salaries	**25,684**	24,446
Staff bonuses	**4,944**	3,288
Other staff benefits	**3,132**	2,993
Social security costs	**3,855**	3,465
Pension costs - current service	**2,008**	1,906
Other retirement provisions	**(46)**	403
Redundancy	**1,380**	1,155
	40,957	37,656

The monthly average number of employees of the Group, including Directors, by geographical area was as follows:	2021 Number	2020 Number
UK and Eire	**298**	289
Continental Europe	**207**	198
Rest of World	**198**	207
	703	694

Directors	2021	2020
Group staff costs include the following remuneration in respect of Directors:*	£'000	£'000
Basic salary	**1,014**	922
Pension contributions and other benefits	**228**	276
Settlement agreement	**72**	-
Bonuses	**164**	80
	1,478	1,278
The remuneration of the highest paid Director was:		
Total emoluments excluding pension contributions	**343**	321
Payments to defined contribution scheme	**3**	7
	346	328

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

The highest paid Director in 2021 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 £1,888,000 (2020: £1,770,000). 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

	2021	2020
Operating profit is stated after charging/(crediting) the following items:	£'000	£'000
Research and development	3,825	3,250
Depreciation and amortisation	5, 262	5,410
Loss / (profit) loss on disposal of tangible assets	45	(9)
Impairment of trade receivables	(147)	(42)
Impairment of inventory	606	21
Operating lease rentals	1,416	1,377
Foreign exchange gain	(461)	(43)
Auditors' remuneration:		
Fees payable to the Company's auditors:		
- for the audit of the Company's financial statements	38	20
- for the audit of the Company's subsidiaries	283	178
Other non-audit fees	144	21

9. INTEREST AND SIMILAR ITEMS

	Notes	2021	2020
a) Interest payable and similar charges:		£'000	£'000
Interest expense on bank loans and overdrafts		89	92
Interest expense on other loans		6	4
Total interest expense on financial liabilities not measured at fair value through profit or loss		95	96
Total interest payable and similar charges		95	96
b) Interest receivable and similar income:			
Bank interest received		12	41
Net interest income on post-employment benefits	21	175	212
Total interest receivable and similar charges		187	253

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 of Scott Bader Company Limited was £3,147,000 (2020: loss £1,433,000).

NOTES TO THE FINANCIAL STATEMENTS

11. INCOME TAX

	2021	2020
a) Tax expense included in profit or loss	£'000	£'000
Current tax:		
– UK Corporation tax on profits for the year	603	602
– Foreign corporation tax on profits for the year	1,613	1,325
– Adjustment in respect of prior periods	813	(1,671)
Group current tax	3,029	256
Share of joint ventures' current tax	-	-
Total current tax	3,029	256
Deferred tax:		
– Change in tax rate	566	-
– Origination and reversal of timing differences	(781)	(340)
– Adjustment in respect of prior periods	(1,640)	(149)
Group and total deferred tax	(1,855)	(489)
Group current tax	3,029	256
Group deferred tax	(1,855)	(489)
Group tax on profit on ordinary activities	1,174	(233)
b) Tax expense included in other comprehensive income		
Deferred tax:		
– Origination and reversal of timing differences	(292)	(756)
Total tax expense included in other comprehensive income	(292)	(756)
(c) Reconciliation of tax charge		
The tax assessed for the year is higher (2020: lower) than the standard rate of corporation tax in the UK 19% (2020: 19%). The differences are explained below:		
Profit on ordinary activities before tax	8,691	12,453
Profit on ordinary activities at standard rate of corporation taxation in the UK: 19% (2020: 19%)	1,651	2,366
Effects of:		
Foreign subsidiary profits within zero tax rate regime	(557)	(1,013)
Other adjustments in respect of foreign tax rates	311	394
(Income) / Expenses not subject to tax	142	95
Unrecognised deferred tax	(111)	(280)
Withholding tax suffered	-	7
Re-measurement of deferred tax (change in tax rate)	566	-
Prior year adjustment	(828)	(1,802)
Group tax on profit on ordinary activities:	1,174	(233)

NOTES TO THE FINANCIAL STATEMENTS

11. INCOME TAX (CONTINUED)

Change in Effective Tax Rate
The Effective Tax Rate (ETR) of the Group (excluding prior year adjustments) increased by 3.6% to 18.6% (2020: 15.0%).

A revised Group Transfer Pricing Policy was implemented, with effect from 1 January 2021, to reflect significant organisation changes and the resultant impact on the value drivers of the Group's business. The revised policy has increased the Group's ETR by approximately 3.4% on an ongoing basis, reflecting the combined effect of local rates of taxation in the Group's various business territories. Other, less material, changes served to further reduce the ETR by 0.2%.

Change in Corporation Tax rate
The UK Corporation Tax rate will remain at 19% until April 2023. During the financial year, the UK Government announced an increase in the rate of UK Corporation Tax to 25%, from 1 April 2023. This tax rate was enacted on 10 June 2021 in Section 6 of the Finance Act 2021, and has been reflected in the deferred tax balances as at 31 December 2021.

12. INTANGIBLE ASSETS

	Goodwill	Technology	Group Total	Company Technology
	£'000	£'000	£'000	£'000
Cost at 1 January 2021	1,456	1,066	2,522	2,482
Cost at 31 December 2021	**1,456**	**1,066**	**2,522**	**2,482**
Accumulated Amortisation at 1 January 2021	1,145	959	2,104	2,375
Charge for the year	110	36	146	36
At 31 December 2021	**1,255**	**995**	**2,250**	**2,411**
Net book value at 31 December 2021	**201**	**71**	**272**	**71**
Net book value at 31 December 2020	311	107	418	107

NOTES TO THE FINANCIAL STATEMENTS

13. TANGIBLE FIXED ASSETS

GROUP	LAND AND BUILDINGS				
	Freehold	Short leasehold	Plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation:					
At 1 January 2021	35,267	4,681	81,588	477	122,013
Additions	5,812	56	7,138	-	13,006
Disposals	(128)	-	(474)	-	(602)
Difference on exchange	(1,040)	96	(1,422)	(55)	(2,421)
At 31 December 2021	**39,911**	**4,833**	**86,830**	**422**	**131,996**
Accumulated Depreciation:					
At 1 January 2021	18,285	2,449	59,339	327	80,400
Charge for the year	876	217	3,988	35	5,116
Disposals	(66)	-	(487)	-	(553)
Difference on exchange	(517)	45	(1,205)	(19)	(1,696)
At 31 December 2021	**18,578**	**2,711**	**61,635**	**343**	**83,267**
Net book value					
At 31 December 2021	**21,333**	**2,122**	**25,195**	**79**	**48,729**
At 31 December 2020	**16,982**	**2,234**	**22,249**	**150**	**41,615**

Assets in the course of construction and on which depreciation has yet to commence are included in the cost of Plant & Equipment to the value of £4,466,000 (2020: £3,286,000). Freehold land of £6,437,000 (2020: £1,523,000) is not depreciated.

COMPANY	
Cost	**£'000**
At 1 January 2021	8,653
Additions	1,662
At 31 December 2021	**10,315**
Depreciation	
At 1 January 2021	6,617
Charge for the year	583
At 31 December 2021	**7,200**
Net Book Value	
At 31 December 2021	**3,115**
At 31 December 2020	2,036

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES AND GROUP UNDERTAKINGS

	GROUP		COMPANY	
	2021	2020	2021	2020
Shares in Group undertakings:	£'000	£'000	£'000	£'000
Cost:				
At 1 January	-	-	29,409	29,301
Additions	-	-	1,906	108
Return of Capital	-	-	(3,432)	-
At 31 December	-	-	27,883	29,409
Provision for diminution in value:				
At 1 January	-	-	(784)	(784)
At 31 December	-	-	(784)	(784)
Net book value: At 31 December	-	-	27,099	28,625
Interests in joint ventures:				
At 1 January	615	581	294	294
Share of profits	280	188	-	-
Dividend received	(96)	(56)	-	-
Difference on foreign exchange	(208)	(98)	-	-
At 31 December	591	615	294	294
Total fixed asset investments	591	615	27,393	28,919

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

The Group operated a sales branch based in Dublin for some years. A net asset transfer was completed on 1 July 2021, transferring the branch assets into SB Ireland Limited, a new subsidiary undertaking.

15. STOCKS

	GROUP	
	2021	2020
	£'000	£'000
Raw materials and consumables	11,634	7,240
Finished goods and goods for resale	21,264	12,603
	32,898	19,843

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

NOTES TO THE FINANCIAL STATEMENTS

16. DEBTORS

	GROUP		COMPANY	
	2021	2020	2021	2020 (restated)
	£'000	£'000	£'000	£'000
Trade debtors	44,597	37,218	-	-
Amounts owed by Group undertakings	46	-	19,329	12,225
Corporation tax recoverable	72	472	-	-
Deferred tax asset	-	-	2,525	-
Other taxation recoverable	1,794	448	1,560	297
Other debtors	1,265	1,152	522	379
Prepayments and accrued income	1,724	1,241	767	729
	49,498	40,531	24,703	13,630

Trade debtors are stated after provisions for impairment of £289,000 (2020: £580,000).

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2021	2020	2021	2020 (restated)
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	6,872	596	2,805	90
Bank and other borrowings (note 19)	6,872	596	2,805	90
Trade creditors	40,909	31,537	953	635
Bills of exchange payable	337	229	-	-
Amounts owed to Group undertakings	1,389	1,060	21,194	13,919
Corporation tax	1,274	251	-	-
Other taxation and social security	1,742	2,025	103	-
Other creditors	948	667	-	-
Accruals and deferred income	7,766	8,167	2,257	2,106
	61,237	44,532	27,312	16,750

Amounts owed by the Group to Group undertakings relate to the balance payable 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 £14,209,000 (2020: £11,185,000) 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.

Amounts owed by the Group through an overdraft facility amounted to £6,409,000 as at 31 December 2021 (2020: £nil). The facility is denominated in various currencies with the net overdraft balance on any individual currency incurring a charge of 1.25%. The bank has a charge over the assets of the companies in relation to the overdraft.

NOTES TO THE FINANCIAL STATEMENTS

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

	GROUP	
	2021	2020
Loans	£'000	£'000
Within one to two years	408	495
Within two to five years	875	1,112
In five years or more	25	284
	1,308	1,891
Derivative financial instruments		
Within two to five years	58	-
In five years or more	-	102
	1,366	1,993

19. LOANS AND OTHER BORROWINGS

	GROUP		COMPANY	
Loans repayable, included within creditors, are analysed as follows:	2021 £000	2020 £000	2021 £000	2020 £000
Due within one year or on demand				
Bank loans and overdrafts	6,872	596	2,805	90
Due after more than one year				
Bank loans	1,308	1,891	-	-
Total borrowings	8,180	2,487	2,805	90

Maturity of financial liabilities				
In one year or less, or on demand	6,872	596	-	-
In more than one year, but not more than two years	408	495	-	-
In more than two years, but not more than five years	875	1,112	-	-
In more than five years	25	284	-	-
	8,180	2,487	-	-

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
Loan without interest, payable by 60 equal instalments	25	40
	25	284

£1,452,000 (2020: £1,915,000) of Group borrowings are secured by fixed and floating charges over the Company's and various subsidiaries' assets.

NOTES TO THE FINANCIAL STATEMENTS

Other Group bank loans

Other bank loans include 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 2021 the outstanding amount was €1,695,000 (£1,424,000). They are all secured by a charge over the Group's trading subsidiary in France. These loans have variable rates and during 2021 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 31 December 2021 is €284,000 (2020: €444,000). 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%.

20. PROVISIONS FOR LIABILITIES

	GROUP				
	Establishment	Leaving Provisions	Retirement Benefits	Deferred Tax	Total
	£'000	£'000	£'000	£'000	**£'000**
At 1 January 2021	780	1,977	2,294	1,684	**6,735**
Foreign exchange impact	-	15	(49)	(28)	**(62)**
Amounts charged to the profit and loss account	330	201	(35)	(1,855)	**(1,359)**
Amounts used during the year	-	-	(70)	292	**222**
At 31 December 2021	1,110	2,193	2,140	93	**5,536**

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) £1,442,000 (2020: £1,422,000) 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 2021 and 2037.

b) £697,000 (20: £872,000) 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

20. PROVISIONS FOR LIABILITIES (CONTINUED)

Deferred taxation:	**2021**	**2020**
The deferred tax liability consists of the following liabilities / (assets):	**£'000**	£'000
Excess of capital allowances over depreciation	**58**	1,893
Short term timing differences	**(949)**	(884)
Revaluation of tangible assets	**-**	3
Post-employment benefits	**4,199**	1,732
Losses	**(3,215)**	(1,060)
	93	1,684

Company
£1,442,000 (2020: £1,422,000) of the retirement benefits provision relates to the Company. The increase during the year amounted to £20,000, representing a £70,000 release of the provision and an increase in expected liabilities amounting to £90,000.

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:

- Potential £460,000 pa in respect of 1 July 2021 to 31 December 2028

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:

	2021	**2020**
Rates of increase in salaries	**n/a**	n/a
Rate of increase in 5% LPI pensions in payment	**3.40%**	3.20%
Rate of increase in 5% LPI pensions with 3.5% underpin in payment	**3.90%**	3.80%
Rate of increase in pensions in deferment	**2.50%**	2.20%
Discount rate	**1.80%**	1.15%
Inflation assumption	**3.50%**	3.20%

NOTES TO THE FINANCIAL STATEMENTS

21.POST EMPLOYMENT BENEFITS (CONTINUED)

(a) Defined benefit scheme (continued)

Assumed life expectancies on retirement at age 60:		2021	2020
		Years	Years
Retiring today	Males	26.3	26.6
	Females	29.0	29.1
Retiring in 10 years	Males	26.9	27.2
	Females	29.7	29.9

Reconciliation of scheme assets and liabilities:	Assets	Liabilities	Total
	£'000	£'000	£'000
At 1 January 2021	164,343	(149,135)	15,208
Remeasurement gains / (losses			
- Experience (losses) on liabilities	-	(1,605)	(1,605)
- Changes to demographic assumptions	-	1,786	1,786
- Actuarial gain		11,424	11,424
- Return on plan assets excluding interest income	(10,422)	-	(10,422)
Net remeasurement gains	10,422	11,605	1,183
Benefits paid	(5,740)	5,740	-
Employer contributions	230	-	230
Interest income/(expense)	1,857	(1,682)	175
At 31 December 2021	**150,268**	**(133,472)**	**16,796**

No amounts (2020: Nil) were included in the cost of assets.	2021	2020
The fair values of the plan assets were:	£'000	£'000
Equities	9,857	11,197
Gilts and LDI funds	110,600	119,400
Corporate Bonds	25,124	29,492
Cash & net current assets	4,687	4,254
	150,268	164,343

(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 provided by their local employer.

	GROUP		COMPANY	
The amount recognised as an expense for these defined contribution schemes was:	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current period contributions	1,992	1,906	546	415

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS

	Notes	GROUP 2021 £'000	GROUP 2020 £'000	COMPANY 2021 £'000	COMPANY 2020 £'000
Financial liabilities measured at fair value through profit or loss:					
- Derivative financial instruments	18	**(58)**	(102)	-	-

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 £(58,000) (2020: £(102,000)).

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 £44,000 (2020: £14,000) was recognised in other comprehensive income for changes in the fair value of the interest rate swap.

23. SHARE CAPITAL RESERVES

	GROUP AND COMPANY 2021 £'000	GROUP AND COMPANY 2020 £'000
Share Capital:		
Authorised, allotted, and fully paid		
10,000 (2020: 10,000) Trustee shares of 50p each	**5**	5
90,000 (2020: 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: £n/a
(2020: £15,000)
Freehold land and buildings were revalued at 29 December 1989 and the revaluation reserve represented the remaining unamortised excess valuation at this date over the original cost. The final balance was amortised in 2021.

P&L Reserve: £111,288
(2020: £105,306)
The profit and loss account reserve represents cumulative profits and losses, including unrealised profit on the remeasurement of the Pension asset.

NOTES TO THE FINANCIAL STATEMENTS

24. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities	2021 £'000	2020 £'000
Profit for the financial year	7,517	12,686
Adjustments for:		
Tax on profit on ordinary activities	1,174	(233)
Net interest expense	(92)	(157)
Share of profit in joint ventures	(280)	(188)
Operating profit	8,319	12,108
Depreciation and amortisation	5,262	5,410
Profit on disposal of tangible assets	(45)	9
Exchange difference – (gain) / loss	211	(699)
Contributions to UK defined benefit pension scheme	(230)	(789)
Decrease in stocks	(13,055)	(1,683)
Decrease in debtors	(9,367)	(643)
Increase in creditors	9,406	6,685
Increase / (decrease) in provisions	393	(855)
Net cash inflow from operating activities	894	19,543

(b) Analysis of changes in net debt

	GROUP			
	At 1 January 2021	Cash flows	Foreign exchange movement	At 31 December 2021
Cash and Equivalents:		£'000		£'000
Cash	40,401	(8,215)	-	**32,186**
Overdraft	-	(6,409)	-	**(6,409)**
	40,401	(14,624)	-	**25,777**
Borrowings:				
Borrowings - repayable within one year	(596)	92	41	**(463)**
Borrowings - repayable after one year	(1,891)	498	85	**(1,308)**
	(2,487)	590	126	**(1,771)**
Net Cash	37,914	(14,034)	126	**24,006**

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.

NOTES TO THE FINANCIAL STATEMENTS

26. CAPITAL AND OTHER COMMITMENTS

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	£'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	**1,601**	37	**-**	-
b) future minimum lease payments under non-cancellable operating leases for each of the following periods:				
Not later than one year	**1,240**	1,294	**71**	67
Later than one year and not later than five years	**2,440**	3,179	**100**	129
Later than five years	**1,381**	1,962	**-**	-
	5,061	6,435	**171**	196

27. RELATED PARTIES

Company and Group

The Company received dividends from Novascott Especialidades Quimicas Ttda of £96,000 (2020: £56,000), one of the Group's joint ventures, during the year. The Company has granted manufacturing licences to Satyen Scott Bader, one of the Group's joint ventures during the year. At the year-end £Nil (2020: £Nil) was outstanding.

Revenue in relation to the share of profit in joint ventures of £280,000 (2020: £188,000) has been recognised in the profit and loss account.

The Company has charged £552,000 (2020: £795,000) in the 2020 financial statements as a donation to The Scott Bader Commonwealth Limited. In addition, the Company charged The Commonwealth £45,199 for management services (2020: £38,088). The net balance of money owed by Scott Bader Company Limited to The Scott Bader Commonwealth Limited was £1,307,000 (2020: £1,060,000).

The Company has provided a capital contribution to Polymer Mimetics Limited of £431,000 (2020: £154,000).

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 2021. Copies of group financial statements can be obtained from:

Scott Bader Commonwealth Limited
Wollaston Hall
Wollaston
Wellingborough
Northamptonshire
NN29 7RL

NOTES TO THE FINANCIAL STATEMENTS

29. SUBSIDIARIES AND RELATED UNDERTAKINGS

Subsidiary undertakings

The group holds 100% of the issued shares of all subsidiaries in the following 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	Manufacture of resins	One The Esplanade, St Helier, Jersey, JE 3QA, Channel Islands
Scott Bader d.o.o. [2]	Croatia	Manufacture of resins	Radnička cesta 173 i, 10000 Zagreb
Scott Bader (Pty) Ltd[1]	South Africa	Manufacture of resins	1 Lubex Road, PO Box 1539, Hillcrest 3650, Hammarsdale, Kwazulu Natal, South Africa
Scott Bader ATC Inc.	Canada	Manufacturer of adhesives	2400, Canadien Street #303, Drummondville (Qc), J2C 7W3, Canada
Scott Bader Scandinavia AB[1]	Sweden	Distributor of resins	BOX 202, 31123 Falkenberg
Scott Bader Eastern Europe[1]	Czech Republic	Distributor of resins	Evropska 2588/33a, Dejvice, 160 00 Praha 6
Scott Bader Iberica SL[1]	Spain	Distributor of resins	Avda. Corts Catalanes, 8, 08173 Sant Cugat del Valles-Barcelona
Scott Bader Inc [3]	USA	Distributor of resins	Registered Agent Solutions, Inc., 9E. Loockerman Street, Suite 311, Dover, DE 19901
Scott Bader (Shanghai) Trading Company Ltd	China	Distributor of resins	Room 2402, Hitch Plaza 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 Ireland Ltd	Ireland	Distributor of resins	7a Dunboyne Industrial Est, Dunboyne, Co. Meath, Ireland
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.

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.

NOTES TO THE FINANCIAL STATEMENTS

29. SUBSIDIARIES AND RELATED UNDERTAKINGS (CONTINUED)

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

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 City MH 400013 IN

[1] shares held by Scott Bader Brazil Limited

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

NOTES TO THE FINANCIAL STATEMENTS

30. ADJUSTMENT FOR PRIOR PERIODS

During the year ended 31 December 2021, the Group reviewed the recoverability of a legacy trading balance between Scott Bader Company Limited and Scott Bader (Pty) Limited related to historic management fees. On investigation, the South African Reserve bank would not allow the balance to be settled, as this would require the basis of charge to be supported by formal signed documentation. As such without the appropriate support the balance should never have charged to the subsidiary entity and therefore the revenue and associated debtor should not have been reflected within the accounts for the periods to which it related.

Consequently, owing to the size and materiality of the accumulated charge (£457,000), an adjustment for prior periods has been applied to Scott Bader Company Limited on a standalone basis for the financial year ended 31 December 2020, with an adjustment to the profit and loss account reserve as at that date for the amounts required to reverse the charge which had been recognised in the periods prior to 2018.

There is no impact at a consolidated level.

COMPANY		31 DECEMBER 2020		
	Notes	As originally reported	Restatement	As restated
		£'000	£'000	£'000
Fixed assets				
Intangible assets	12	107	-	107
Tangible assets	13	2,036	-	2,036
Investments	14	28,919	-	28,919
		31,062	-	31,062
Current assets				
Stocks	15	-	-	-
Debtors	16	14,087	(457)	13,630
Cash at bank and in hand		9,831	-	9,831
		23,918	**(457)**	**23,461**
Creditors:				
Amounts falling due within one year	17	16,750	-	16,750
Net current assets		**7,168**	**(457)**	**6,711**
Total assets less current liabilities		38,230	**(457)**	37,773
Creditors:				
Amounts falling due after more than one year	18	-	-	-
Provisions for liabilities	20	533	-	533
Net assets excluding pension asset		37,697	**(457)**	37,240
Pension asset	21	-	-	-
Net assets including pension asset		37,697	**(457)**	37,240
Capital and reserves				
Called up share capital	23	50	-	50
Revaluation reserve		-	-	-
Profit and loss account		37,647	**(457)**	37,190
Total shareholders' funds		**37,697**	**(457)**	**37,240**

31. SUBSEQUENT EVENTS

The following incident occurred subsequent to 31 December 2021:

- Russia invaded Ukraine on 24 February 2022 in an act of aggression, and at present the conflict in Ukraine continues with unknown consequences across the globe. There is expected to be a significant impact with regards to both the supply of key raw materials in line with the impact experienced across the chemicals industry as well as higher energy costs. The full impact on the Group cannot be quantified at the date of these Financial Statements, but the Group has identified the need to continue close monitoring of its exposure in this region and costs in general

Recent Group forward forecasts and actual results since the balance sheet date, lead management to conclude that the Scott Bader Group remains well-positioned to navigate through these uncertain times, and without requirement for adjustments to these Financial Statements as presented.

SCOTT BADER GROUP COMPANIES

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SCOTT BADER
*Making a **positive** difference*

INVESTORS IN PEOPLE
We invest in people Gold

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