SCOTT BADER

*Making a **positive** difference*

2022 SCOTT BADER ANNUAL REPORT

SCOTTBADER.COM

SCOTT BADER LIMITED COMPANY INFORMATION

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00189141

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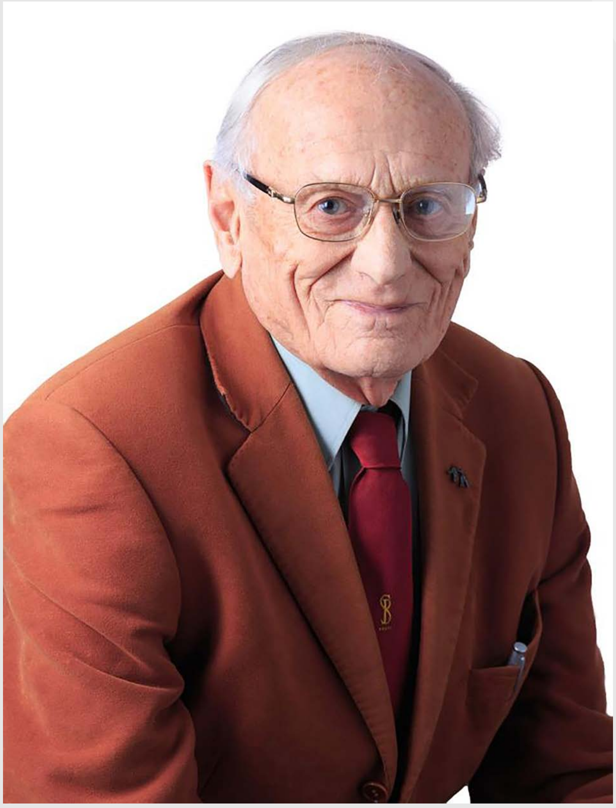


1923 – 2022

Godric Ernest Scott Bader, a lifelong, passionate advocate of Common Ownership in industry, and Scott Bader's Life President and former Managing Director, passed away peacefully at home on 7th July 2022 at the age of 98.

IN MEMORY OF GODRIC BADER, LIFE PRESIDENT OF SCOTT BADER

Godric was a visionary who sought the complete transformation of industry, so as to bring about peace and justice in the world. Common Ownership was his chosen vehicle. For him, Common Ownership meant not only that businesses should be held in trust and directed for the benefit of all employees of the business, but also that businesses should be run in accordance with clear ethical, spiritual, social and environmental values.

Godric was born in 1923 to Ernest and Dora Bader (nee Scott). Ernest Bader (1890-1982) was a Swiss émigré, who moved to England in 1912. He had claimed exemption from Swiss military service on conscientious grounds. He settled in East London and started in business in 1921 as the sole agent for a Swiss manufacturer of celluloid. He quickly added another agency for a German manufacturer of low viscosity nitrocellulose. The business expanded, as a merchant of chemicals to the point when, in 1926, premises were acquired in Stratford for chemical manufacture. These premises were destroyed by bombing in 1941. The business was then moved to its present site at Wollaston, Northamptonshire.

Godric was educated at the Friends' School, Saffron Walden, and Queen Mary College, London, which was evacuated to Kings College Cambridge during WWII. Whilst at Cambridge, Godric followed his father's example in claiming exemption from military service on conscientious grounds, in front of a Conscientious Objection Tribunal. He was sent to the West Country for agricultural work, but later chose to join the Friends Ambulance Unit as a medical orderly and was trained at Hammersmith and Oxford. He was accepted as a member of the Religious Society of Friends (Quakers) in 1945.

Having considered and rejected a medical career, he decided to join his father in the family company as a polymer chemist. Very soon he was drawn into discussions with his father and other family members concerning ownership of the company. Ernest had created and developed his company into a very successful enterprise, but he recognised the unrestricted power he had over the lives of those he employed and became fearful of his power to treat his employees as 'wage slaves'.

This concern, and a strike of employees in 1948, led Ernest and Godric, after extensive discussions with the family and lawyers, to place the ownership of the Company into a new Trust with a visionary constitution – The Scott Bader Commonwealth – in 1951. At the end of creating this new Trust Company, their lawyer, Hubert Munroe QC, remarked 'Gentlemen, I must remind you that the invitation cards to the funeral of capitalism have not yet been issued.'

In 1956, Ernest appointed Godric as Managing Director of Scott Bader & Co Ltd, in which role he remained until he also assumed from his father the Chairmanship of the Company in 1966. This was a period in which Scott Bader was an international pioneer in the development and use of unsaturated polyester resins. Godric appointed an external candidate as Managing Director in 1971 and remained Chairman of the company for another eighteen years until he retired at the age of 66 and became Life President of Scott Bader.

Godric read widely and wrote freely and persuasively on Common Ownership. He continued regularly visiting Scott Bader at Wollaston Hall for over 15 years, casting a critical eye on the management of the Company, during a period in which significant international acquisitions were brought into the Scott Bader Group.

In 2014, at the House of Lords, Godric Bader and The Scott Bader Commonwealth were jointly awarded the Gandhi Foundation's International Peace Award in recognition of their alternative business model. In 2021 the Centenary of Ernest Bader launching Scott Bader and the 70th year since the formation of the Scott Bader Commonwealth was celebrated by the publication of a commemorative book on Scott Bader's history and the visit of Anne, Princess Royal to Wollaston, during which she enjoyed a private conversation with Godric. More recently, during the past year, the Employee Ownership Association granted Godric recognition as EO Champion.

Godric was a kind and thoughtful man who extended many acts of kindness to Scott Bader employees and their families. Godric leaves his wife Anne Atkinson-Clark, his daughter Hansi Manning and his grandson Harry Manning.

Godric will be sadly missed by all at Scott Bader and the wider Common Ownership community.

Thank you for everything, Godric.

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 Scott Bader became one of the first employee-owned UK companies when Ernest and his family put their shares in the Company into Trust and The Commonwealth became the Trustee.

Each employee of Scott Bader may become a member of The Commonwealth. The Commonwealth and the Company have no external shareholders.

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.

£305,000

donated to The Commonwealth

£19,506

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

TODAY THOSE 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 Group'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 2022 profits, a donation of £305,000 (2021: £552,000) was allocated by the Company to The Commonwealth. In addition to this, £19,506 (2021: £15,599) of donations were paid by Group companies direct to various charities.

2022 HIGHLIGHTS

- Notwithstanding the strong headwinds faced in 2022, from the Russian invasion of Ukraine through inflation and into global supply chain issues, we managed to grow our sales to £304m, albeit with a small decline in volumes (-5%) and a reduction in operating profit to £2.1m.

- The Group was able to continue its investment into its regional growth strategy. It acquired the commercial activities of its Indian joint venture partner, in addition to the remaining 50% of that joint venture, which allows the Group to expand its product range and bring industry leading composite and adhesive products to the Indian market. We also conducted the ground-breaking ceremony and started the construction of the assets for our new production facility in Mocksville, USA.

- A Cost of Living Payment was made to all Colleagues to help them deal with the impact of inflation, in addition to the usual Group bonus schemes and Colleague benefits. This included payment of a 100% bonus entitlement in April 2022.

- Our Women in Leadership programme continued to promote and develop our cadre of senior women leaders with the appointment of our first female site director. Tina Buhin has taken on responsibility for the leadership of our Zagreb, Croatia site.

- Continued innovation into new high potential markets, with the development and launch of additional Crestaform 3D printing resins and extension of the Crestabond range with adhesive specifically designed for potting and bonding in EV batteries.

- A focus on future sustainability with new additions to our Texique bio-based additives range and the exciting launch of our first ever range of 100% natural products; Texiterra natural oils for the personal care market.

- Process Safety Incidents reduced for the 4th successive year to reach 50% of the level of 2018. This success was because of our increased focus on process safety and targeted hazard studies. Lost Time Accidents increased from the 2021 level to 11. This increase, mostly related to 'slips, trips and falls' and a new Behavioural Safety initiative will commence in 2023 to address this.

- We added further resiliency to our supply chain by adding more flexibility in where products can be manufactured.

- A Group Procurement structure was created to support the continuing globalisation of the Group and drive best practice. Additionally, a Group Supply Chain function was initiated to support better global forecasting and planning for our customers. This support has increased our EcoVadis sustainability rating from Silver to Gold.

SALES

£304m

OPERATING PROFIT

£2.1m

Texique®
Bio-based personal care additives

Texiterra®
Natural oils for personal care

Crestaform®
High performance 3D printing resins

CRESTABOND®
Primerless MMA Structural Adhesives

CHAIR'S STATEMENT

Paul Smith

Scott Bader Company Limited delivered a resilient performance in 2022 in the face of continuing market challenges, and once again, demonstrated the fundamental strength of our unique employee-owned business model and the enduring commitment and support of our now over 809 colleagues across the world.

In 2022 Europe continued to deal with the combined impacts of COVID-19, Brexit and the Russian invasion of Ukraine. Many of the issues arising were indirect consequences of these events, adding to the disruption caused by supply issues, high energy prices, the rise in the cost of living, and tight labour markets.

Despite these events, Scott Bader has continued its efforts to re-balance its global business and, in addition to making good progress in building our new USA facility. We significantly boosted our presence in India taking commercial control of our long-standing joint venture with Satyen Polymers Pvt Ltd and setting an aggressive programme of new investments in technology and manufacturing capacity in this rapidly developing marketplace via the newly created Scott Bader Pvt Ltd.

Investment in renewal and expansion of our existing assets through the transformation programme continued in parallel to international growth, with new capacity additions in Canada, the UK and France, and process improvements across the wider asset estate.

Our investment in people also continues apace. We welcomed several new Directors to the Group Board during the year. Our new Chief Financial Officer, Neil Miller, joined us at the end of 2022, and we also welcomed the Chair of our Global Members Board (GMB), Sam Boustred, succeeding Member Director Dr Steven Brown, who stepped down after two very successful 3-year terms of excellent service and insightful contribution. Looking forward, the Joint Nominations Committee has confirmed that our Group CIO, Mike Findlay-Wilson, will succeed Julie Thorburn, Group HR Director, on rotation as an Executive Director at the Group Board.

The appointment of the GMB Chair to the Group Board marked a significant change in our constitutional recognition of the GMB. It recognises Scott Bader's growing commitment to industrial democracy and greater member engagement in securing our future financial security.

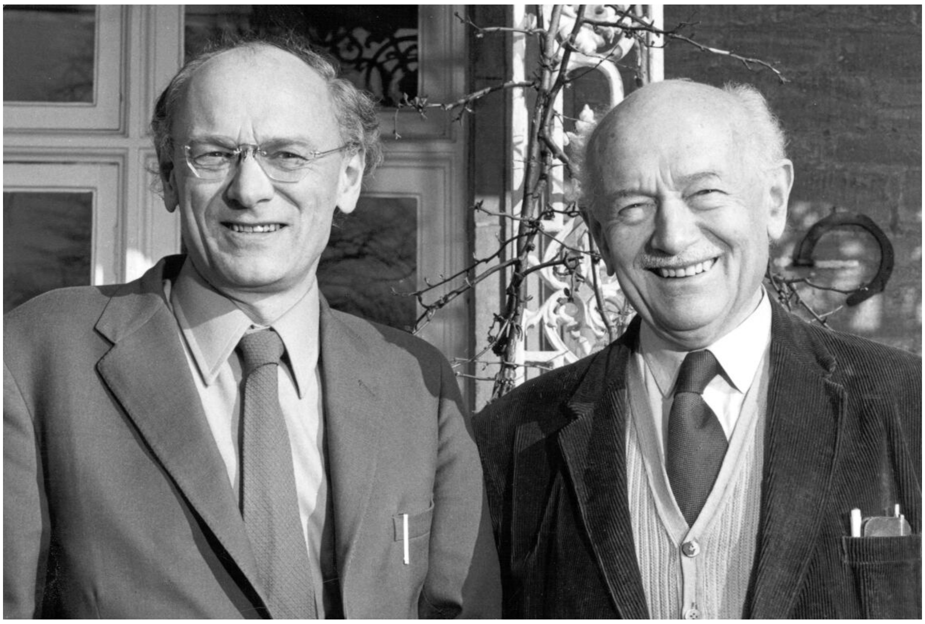
This appointment is one of several important outputs from the Constitutional Review completed in early 2022, and overwhelmingly ratified by our global colleagues at the Group's last AGM. In addition to this important change in Group Board representation, the review also delivered on its goals of bringing

greater clarity and purpose to the leadership and governance cascade and updated and broadened the values and guiding principles so important to the way in which we operate. The Constitutional Review continues to protect our independence, and in parallel reinforced our commitment to our three strategic pillars of Business, Humanity and Ecology, to support the charitable objects of the Scott Bader Commonwealth.

There were also changes in the Global Leadership Team (GLT), our operating executive, with the appointment of Marie Elliot to the role of Group Sales & Marketing Director. It is particularly pleasing to see this change reflect promotion from within, and part of a wider plan to embrace a new commercial structure fit for the future.

Supporting the development of our Humanity pillar, we have been investing heavily in our commitment to our Employee, Environmental, Societal and Governance (EESG) responsibilities, with an extension to the EESG Board sub-committee and refreshed terms of reference. This strengthened commitment is addressed in our annual EESG report. I thank Steven Brown for his leadership and commitment to the sub-committee over the past three years.

We are also in the process of achieving ISO certification in relation to Diversity and Inclusion, as our commitment to personal and corporate development is embedded in the company, regardless of background, gender, and physical ability, through recognition of the importance of equity as well as opportunity.



Looking forward to 2023 and beyond, we do not expect much respite from the challenging environment in which we operate but we do expect to see the commercial benefits of a stronger presence in the Americas and Asia impacting positively on our financial performance. Our products and services will continue to meet the demanding needs of our many customers in a range of high-tech markets including in clean and renewable energy, in personal care, and a growing position in transportation markets including marine, automotive and rail.

I am sad to report that, in July 2022, we communicated the passing of our Life President and past Managing Director and Chair of Scott Bader, Godric Bader, at the age of 98. We have included a tribute in this Annual Report recognising the huge impact the son of our Founder, Ernest Bader, had on our way of doing business, our values, and the importance of humility and service. He will be very much missed by us all.

Finally, I am honoured and delighted to have been re-elected as Group Chair for a further three years to the end of 2025. My role, in addition to leadership of the Scott Bader Company Limited Board, includes the privilege of also serving on our parent The Scott Bader Commonwealth Limited Board, and as Company Member of the enhanced GMB. These roles offer me an opportunity to contribute to and witness the impact of our charitable activities and have a "finger-on-the pulse" of the feelings and concerns of our now 809 members worldwide, respectively.
So, in closing, I would like to thank publicly all my fellow directors and colleagues for their guidance and challenge during the last three years and look forward to your continuing engagement and support going forward.

Paul Smith
Chair

COMMONWEALTH BOARD CHAIR'S STATEMENT

Andy Bell

Both within Scott Bader and externally, the year has been one of mixed emotions. From the joy of the adoption of our new Constitution to our sadness at the death of Godric Bader, our Life President and son of our Founder, to the continued execution of our Strategic Plan in spite of volatile energy and raw material prices following the Russian invasion of Ukraine.

Our new Constitution was overwhelmingly approved by Scott Bader Commonwealth Members in May and has provided a clearer governance structure for the GMB and CWB to hold the Group Board to account in order to ensure our Guiding Principles are enshrined in everything we do at Scott Bader.

Charitable giving in line with the Commonwealth's aims has continued despite the impact of the difficult macroeconomic environment upon the cashflow of SBCL. The success of Keep House at Wollaston in supporting several organisations in line with our charitable objects has encouraged us to consider replicating this facility in other SB locations. We have also established the Centenary Fund to commemorate the 100th anniversary of Scott Bader in 2021. The Fund will make donations of £25,000 each to support four large community-based projects around the world from UK registered charities. Just as the SB Group has undertaken a review of its Constitution to ensure it is fit for purpose in the 21st century, the Commonwealth will be undertaking a strategic review of its charitable activities in the coming months for a similar reason, to ensure we are operating in line with best practice.

We numbered 809 colleagues at the end of 2022 including those who joined via our expansion in India. We are mindful of the need to ensure all colleagues (old and new) understand and follow the Guiding Principles and, to that end, are looking to introduce an on-boarding procedure that will highlight our uniqueness.
A vital part of this uniqueness is our volunteering, deepening our contact with our local communities. As a result of the COVID-19 pandemic, volunteering activity has suffered over recent years.
I would encourage all colleagues to bring a renewed focus to their volunteering in 2023. It is a vital part of who we are at Scott Bader, helping to make the positive difference that Scott Bader represents in the world.

I would like to thank my fellow internal and external trustees, as well as the excellent Commonwealth office staff led 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 stretching times. Particular thanks are also due to my predecessor, Robert Gibson, who stepped down as Commonwealth Chair in May. His leadership and vision in good times as well as more difficult times is much appreciated.

Finally, no review of 2022 would be complete without honouring the life of Godric Bader, our Life President who passed in July. Godric made an immense contribution to Scott Bader through his tenure of key positions within the company. He is sadly missed.

Andy Bell
Chair, Commonwealth Board

GLOBAL MEMBERS' BOARD CHAIR'S STATEMENT

2022 saw the completion of the Constitution Review. Through this review the Global Members' Board (GMB) continued to professionalise their approach to executing the purpose. As part of the review, we have changed our name from the Members' Assembly to GMB. This was to recognise that we are a global organisation and that our position in the Governance structure of Scott Bader is equal to both the Commonwealth Board and Group Board.


Sam Boustred

Our purpose was restated and enhanced to read: The purpose of the GMB is to lead our international and industrial democracy, give voice to the SBCW Membership and hold the Subsidiary Boards to account for the development and execution of their Strategies according to the Guiding Principles. The GMB aims to be a diverse and inclusive body that fairly represents the interests of all CWB Members.

There were also significant enhancements to the rules to ensure that the GMB had sufficient 'teeth' to effectively hold the Group Board to account should they ever need to use them.

The greatest highlight of the Constitution Review was the response we received from our membership. With the highest voting turnout in over a decade and with an enormous 95% of membership voting in favour of the changes we have been given a strong mandate to deliver on the promises made during the review.

Another significant step for our model was to make the GMB Chair a full-time position within the company. Previously this role was completed alongside the incumbent's 'day job' but post review and with the enhancements made to the responsibilities of the GMB there has been recognition to grow the role and further exhibit our commitment to industrial democracy.

Now that the GMB has sufficient rules and resource it was important to set a strategy. We agreed a mission for ourselves to set out "to be the best example of an EO business". This mission will be achieved through four strategic themes:

1. Democratic performance
2. Engagement
3. Shareholder value
4. Employee ownership growth

Each theme has a series of initiatives that will move us closer to the mission.

One such initiative has been the introduction of Regional Forums. We have three forums; Americas, Europe, and Asia. Each forum is designed to help capture the voice of the membership and in particular help those from smaller sites connect with the rest of the organisation. We are looking forward to seeing how this can unlock even more engagement across our membership.

We had some people changes in 2022 with Kasper Lewandowski leaving the business and Darren Laughton completing his second term. I would like to thank them both for their hard work and contributions to the GMB. Our new starters include Abigail Brooks, Richard Owen, Siddhartha Pitre and Melita Krivski. Our new starters have already made a fantastic contribution to the team. I am also delighted to confirm that Jeff Starcher and Philippa Ayears were successful in their reappointment and will serve a second term.

Sam Boustred
Global Members' Board Chair

CHIEF EXECUTIVE OFFICER'S STATEMENT

I would like to welcome all those individuals who joined Scott Bader during 2022, especially those colleagues in India who joined us through the acquisition last summer – welcome to the Scott Bader family! Now that COVID-19 restrictions appear to be reduced for all our colleagues I am hopeful that we can plan the postponed Centenary celebration dinners during 2023.

As in previous years, I have summarised below the progress in the five zones as referred to in the Strategy section of this report.

OVERVIEW

It is with great sadness that following the highs of the Centenary year in 2021 we said goodbye to Godric Bader who will be sorely missed. Godric had a profound impact on Scott Bader and the formation of an effective form of industrial democracy that clearly validates the employee ownership model which is used as a benchmark by the Employee Ownership Association. This was demonstrated when Godric was recognised by the EOA in 2021 as an employee ownership champion. He will be sadly missed.

2022 was yet another challenging year with the impact of the Russian invasion of Ukraine on energy security, raw material prices and inflation in parallel with the continuing challenges posed by the COVID-19 pandemic, Brexit, supply chain and transport challenges. We were not the only business impacted by these issues and we saw in general a weakening of the European market. The ongoing business and personal uncertainties continue to bear down on our colleagues. More than ever, we need to live by our values. Being kind and supportive to one another is critical. I hope that 2023 will see a stabilising market, although we should still expect some headwinds, and the delivery of key project milestones as we continue to deliver on our strategic ambition.

PEOPLE

The backdrop, for many people around the world in 2022, was the Russian invasion of Ukraine that drove up prices of energy and food. For some this inflation has resulted in real hardship and it has never been more important for Scott Bader to play its role to help people through volunteering and charitable giving. Our colleagues in China were impacted by COVID-19 lockdowns through the year which created additional challenges for them both personally and professionally. We helped our own people in 2022, firstly with a 100% bonus payment due to record 2021 performance which was paid in April 2022. This was followed by a one-off cost of living payment in August, paid equally to all colleagues within a country. This payment was designed to provide proportionately more support to those colleagues on lower grades.

We welcomed a number of new people to Scott Bader in 2022. Headcount at the end of December 2022 was 809 versus 730 at the end of December 2021, this increase includes the addition of 29 individuals in India and the initial staffing of our new facility in Mocksville, USA. We announced the formation of regional leadership teams and business teams, to drive operational and strategic focus respectively.

We were pleased to be recognised with the renewal of our Gold Investors in People Award. Two of the key foundations that supported the award were:

CHIEF EXECUTIVE OFFICER'S STATEMENT

- Communications: The extensive range of communication opportunities, the 'Connect with….' series, the GLT cascade, the role of the GMB enhanced through the constitutional review and the internal communication screens.

- Learning and Development at all levels of the organisation, whether linked to specific training courses, leadership development or on the job training, was recognised.

One of the significant focus areas in 2023 is on the Diversity & Inclusion ISO accreditation which is targeted for the end of the year. We have made real progress over recent years in terms of gender balance with UK Gender Pay swinging to being positive for women in 2022 for the first time and ratios continuing to improve with 28% of our global workforce being female at the end of 2022. 34% of management roles are now occupied by women at the end of 2022 and we also appointed our first female site director, with Tina Buhin taking on responsibility for our site in Zagreb, Croatia.

We continue to ask a lot of our teams as we work on the transformation projects as well as continuing to operate in the face of significant headwinds. 2023 is a key year in the delivery of a number of significant projects and the success of these will depend fundamentally on the diligence and determination of all our colleagues.

BUSINESS

PERFORMANCE:

2022 was a challenging year with the Russian invasion of Ukraine resulting in withdrawal from all our business activities in Russia. In addition, we saw record raw material and energy input costs that impacted some of our customers and resulted in lower volumes in Europe. Despite this backdrop the business was able to deliver a similar margin to the previous year, with success in winning a number of new opportunities supported by strong growth in North America.

It was particularly satisfying to be attending trade shows and catching up in person with customers and partners. We were able to share our latest product innovations, sustainability plans and expanded market presence. It was notable at these events that a number of companies approached Scott Bader due to supply challenges they have faced over the last three years. We extended our distribution footprint with an expanded relationship with Hans Clausen in Scandinavia as well as the appointment of Stockmeier Quimica in Spain and Portugal and The Care Company in Africa. We also celebrated the 20-year anniversary of Scott Bader Iberica.

The cost base grew in 2022 versus 2021 both as a result of re-emerging from lock down with increased travel as well as additional headcount supporting key strategic projects. This impacted profitability across the year with a 75% reduction in Operating Profit. This combined with an increase of working capital and capital investments required that we managed our cash much more actively in 2022 compared to the previous years.

PRODUCTIVITY:

In 2022 we continued to focus our efforts on the basic building blocks of health & safety, operating efficiency, reliability and quality, with each site having a detailed improvement plan. One of the key projects to support these initiatives has been the development of an integrated S&OP process that will allow for improved multi-site planning of production to meet commercial needs and work will continue as we roll this out in 2023. We have also rebuilt and realigned our procurement teams to improve the resilience of our supply chains. In addition, we have improved the technical capabilities within our operations and have invested in a new laboratory in Zagreb (Croatia) with an ongoing investment to upgrade the laboratory and site infrastructure in Amiens (France).

TRANSFORMATION:

Along with celebrating 30 years of Scott Bader Inc in 2022, we also conducted the ground-breaking ceremony for our new production facility in Mocksville, USA. The build-out of the assets has progressed and we expect to have qualification material available in Q3. Also, in North America, the new adhesive product line at our site in Canada was successfully commissioned and is now manufacturing product to support our global demand whilst we build the North American market.
We are excited at the prospect of

CHIEF EXECUTIVE OFFICER'S STATEMENT

being able to supply our customers in the region from a local site supported by a stronger organisation.

In Asia, we are delighted to have acquired the commercial business of Satyen Polymers Pvt Ltd. The expanded partnership will see Scott Bader Pvt Ltd (SBPL) assume responsibilities for direct sales and marketing for all resin and gelcoat products, whilst Satyen Polymers Pvt Ltd (SPPL) will manufacture for Scott Bader Pvt Ltd. In addition, SBPL will expand its product range using Scott Bader technology to bring industry leading composite and adhesive products to the Indian market. We also appointed Elixir-India as our distributor for structural adhesives in India.

INCUBATOR:

We have continued to build our technology platform with the scale-up of a product developed by our joint venture with the University of Liverpool, Polymer Mimetics and the expansion of our personal care product range. We were also pleased for Matthew Diable, from Polymer Mimetics, who was awarded the prestigious 1851 Royal Commission Industrial Fellowship to develop novel hyperbranched photopolymers for 3D printing with built-in durability and biodegradability.

ECOLOGY AND SOCIAL IMPACT

In 2022, Scott Bader developed a roadmap aimed at electrification of all the Group's manufacturing processes. As a first step on this journey we have reduced our 2022 market-based Scope 1 & 2 emissions by **25.9%**, compared to 2021.

Scott Bader's EcoVadis sustainability rating has increased this year from Silver to Gold thanks to the implementation of additional measures to report on environmental management, the introduction of an annual Sustainability Report, the Group commitment to implementing green energy at its sites and its target of reducing emissions by 60% by 2025.

In addition, in 2022, we made a one-off donation of £10,000 to the World Land Trust which was related to £100 donation per person who completed an internal employee survey.

LOOKING FORWARD TO 2023

We start 2023 with raw materials back at the same levels as the start of last year and markets, in general, seem to be cautiously optimistic. China has changed its approach to COVID-19 which is helping to stabilise and improve global trade flows. Energy prices are still a concern for the long-term competitiveness of Europe, but concerns around energy security seem to be reducing. However, the Russian invasion of Ukraine continues and there is a background of raised geopolitical tensions and nationalistic tendencies. Thus, as we progress in 2023, there remain some headwinds and uncertainty. Balancing this, however, we have some exciting opportunities to deliver on key elements of the Group strategy such as India, North America and continued improvements in our business processes. I feel confident that overall 2023 will see positive improvement of the Group's performance and further delivery of our strategic objectives.

Kevin Matthews
Group Chief Executive Officer

CHIEF FINANCIAL OFFICER'S STATEMENT

Despite the challenges of 2022 we have continued to invest in the business and build the capabilities and processes that give a strong foundation for the future. The focus in 2023 will be to deliver the growth opportunities in Asia and North America whilst continuing to transform and optimise the core business.

Overall volumes declined by 5% driven mainly by Europe (down 13%). This was offset by growth in North America (up 10%) and Middle East, Africa & Asia (up 6%). Increased raw material costs and the subsequent increase in sales price led to a revenue growth of 13% to £304m. However, our pricing was not able to fully offset the cost of inflation and margin declined 3% to 26%, with absolute margin declining £4.9m to £72.8m.

The business recorded an Operating Profit of £2.1m, compared to an Operating Profit of £8.3m in FY2021.

The Russian invasion of Ukraine had an immediate impact on H1 performance which showed a slowing of volumes vs FY2021, with a decline in volumes of 4.3% and margin £2.8m. The slowdown continued in H2 as supply chain disruption and global impacts were felt, with a decline of 6% in volume and margin £2.1m below H2 2021.

We continued our investment in growth with the acquisition of the remaining share of our joint venture in India in July for INR 740m as well as investing US$6.2m in the construction of our greenfield plant in Mocksville, USA which will complete in 2023. A total of £14.1m was invested in Capital Expenditure to support our growth ambition as well as mitigating environmental, safety and reliability risks.

Cash management has been a key focus in 2022, with working capital management being a significant challenge. Record high raw material costs and supply chain disruption led to an increase in our working capital of £15.2m by the end of August. With a focussed effort in Q4 this was reduced by £9.9m to £5.3m by year end. This focussed effort enabled us to invest in some strategic stock building and to improve the resilience of our supply chain.

As a Group, we retain a low gearing level of 1.15 times EBITDA with £8.6m in cash and cash equivalents and £9.6m of borrowings at year end.

In line with our Values, we have set aside 1% of our employment costs for distribution to the CWB for charitable purposes and have matched this value for our Group Staff Bonus, Scott Bader's equivalent of a dividend payable to our colleagues, which included a discretionary cost of living payment. As we move into 2023, our focus remains on delivering strong expansion across North America and Asia and improving the environmental, process and physical safety of our sites.

The ERP project (Boost) continued in 2022 with work done to build the template solution and standardised processes, build the interfaces with other systems and review the master date and governance structure. The decision has been taken to pause this project in 2023 to prioritise process improvements within our existing system, including the rollout of the existing M3 system to new divisions that will all simplify the rollout of the new ERP when we continue the project in 2024.

Internal and external factors continued to impact the Group's consolidated effective tax rate through 2022, with the biggest drivers of effective tax rate being the profit mix across our jurisdictions

CHIEF FINANCIAL OFFICER'S STATEMENT

and tax incentives in the UK, such as patent box and enhanced capital allowances. The combined impact of these factors means that the Effective Tax Rate (ETR) of the Group (excluding prior year adjustments) reduced to 7.4% (2021: 18.6%). In 2022, under our existing transfer pricing policy, we reviewed and updated our benchmarks to ensure that we maintained arm's length rates across the Group.

The rise in base interest rates worldwide has resulted in higher borrowing costs in 2022 and we expect this to continue to be a feature of 2023 and future years. Through 2023 we will continue to target improvements in cash management and working capital, to mitigate the cost. With low levels of borrowing across the group we will be exploring financing facilities (working capital and otherwise) to enable the business to achieve its strategic priorities. Subsequent to year end but prior to the signing of these financial statements our Revolving Capital Facility was renewed with NatWest for a five year term.

Despite the challenges of 2022 we have continued to invest in the Group and build the capabilities and processes that give a strong foundation for the future. The focus in 2023 will be to deliver the growth opportunities in Asia and North America whilst continuing to transform and optimise the core business.

Neil Miller
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 seven strategic goals which underpin all of the company's activities.

2036 VISION

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

OUR 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

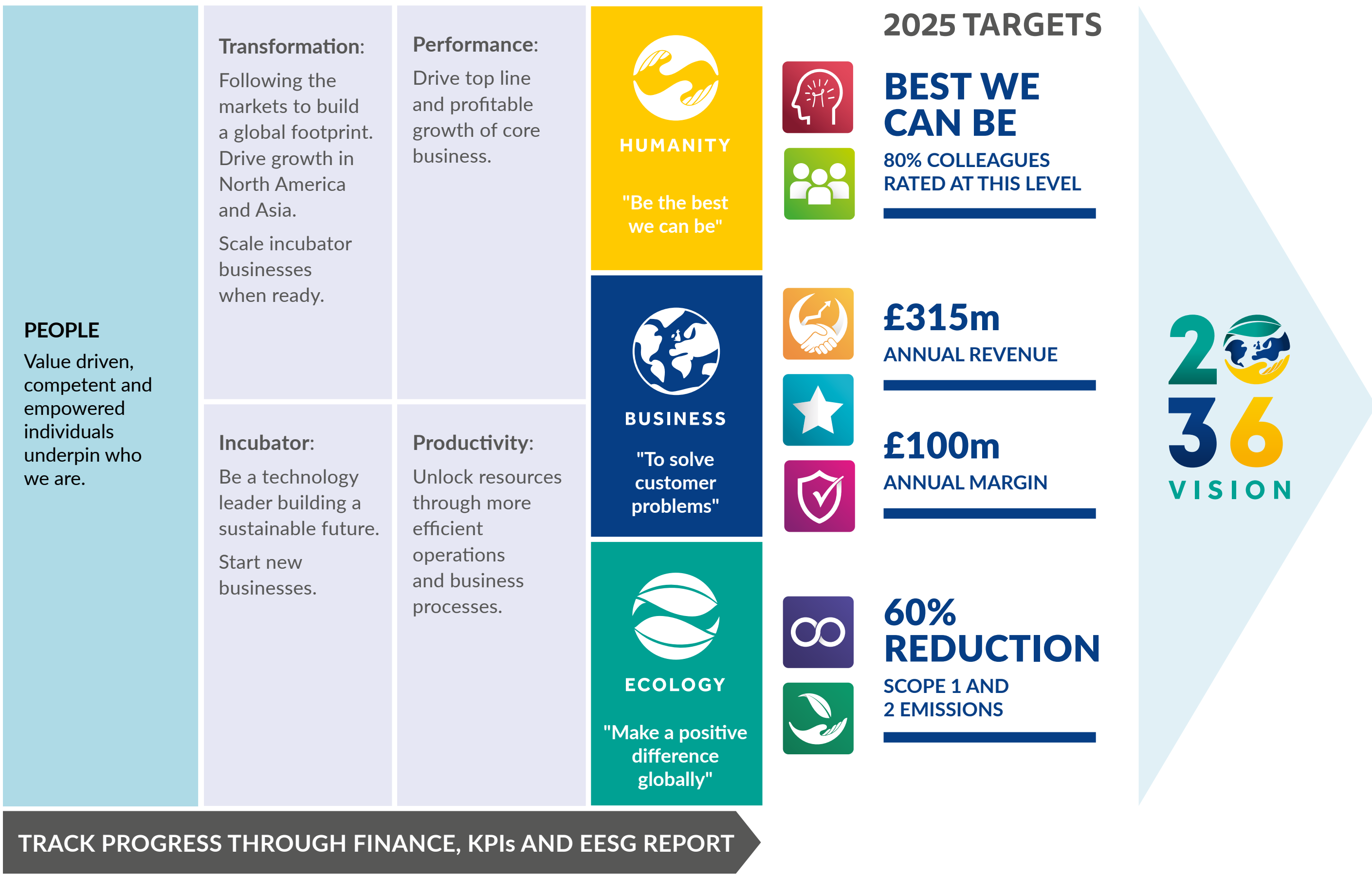
In 2020 we outlined five strategic actions to be implemented and indicated that we would report on progress. To further structure our activities to deliver these outcomes we have split our business projects across five zones:

- **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.



COMMERCIAL REPORT

The raw material and transportation issues navigated in 2021 continued into 2022. They were sadly impacted further by the Russian invasion of Ukraine which also greatly impacted energy prices and demand in certain markets. Despite these unprecedented challenges we were able to continue to provide reliable service to our customers.

Our global expansion continued in 2022 with the opening of Scott Bader Pvt Ltd (India) and the integration of the new Indian sales team into our commercial structure. This has allowed us to start progressing a number of large opportunities in the country with the team's energy and enthusiasm warmly received across the Group.

The Commercial team has evolved to a matrix structure to leverage both local and global needs via cross functional collaboration. This includes focus teams on our strategic geographical footprint and a further business leadership matrix which enables a longer term innovation focus for our customers.

We continue to integrate our customer care programme across the organisation, which aims to tailor the service we offer to our customers to provide an improved customer experience for all.

Composites

Scott Bader's composites business manufactures and supplies market leading resins, gelcoats and ancillaries to customers in a wide range of markets, offering them high performance and innovative technology. Key brands include the unique urethane acrylate Crestapol resins, Crestafire FST range and the renown Crystic resin and gelcoat range.

We developed exciting opportunities with current and new customers during the year with particularly strong performance in the Marine sector. Maintenance of key customer relationships continued to be a key focus in the face of volatile raw material prices and supply issues.

The development of bio-based resins continued as we work towards achieving our 2036 vision of becoming a fully sustainable company with a net positive impact on the environment. Our innovative Crystic Bio resins were supplied to a number of key customers with the hope of launching them to a wider audience in 2023.

We gained market share in the pultrusion sector having developed a value-added range of Crestapol urethane acrylate resins for pultruders with improved mechanical performance and increased productivity.

2022 saw the development and launch of additional Crestaform 3D printing resins with our product portfolio now offering Rapid, Tough and Durable options. The 3D printing market continues to be a strategic focus.

2022 KEY MARKETS

MAJOR BRANDS

Crestaform®
High performance 3D printing resins

Crestafire®
FST Performance Products

Crestapol®
Urethane Acrylate Technology

Functional Polymers

Scott Bader's Functional Polymers business manufactures and supplies a range of bio-based additives and natural oils for the personal care market, as well as emulsion polymers, conventional and inverse, and a range of solvent-based coating resins for the industrial and construction markets. Key brands are Texipol inverse emulsion rheology modifiers, Texique bio-based personal care additives and Texicryl acrylic dispersions.

Our strategic focus on the personal care market continued in 2022 with further additions to our Texique bio-based additives range and the exciting launch of our first ever range of 100% natural products; Texiterra natural oils. Our personal care distribution network also developed with new distribution agreements in North America, Europe, Asia and Africa.

There were difficult market conditions for industrial markets such as construction, however we were able to respond and broadly supply customers as requested to maintain our strong partnerships in another challenging year.

2022 KEY MARKETS

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.

Strong global customer demand continued in 2022 with notable growth achieved in North America. This coincided with the installation of Crestabond structural adhesive manufacturing at our Canadian site in Drummondville. This was a significant step forward for our adhesive business which offers North American customers vastly reduced lead times and more sustainably produced adhesive, given the reduced transportation emissions. Production will increase as we move into 2023 to support further growth of our adhesive business in North America.

We continued to develop our adhesive technology with sustainability in mind. Crestabond M1-04SL, a self-levelling adhesive specifically designed for potting and bonding in EV batteries, launched in 2022 with high interest as requirements for energy storage systems increase. We anticipate significant sales into this market moving forward.

Geographically, our adhesive and tooling range continued to be supplied globally. Our ongoing manufacturing investments in North America and Asia will further grow our business in key regions during 2023.

Marie Elliott
Group Sales & Marketing Director

Jonathan Stowell
Group Strategy Director

2022 KEY MARKETS

MAJOR BRANDS

CRESTABOND®

CRESTOMER®

CRESTAFIX®

CRESTAMOULD® Matched Tooling Systems

OPERATIONAL REPORT 2022

GROUP SUPPORT STRUCTURE & TEAMS

During 2022 the leadership structure of the operations team was established. The new roles across Group SHE, Procurement, Technical and Supply chain functions were establishing themselves and starting to develop Group processes and standards with positive early signs. A North American operations team was also recruited to support the build of our first new plant in Mocksville, USA. This is due to be onstream in the second half of 2023.

SAFETY, HEALTH AND ENVIRONMENT

Through 2022 we continued to make progress in our journey toward our Safety, Health and Environmental (SHE) goals. Development of the Group SHE Management System (SHEMS) has continued according to plan, and each site has demonstrated continued progress in line with their SHE Improvement Plan (SHEIP) targets.

Following a successful pilot introduction at Wollaston, we deployed the Benchmark Action Tracking System across the Group, delivering full visibility of SHE action status and improving action closure performance. The Benchmark platform will be further expanded in 2023 to include incident reporting and legal compliance modules.

Good progress was made on securing certified green energy supplies, with additional certification being secured for the Dubai and South African sites, bringing the total number of manufacturing sites with green energy certification to five.

A representative set of Major Accident Hazards (MAH) was identified for all manufacturing sites and Bowtie diagrams created to visually represent the hazards, consequences, and protection layers employed as safeguards. A verification audit programme is underway to assess the true reliability and performance of the existing MAH protection layers, with action plans being created to address any gaps thus identified.

2022 saw good initial progress against an aggressive target for Process Safety Incident Frequency Rate (PSIFR), which was attributed to overall increase in process safety awareness across all sites and the shared output from improved incident investigation procedures and the incident review panel which were introduced in 2022. However, a small number of unrelated incidents (no injuries or significant losses) occurred in the final quarter, which drove the metric above target; as with all Process Safety Incidents, these were fully investigated, and the appropriate actions implemented across the Group to reduce the risk of recurrence.

No improvement in Lost Time Accident and Restricted Duty Frequency Rate (LTA/RDFR) was achieved throughout 2022 vs 2021. Whilst it is important to note that all LTA/RD incidents that occurred were of minor consequence, with no severe injuries resulting, the sustained occurrence of these minor injuries is not acceptable. Appropriate behavioural safety and human factors programmes are currently in development for 2023 to reduce the LTA/RDFR going forwards and improve colleague safety.

ENGINEERING

The Engineering organisation and structure were consolidated with a standardised project management and capex process. The updated process has a phased/stage gated approach and key deliverables, including the clear use of a RACI, and is now ready for roll out.

OPERATIONAL REPORT 2022

An investment program is established with clear priorities – assets integrity, environment, safety, strategy - for 2023 and will be extended to 2024.

New mixing technology was successfully introduced in ATC for Crestabond M1 production and central engineering received encouraging results on a distillates treatment process.

A Computerised Maintenance Management System pilot, at Wollaston, was started in Q4 for Scott Bader UK and will be expanded to other sites if demonstrated benefits in asset management are provided.

The Crestapol asset upgrade and capacity project in Scott Bader UK & SB Croatia has been successfully initiated with positive feedback from local administrations regarding permitting and compliance.

Following the land acquisition in 2021, the major project for 2022 was to start the fit out and installation of equipment at this new facility in Mocksville, USA. The design, tendering construction and installation of the facility were carried out in 2022 and will continue into 2023, as planned. The leadership team was also established in Q3 to complete and operationalise the project to deliver a fully operational plant. The result will be a gelcoat and adhesives facility with capability to expand in the years to come supporting the strategic growth of the Americas.

Following the acquisition of the joint venture in India, plans were initiated to identify a location for our own production plant to support the growing demand in India. Locations were assessed and identified, and a project is in place to develop the scope and design of a facility to enable this development to take place over the next two years.

SUPPLY CHAIN & PURCHASING

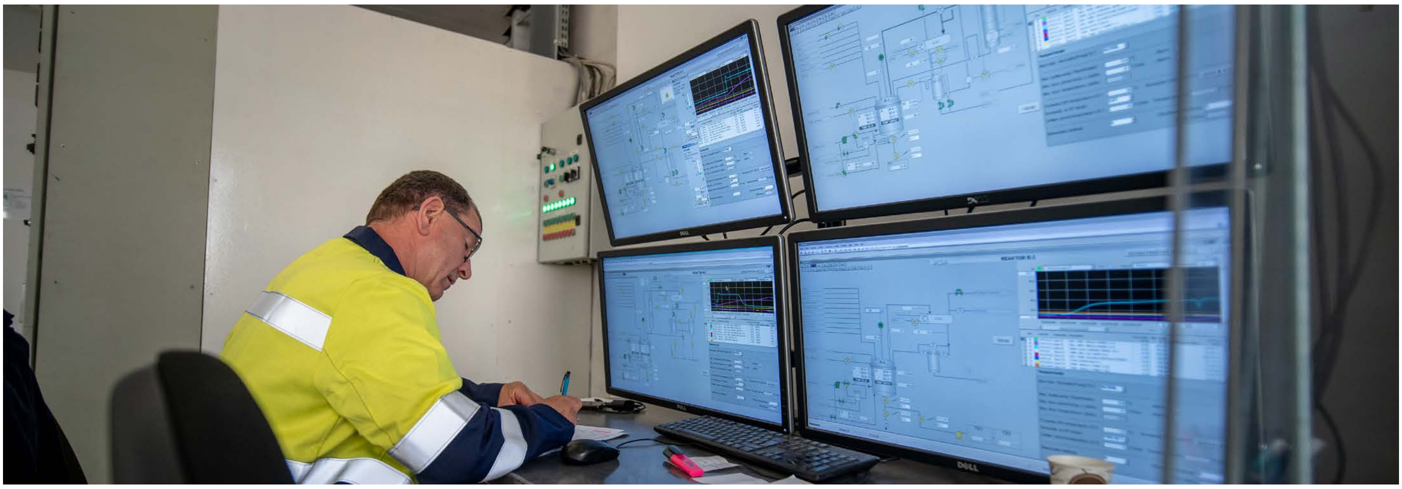
Group Procurement & Supply Chain now have their initial teams in place and will continue to evolve in 2023. The team have focussed on standardisation of reporting in 2022 and this will continue in 2023 along with focus on defining 'best practice' and the subsequent standardisation of systems and processes across the Group. A high-level Sales & Operations Planning process has begun at Group level and will continue to be developed and rolled out across the business in 2023. A new demand planning system has also been developed with integration into the M3 system planned for Q1 2023, this will facilitate both the S&OP process as well as improved visibility across the Group.

GROUP TECHNICAL (THIRD PARTY MANUFACTURING)

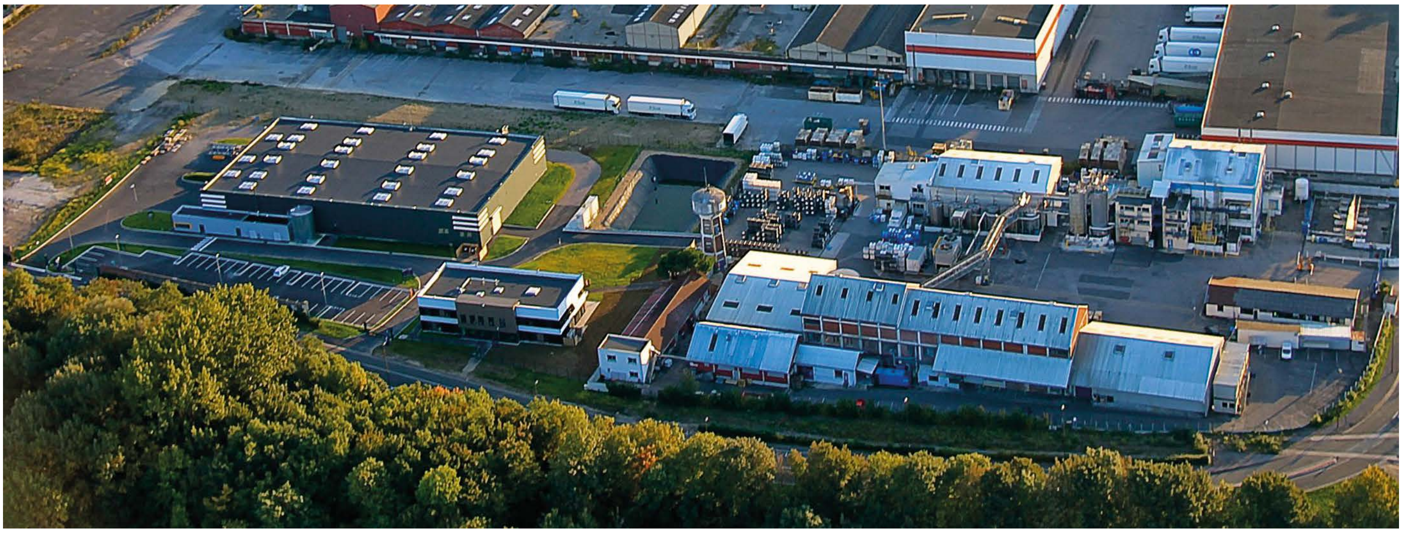
During 2022 the leadership structure of the operations team was expanded to include a new Group Technical function. The main objective of this new role is to strengthen our management processes related to our external manufacturers, which are critical in order to support our businesses to serve its global customers by using these third parties. A start has been made to develop Scott Bader's external manufacturing process that will be further developed to cover the different stages in which we collaborate with our external manufacturers. Emphasis was given to develop contractual agreements to support and strengthen the collaboration with our external manufacturing partners.

During the second half of 2022 the supplier relationship with our external cartridge fillers in EMEA has been intensified to assess their capability and capacity to support our adhesive business and to find opportunities to improve on our ability to deliver to our customers.

In 2023, we will continue to further develop our external manufacturing processes and strengthen our supplier relationship management with our third parties, including performance management.



REPORTS FROM THE MANUFACTURING SITES



AMIENS: FRANCE

While the world economy was recovering after two years of the pandemic, the year 2022 is marked by the arrival of a war at the gates of Europe generating a major economic crisis. This conflict highlights Europe's over-dependence on energy, but also on certain raw materials supplied from Russia. The result is high inflation which has not been seen for several decades, and the perspectives of a sharp slowdown in world growth, or even a recession, are increasingly likely for 2023.

The Group has maintained the strategic direction, but short-term objectives have been adapted to take into account the current economic context. Ongoing investments at the Amiens site have continued and new ones have been rescheduled according to our financial capacity. The construction of a building for new laboratories and operations offices started during the year and will be completed in the first half of 2023. This is a major investment for the development of the site and the strengthening of its position as a leader in the production of formulated products.

In the face of the current economic difficulties, we have also demonstrated our ability to manage cash, commercial performance, operational and organisational efficiency. We were able to minimise the impact of lower market demand on our results, allowing us to generate profits.

We also continued our journey to change the safety culture and encouraging progress was made. Our energy management system is up and running and a steering committee has been set up to manage the site's decarbonisation projects.

In conclusion, I would like to thank all the staff for their efforts and commitment to the company. Teamwork and the alignment of the organisation with clearly defined objectives are key elements for success.

Didier Mathon
Site Director - Scott Bader Amiens

REPORTS FROM THE MANUFACTURING SITES

DRUMMONDVILLE: CANADA

As anticipated, 2022 proved to be a year which saw significant breakthroughs for the ATC site.

By virtue of a very healthy orderbook and a promising demand forecast for our products, we introduced a night shift at the start of Q2. The entire ATC team had to overcome numerous challenges to hire and train the right colleagues in their role and to coordinate the different assignments to ensure a proper workflow. These efforts paid off, and the night shift thrives to this day.

Our biggest change to the site in the past year was the introduction of our new Crestabond equipment. The project that began in April 2021 came to fruition in late June 2022 when the equipment was set up and ready to go. Extensive work was done in the designated area prior to this milestone to bring the work environment to a best-in-class standard. Our first batch was made in the second week of July, within specifications on the first run, and further validated in Wollaston to confirm adherence to the product's specifications and performance.

Notwithstanding global supply cabin issues and raw material disruptions, the Drummondville plant managed to achieve its highest historical output level, an increase of close to 7% compared to 2021, the previous record year.

Heading into 2023, the site is full of optimism, with a great team, a very strong orderbook and a brand new Crestabond line ready for continuous action.

Pierre Parenteau
Site Director - Scott Bader ATC

DUBAI: UNITED ARAB EMIRATES

In 2020 we initiated a Safety and Health improvement plan focussing on improving the safety culture in the workplace, and the fruits of this program are evident in the behaviour on site with significant safety improvement initiatives initiated by colleagues in operations. There were no lost time accidents (LTA's) or restricted duty incidents in 2022 with us now having 812 days with no LTA's. A programme of regular risk assessments and HAZID programs were initiated with all colleagues being trained and partaking in these initiatives.

The market disruptions from COVID-19 continue and have been compounded with the geopolitical environment in Eastern Europe with these disruptions now becoming the "norm". In 2022 we focussed on how we adapt to these changes and implement processes to maximise and capitalise on all opportunities in the year. Operational efficiency and material management processes received focussed attention to keep costs down and to improve our customer delivery commitments.

2022's performance of achieving manufactured volume similar to 2021 with 75% capacity utilisation is evident of an experienced committed team which is what makes the difference in times of disruption and uncertainty.

The focus on the SHE improvement plan, operational efficiency and asset care will continue in 2023 to continue to adapt to changing times, and to align to deliver the Group's strategy.

The SBME team can be proud of 2022 achievements with many of these setting the foundation for a successful 2023.

David Rossouw
Site Director - Scott Bader Middle East

REPORTS FROM THE MANUFACTURING SITES

DURBAN: SOUTH AFRICA

During 2022 the Russian invasion of Ukraine dominated international news impacting businesses globally, however the impact on the business performance at Scott Bader South Africa has been minimal.

The increase in demand for product in Q4-2021 continued into 2022 resulting in a record increase in production volume of 18.6% above the previous record which was facilitated by prompt resource authorisation and subsequently by focussed capex spend in Q1-2022 to support the increased plant output. Demand for all product categories was robust over the year with a small drop in daily demand in the last two months. The Marine sector remained the biggest and increased by more than 35% over prior year, while 500% growth was seen in sales to Distributors, just under 100% to the transport sector and 115% to our Own Label customer.

The above resulted from a focussed effort to grow the distribution business assisted by continued international supply chain challenges and a volatile local currency.

The achievements resulted from dedication and hard work by the South African team despite the challenges of the floods that ravaged the Kwazulu Natal region in April and May impacting utilities and infrastructure for most of 2022.

Jon Howlett
Interim Site Director - Scott Bader South Africa

REPORTS FROM THE MANUFACTURING SITES

WOLLASTON: UK

2022 was a mixed year for the Wollaston site with some positive changes in operational discipline and data collection. The site now has an accurate grasp on its performance with clear plans for improvement being generated.

A significant improvement for the site has been the introduction of a robust SHE process, together with training, for the root cause analysis of safety incidents. This has led to better understand of such incidents and has already reduced process safety incidents at the site.

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 the effect on our customers was minimised.

Despite this there were raw material shortages which impacted production capability. Consequently, production volumes were down across the site but most notably in functional polymers where there was also a weakening of demand. The restructure of the planning and logistics functions took longer to achieve than expected, but will complete the site management team and give us a much better focus on the site S&OP process, working capital and also OTIF moving into 2023.

Asset reliability has been an ongoing challenge in all plants in 2022.
The implementation of the CMMS system and a more structured approach to asset maintenance has meant that repairs are carried out to treat the root cause and prevent recurrence. We have invested a significant amount of time in training for both functional managers and first line supervisors and that, along with the implementation of continuous improvement in the plants, is starting to pay dividends. In all 2022 was a mixed year, but the site is in a significantly better position to deliver in 2023.

Sean Beaumont
Site Director - Scott Bader UK

REPORTS FROM THE MANUFACTURING SITES

ZAGREB: CROATIA

After a strong first quarter, the rest of the year was under strong influence of the Russian invasion of Ukraine and the economic crisis that resulted from it. A huge increase in energy prices, raw materials price volatility, disruption in the supply chain and loss of Russian and Ukrainian customers all had a strong influence on our business.

With volume 20% below budget (influenced mainly by losses in the alkyd products) to have controllable trading profit 1% below budget, is a great achievement of the commercial and operational teams.

Organisational changes in the supply chain sector/purchasing sector, strict cost control, reprioritisation of investments, introducing new suppliers, balancing raw materials and final product stock are just part of the actions which helped us to overcome some of the challenges and keep business sustainable.

Modification of the existing process heater for dual usage (gas and extra light fuel oil), gave us the assurance that in the event of a gas outage, we will be able to run continuous production. Investments in critical assets (pumps, valves, storage tanks upgrades, hoppers, level indicators) enabled us to minimise downtimes, improve quality and achieve a high OTIF percentage.

A lot of effort has been put into the SHE area: the SHE Improvement Plan had a high percentage of realisation, continuous investments in safety (safety equipment, trainings, PPE), safety opportunity percentage above last year by 24%, HAZOP training was complete and studies progress plus a safety team has been established. Unfortunately, we had one minor LTA, which keeps us at the same level as last year. An improvement compared to last year is zero process safety incidents.

As Croatia was changing currency from kuna to Euro, at the end of year 2022, a project to manage this was successfully completed and a Euro transition was smoothly implemented due to the effort and engagements of local Finance and Group IT teams.

All the challenges we faced during the year, encouraged us to think differently and to create foundations that will make us more resilient to the future challenges.

SHE will stay our main priority, because we must ensure our colleagues return home safe and healthy at the end of every working day.

Thank you, team, for your dedication, hard work and positive attitude in difficult times!

Tina Buhin
Site Director - Scott Bader Croatia

HUMAN RESOURCES: PEOPLE REPORT

Having had COVID-19 impact the organisation during 2020 and 2021, we were hopeful that its impact would be reduced in 2022. For the majority of our colleagues this was the case; we continued to have colleagues test positive for COVID-19, but not as many and the symptoms appeared to be less severe. However, our colleagues in China continued to be impacted with COVID-19 lockdowns continuing into June 2022. This had a significant impact where they were not permitted to leave their homes. To ensure our colleagues knew we were thinking of them during these tough times, a "Connect with China" was organised where our China team had a call with the CEO and Group HR Director to ensure they were coping with the challenges they faced.

The other major challenge for our colleagues in 2022 has been the impact of the Russian invasion of Ukraine driving up prices of energy and food. This has resulted in record levels of inflation not seen for over 40 years with daily news reports throughout Europe covering the cost-of-living crisis. We helped our colleagues by paying a 100% bonus payment due to the record 2021 level of performance which was paid in April 2022. The normal salary review process was completed, and colleagues were awarded a consolidated increase in April 2022. This increase was based on their performance, salary banding and level of inflation. Our normal Group Staff Bonus which is similar to a dividend was paid to colleagues in June after the AGM. This was followed by a one-off cost of living bonus paid equally to all colleagues in August. This payment was designed to provide proportionately more support to those colleagues on lower grades.

We have been working on our pay and reward principles; salary, benefits and variable pay over the last three years and have made some good progress on our level of salaries against the benchmark. We submitted our 2022 salary data to our reward consultants as part of our regular salary benchmarking activity. The results will be shared with the GMB in Q1 2023, and the new salary benchmarking will be used for the 2023 salary review process. We have also completed benefit benchmarking and have identified certain countries as a priority area and will be working on aligning our benefits to the local market. Finally, we have been working on our levels of variable pay or bonus and a proposal is being presented to the Group Board in early 2023, which will then be shared with the GMB.

The salary review process in 2022 was completed on the new compensation and benefits module of our Oracle HRIS platform. The Oracle HCM solution was implemented in early 2021 with the introduction of an annual appraisal system, access to learning paths and e-learning through our partnership with Skillsoft, automated approvals following a workflow and an internal and external recruitment module. The next part of our investment into our HR systems and processes is the deployment of a global payroll solution with an interface to Oracle, automatic payment solution and generation of country specific general ledgers. This will enable us to manage our people data and make informed decisions, automate our regular payroll payments and protect our people data. The payroll project is being implemented on a phased basis and will be fully operational by Q1 2024.

During 2022 we continued our journey of unleashing colleagues' potential with the implementation of numerous projects to support this 2036 objective. Such projects included the further implementation of our leadership competency framework which had started in 2021 with the GLT and their direct reports being part of Phase 1. This included completion of a self-assessment against the competencies, a discussion with the line manager to agree the colleague's profile and development plan to address any gaps. We also conducted talent review and succession planning with this Phase 1 Group. In 2022 the journey has continued with a Phase 2 Group which is a further 250 colleagues participating in the process. Further talent reviews will be conducted after the 2022 annual review process and succession plan is updated. These plans will be reviewed and updated every six months. From these plans we have moved several colleagues from the UK to different regions for their own personal development and to support our growth in these regions.

HUMAN RESOURCES: PEOPLE REPORT

From the completion of Phase 1, we identified 14 colleagues with senior leadership potential to attend our Inspired programme. The Inspired programme was developed with the People Development team of Connor. The programme was delivered face to face but with some online modules. The programme was successful in delivering its objectives and we will look to run a further Inspired programme in 2024.

We were pleased to report that our UK organisation maintained its Investors in People Gold award. This shows that we are meeting these high standards in developing and rewarding colleagues, living by our values and focussing on building sustainable success. We can still improve and hope to see that in our revaluation in 2025.

The Core Values of Scott Bader are part of the organisation's DNA and were reviewed and updated during 2022 as part of the Constitutional Review. The updated Core Values will be shared during 2023 with the launch of the new Members' Guide and onboarding process. Our updated values include respecting and embracing differences and this is an important part of what we expect of our colleagues. We have started the process of working towards achieving the ISO Standard of Diversity and Inclusion by the end of 2023 with a framework in place and approved by the governing bodies and this will be implemented during 2023.

We were pleased to voluntarily publish our 2021 UK Gender Pay report with a median gender pay gap at -0.6% which is significantly lower than the national average of 14.9% as estimated by the Office for National Statistics for 2021. Our 2022 median gender pay gap remains low and is -5.5% and an updated report will be issued in line with reporting regulations.

We were pleased to voluntarily publish our 2021 UK Gender Pay report with a median gender pay gap at -0.6% which is significantly lower than the national average of 14.9% as estimated by the Office for National Statistics for 2021.

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

- **Training and development** – we continue to focus on Women in Leadership and RISE (diversity in leadership) programmes as well as e-learning on Diversity & Inclusion and unconscious bias.
- We continue to work towards the top-level strategic view of our D&I management system, to meet the requirements of ISO 30415 for Diversity & Inclusion with an emphasis on monitoring and reporting our results.
- **Leadership competency framework** – being cascaded through the organisation and focussing on inclusive behaviours linked to our Core Values.
- **Annual appraisal** – values and behaviour is a mandatory key objective as part of the Group appraisal process for colleagues to demonstrate they are carrying out their roles within our principles and values.
- **Fair pay and reward** – we have acquired further benchmarking data as part of 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.
- **Recruitment** – with increased recruitment activity and internal appointments, we have increased our female representation from 24.08% in December 2020 to 26.34% in December 2021 and now at 27.99% at the end of 2022. This is an incredible achievement, and we can also see that achievement in the % of women in leadership positions; this has gone from 28.28% in December 2020 to 34.18% in December 2022.
- **Site Director** – we appointed our first female Site Director, Tina Buhin in January 2022 taking responsibility for our site in Zagreb, Croatia.

We completed our first colleague engagement survey for quite some time at the end of 2021, with the results being shared in early 2022. We pledged to pay £10 for each completed survey with matched funding. We donated £10,000 to World Land Trust which was due to the high completion rate we achieved. We were incredibly pleased to report that we achieved the Best Companies accreditation of "One to Watch"

HUMAN RESOURCES: PEOPLE REPORT

which means we have good levels of colleague engagement. This was an incredible achievement for our first time in completing the survey and developed site action plans to improve on the eight factors for when we do the survey again in late 2023. One area measured on the survey is giving back and this is an area that we were above our benchmark in the survey. In addition to the charitable giving from the CWB, we have sponsored 17 students in South Africa to complete a one-year training scheme, where we hosted 6 trainees at our site. We have also supported 8 discretionary grant students again in South Africa. We continue to recruit 2-3 industrial placement students each year to work for our Technology Department at our UK sites in Wollaston and Liverpool.

In addition, we have also supported local schools and colleagues with attending career events, speaking to sixth form students about future careers and hosting visits to our sites.

An organisation never stands still, and we are a testament to that. We have seen our headcount increase from 730 at the end of December 2021 to 809 at the end of 2022. This increase includes 29 colleagues who joined us from our JV partner in India during July 2022 and the initial staffing of colleagues at our new facility in Mocksville, USA.

We are in the process of implementing Regional Leadership Teams in Europe, North America and Asia. The Regional Leadership teams own the tactical implementation of the business strategies and balance business and functional needs to deliver for regional customers and meet target annual financial performance whilst maintaining compliant activities.

We are also introducing Business Teams for Composites, Functional Polymers and Adhesives and these teams will be externally focussed, developing strategy to meet current and future market and customer needs and support development of the business to achieve financial targets. Both the Regional and Business Unit teams will be implemented in Q1 2023.

Julie Thorburn
Group HR Director

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 Global Members' Board and the Group Board.

COMMONWEALTH BOARD

GROUP BOARD

GLOBAL MEMBERS' BOARD

THE COMMONWEALTH BOARD (CWB)

The CWB 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 CWB 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

CORPORATE GOVERNANCE

COMMONWEALTH BOARD MEMBERS

Andy Bell
Commonwealth Chair

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.

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 in 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 a three-year term.

Robert Gibson
External Guardian Trustee

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.

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) from 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.

Richard Tapp
Guardian Trustee

Richard is a Solicitor and Chartered Governance Professional, having held Group company secretary and Group general counsel positions with FTSE-100 and 250 corporates for more than 20 years. He is also the architect of an award-winning legal services business that now forms part of a major international Magic Circle law firm.

He currently consults with law firms, in-house legal teams, and alternative legal providers on a range of in-house legal, alternative legal services, and legal technology issues. He is a member of the Company Secretaries' Forum, which acts as an advisory Group on governance matters to the Chartered Governance Institute.

Richard is an experienced trustee and is currently a member of Council and Chair of Audit at the University of Leicester, Chair of the Academy Council at Wrenn School, Wellingborough, and a lay member of Chapter at Peterborough Cathedral. His previous trustee roles include International Lawyers' Project, the Centre for Tomorrow's Company, and the British Occupational Health Research Foundation.

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 Biopolymers 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 Black
Internally Elected Director

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.

Jessica Clark
Internally Elected Director

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 in 2020 to become Group Reporting Analyst.

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

David Harris
Internally Elected Director

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 two 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.

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

BUSINESS REVIEW

SALES

£304m +13%

2021: £270m

OPERATING PROFIT

£2.1m -75%

2021: £8.3m

PROFIT BEFORE TAX

£2.3m -74%

2021: £8.7m

NET CASH

£0.2m -99%

2021: £24.0m

BUSINESS PERFORMANCE

Annual sales increased by £34m (+13%), despite a small 5% reduction in volumes. This was driven by the unprecedented increases in raw material prices which began towards the end of 2021, and continued through 2022, peaking in Q2, with a slow reduction through to the end of the year.

The Russian invasion of Ukraine has led to disrupted supply chains and inflation in raw materials, energy and other costs, this combined with the general volatile economic climate created a challenging business environment resulting in decreased Operating Profit to £2.1m (2021: £8.3m), and Profit Before Tax ('PBT') to £2.3m (2021: £8.7m).

Strong price management meant the Group were able to push the majority of raw material inflation seen in the period through into the sales price. Coupled with the strategic focus in improving the product mix towards higher margin, specialist products meant that overall, both revenue per tonne (+16%) and margin per tonne (+4%) increased on 2021 levels. This focus will continue as the business climate stabilises in 2023.

Other operating costs increased year-on-year by £0.9m from £14.6m to £15.5m reflecting ongoing investment in the business to build out operational and commercial capabilities as the foundation for future growth.

BALANCE SHEET

Working capital management was a challenge in 2022 with the record high raw material prices and supply chain disruption leading to an increase in working capital requirements, and a small overall cash outflow from operating activities of £1.4m (2021: inflow of £0.9m).

Overall net cash decreased from £24.0m to £0.2m in the year driven by the ongoing strategic investment programme in both capital expenditure and the acquisition in India (£21.4m) and also the inflation in working capital (£10.4m) driven by the increase in raw materials and the need for higher stock levels due to supply chain disruption.

The Group continued to invest in line with strategy, to unlock future growth through a new manufacturing facility in the USA, and expansion in India, as well as continued investment in its IT systems and the maintenance programme to ensure asset integrity.

Despite the challenges in the period the Group maintained the investment in its growth strategy and its focus on product mix. Positive performance in Q1 of 2023 maintains sufficient liquidity to manage its operations and provide headroom for increased working capital requirements. The outlook for 2023 sees a combination of tight working capital and cash management while continuing to invest the cashflow from operations in supporting the growth of the business.

Additionally, the Group's Revolving Capital Facility (RCF) with NatWest was extended to a 5-year term and increased to $20m in March 2023 providing the Group with significant additional funds for working capital should it be needed. The Group has in excess of £30m receivables and £35m inventories which are currently free of security for financing and remain available to raise working capital facilities.

TAXATION

The tax charge on profit before tax was £0.2m (2021: £1.2m). The effective tax rate for 2022 (excluding adjustments for prior year) is 7.4% (2021: 18.6%). Main drivers of the reduced tax rate were the decrease in PBT for the year, positive country mix of profit to lower tax regimes such as the Middle East as well as taking advantage of capital allowance super deductions in the UK.

See notes 11 and 21 for further detail.

Deferred tax assets of £3.2m were recognised in the period, reflecting the expected utilisation of brought forward losses on the basis that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits, in line with updated forecasts.

GLOBAL EXPANSION

India

The Group subsidiary, Scott Bader Private Limited (India) acquired the commercial business of JV partner Satyen Polymers Private Limited in July 2022 and is the latest addition to the Group's growing global presence.

The expanded partnership has seen Scott Bader Private Limited assume responsibilities for direct sales and marketing for all resin and gelcoat products, utilising Satyen Polymers Private Limited manufacturing footprint, to offer an expanded product range of Scott Bader technology to bring industry leading composite and adhesive products to the Indian market including Crystic, Crestapol, Crestabond, Crestomer and Crestafix brands.

Under the transaction terms the Group purchased 100% of the share capital of Scott Bader Private Limited for £12,000 while in parallel acquiring the trade and assets of Satyen Polymers Private Limited and Satyen Scott Bader LLP for a consideration of £7.3m.

Following the acquisition, the principal activity of Scott Bader Private Limited is the manufacture and sale of chemical products. Goodwill of £0.2m arose from the acquisition, attributable to the expertise of the workforce and economies of scale expected from combining the operations into the Group.

USA

In 2022, the Group continued its investment in its new USA based manufacturing facility 'Eagle' through Scott Bader Inc, which commenced in 2021. Spend in the year was £5.8m. Progress included recruitment of 11 team members and completion of the construction of 110,000 square feet of facilities for the production of gel coats and adhesives and a warehousing and distribution facility.

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 are:

KPI	2018	2019	2020	2021	2022
Volume movement %	10.8	-	(5.7)	9.0	**(5.2)**
Gross margin[1] growth[2] %	6.7	12.1	4.4	8.0	**(3.6)**
Return[3] on sales %	2.6	3.3	6.1	3.1	**0.7**
Return[3] on net assets[4] %	7.9	10.4	18.0	9.8	**2.1**
Average monthly trade working capital as a % of sales	16.7	12.9	14.8	12.5	**15.2**
Staff turnover %	6.3	12.9	15.6	12.3	**12.4**
Lost Time Incident Frequency Ratio (LTIFR)[5]	2.70	1.26	1.10	1.04	**1.49**

[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 were marginally lower than prior year, reflecting the volatile economic climate. Gross margin value fell due to increased logistical costs of securing timely delivery of raw materials in and finished goods out. With the cost environment impacted by persistent inflation, overall costs rose, which, along with the continued expansion of our investment in people and assets led to a fall in return on sales to 0.7%.

Lower return and an increase in trade working capital, plus significant capital investment led to a reduction in the Return on Net Assets to 2.1% (2021: 9.8%).

In comparison to the prior year, average monthly trade working capital as a percentage of sales increased following the significant rise in working capital from increased inventory in the business due to supply chain disruption.

Staff turnover remained consistent with prior year at 12.4% (2021: 12.3%) 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.

Unfortunately, the Group suffered a series of minor incidents across all sites that has led to the uptick in the LTA/RDFR metric to 1.49 (2021: 1.04). Whilst the incidents were minor in nature, we recognise that this is an area requiring review and are in the process of developing and deploying a set of initiatives covering behavioural safety, lifesaving rules, and occupational safety awareness to help drive the improvements we demand in 2023.

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.

- **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** 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 2022. The Committee's focus in the year included:

- Workshops and training for key risk owners on risk evaluation.

- Review of risk specific scorecards at the site and function level, including post review feedback on completion of the scorecards.

- Inclusion of risk areas in the Annual Report based on strategic areas.

- Review and update of risk framework, risk appetite and risk maturity.

- Development of an assurance programme with internal audit.

- Specific review of health and safety related risks and major accident hazards.

- Appointment of an Assistant Risk Officer.

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

2022 RISK MANAGEMENT

In 2022 the business continued to invest in improving risk assessment and management systems in health and safety, tax compliance, treasury, S&OP (Sales and Operations planning), payroll processing and business processes. There was also a significant amount of work related to the Russian invasion of Ukraine to ensure that we met all the sanction requirements that were imposed and ceased all commercial activities with Russian companies or their subsidiaries. Raw material cost increases were also unprecedented with the consequential requirement to manage pricing and working capital along with the underlying inflationary pressures. The risk on energy prices was managed through buying forward through our gas and electricity suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risks summarised below: It should be noted that Climate Change is understood to be an existential risk to the business but that its impacts are expected to arise within the risk categories summarised in the table.

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.	In addition to the mitigations reported last year the following actions have been implemented: • Extension of our sanction monitoring following the Russian invasion of Ukraine including for the procurement of raw materials. • Our regional presence was expanded with the acquisition in India combined with growth in the regions is beginning to balance the Group's geographic footprint and mitigate global supply chain risks. • The Russian invasion of Ukraine resulted in a significant increase in working capital as a result of raw materials increasing. Work is ongoing to improve the balance sheet and improve funding capacity. • Further development of ability to manufacture key products at multiple sites to improve resilience and business continuity planning.	No change overall. The Russian invasion of Ukraine has demonstrated the interconnectedness and fragility of global supply chains and we expect these to remain volatile for some time to come.
Project management There is a risk that the significant number and scale of the projects being undertaken to deliver the strategic plan will lead to delivery failure and project overruns.	• The recruitment of specialist skills and advisors to support projects. • Formal use of project management systems with steering committees and regular reviews. • Investment Committee review of major projects including mergers and acquisition. • Formalised integration processes and post investment reviews.	New Risk. The increase of major projects and the level of investment and complexity represents a significant emerging risk.

2022 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, increased likelihood for non-supply fines and potential loss of customers.	• Stock management and production planning to minimise supply chain disruption. • Initiatives to improve quality and reliability of production including the implementation of an improved Group wide S&OP system. Development of dual site manufacturing for key products. • Securing external export and in-house regulatory expertise to support quality document compliance.	No change overall. Changes in supply chain resulting from the Russian invasion of Ukraine resulted in significant disruption in the first half of the year including some suppliers suspending manufacture due to energy cost increases. However, the situation stabilised towards the year-end as China's Covid policy changed and global supply chains began to flow again. The Group has some specific areas where demand is putting pressure on the ability to supply and the new assets due to come on line in 2023 will help alleviate these issues.
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. • Implementation of a Zero Harm Programme.	No change. This remains a high ongoing risk for the Group and one that continues to receive ongoing investment and monitoring by management including improved processes and a refresh of the hazard evaluation programme.

2022 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 (continued).

RISK / UNCERTAINTY	MITIGATION	YEAR-ON-YEAR CHANGE
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 complete, with support from third party experts, to help set out PCS automation strategy from 2022 with associated capital investment.	No change. This remains a high ongoing risk for the Group. Completion of the global PCS assessment that was started in 2021 with a clear strategy now established. This area is expected to receive increased investment 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.	Continued investment to implement state of the art IT systems and firewall security, active penetration testing, data loss prevention tools and data governance framework. It is recognised that IT failure could impact the ability to manufacture and supply products and mitigation plans are being developed.

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.	• Scott Bader aims 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. • Key inputs are hedged.	The market volatility resulting from the Russian invasion of Ukraine impacted demand. The Group was able to maintain margin levels at the same level as previous years due to new opportunities and mix, but profitability was impacted due to rising costs that were deliberately not constrained due to their association with strategic projects.

2022 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 (continued).

RISK / UNCERTAINTY	MITIGATION	YEAR-ON-YEAR CHANGE
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 the Group's financial results are materially impacted by adverse currency movements leading to volatility in the reported profits and asset values.	• An experienced Group Treasurer was recruited in 2022 to further strengthen controls and processes. • Due to working capital increases in 2022, cash management activities were strengthened with improved scrutiny and forecasting, this led to improved cashflow across the Group and an increase in the Group's revolving credit facility and debt factoring capacity. • Planned programme of work to update the Treasury policies including foreign exchange management and hedging. • Active project to improve foreign exchange management.	The impact of a significant increase in working capital, higher levels of capital spending and acquisitions in 2022 had a material impact on liquidity which required more active management. 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.

PEOPLE RISKS:
These 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.	Recruitment and retention was challenging in 2022 due to the historically low levels of unemployment, the shortage of skills and the cost of living squeeze in certain regions.
Succession planning There is a risk that unplanned departures and overreliance on key individuals leads to a loss or compromise in knowledge, customer and supplier relationships and competitive advantage.	• Succession plans and retention strategies are in development for Group leadership and other key positions. • Ongoing talent reviews and succession planning programmes. • Talent management programme launched in 2021 and progressed through 2022, including overseas secondment to build experience.	The leadership competency framework continued to be rolled out in 2022 with all employees expected to have a development plan. The new organisational structure implemented at the end of 2022 is also designed to provide key roles with the opportunity to operate on an Executive Board.

2022 RISK MANAGEMENT

The Group's key risks summarised (continued):

REGULATORY AND 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 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. • Ongoing monitoring of sanctions and reporting around high risk countries.	The acquisition of a business in India represents an increased risk for the Group whilst appropriate policies and oversight is established to ensure compliance. This area remains a high ongoing risk for the Group as regulations tighten globally and data protection laws expand. It 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 whose responsibilities are outlined on page 58. 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 Member Directors – elected from three constituencies – the United Kingdom & Eire, Continental Europe, and the Rest of the World.

Community Director, Steven Brown, stepped down as a Director on 30 June 2022.

Samuel Boustred, Member Director and Chair of the GMB was appointed to the Board on 1 July 2022.

Former Group Chief Financial Officer and Executive Director, Matthew Collins, resigned as a Director on 30 June 2022. Neil Miller, Group Chief Financial Officer, was appointed to the Board as Executive Director on 25 January 2023. Julie Thorburn resigned as Executive Director on 17 March 2023. Michael Findlay-Wilson was appointed as Executive Director on 17 March 2023. Deborah Baker resigned as Non-Executive Director on 31 March 2023.

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

Directors also received regular updates on changes and developments in the business, legislative and regulatory environments, as well as the Directors' statutory duties. 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

Director's attendance statistics for the year ended 31 December 2022:

NAME OF DIRECTOR	POSSIBLE MEETINGS	ACTUAL MEETINGS	% ATTENDED
Deborah Baker NXD	11	10	90%
Samuel Boustred MD	8	8	100%
Steven Brown MD	3	3	100%
Matthew Collins XD	3	3	100%
Jean-Marc Ferran MD	11	10	90%
Kevin Matthews XD	11	11	100%
David Rossouw MD	11	11	100%
Paul Smith, Chair, NXD	11	11	100%
Julie Thorburn XD	11	10	90%
Dianne Walker NXD, SID	11	11	100%

Note: NXD – Non-Executive Director; SID – Senior Independent Director; XD – Executive Director; MD – Member 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 nonaudit 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 22% of the fees paid to RSM for audit, audit-related and other services in 2022 (2021: 42%).

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. In 2022 BDO performed the review of the purchasing processes in UK as well as assisting the Company in the review of the control design for the upcoming ERP implementation. Some assurance projects were deferred to 2023 after the internal improvement plans were to be completed. The Audit Committee has also been focussed on the further progress made in 2022 on addressing legacy actions from previous years' internal audit reports and targeting risk areas.

On behalf of the Group and Scott Bader Company Limited Commonwealth Boards (Parent Company), 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. 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. To date over 70% of actions from the Governance review have been implemented according to the recommendations.

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 and 2022 the Board progressed towards full compliance with the QCA principles, achieving full compliance in early 2023.

The Audit Committee met on four occasions in 2022, in January, March, June and October.

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. Deborah Baker, (MCIPD), Non-Executive Director, chaired this committee until her resignation on 31 March 2023. Dianne Walker, Senior Independent Non-Executive Director, stepped down from the Remuneration Committee in May 2022 and was replaced by Paul Smith, Chair of Group Board and Non-Executive Director.

The Remuneration Committee is responsible for considering and making recommendations to The Global Members' Board 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).

TERMS OF REFERENCE

The Committee has oversight of remuneration arrangements for all colleagues whose base salary is greater than £100,000 (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 £120,000 in December 2022.

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 2022

The Remuneration Committee met on nine occasions in 2022 in February, March, May, June, August, September, October, November and December. Additional meetings were required to address the bonus topic and to approve senior level appointments.

The Committee have continued to focus 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 and to ensure that Scott Bader can attract and retain the leadership talent required, work has been ongoing to implement a market-aligned pay, reward, and benefits strategy.

The Terms of Reference were reviewed and were updated in December 2022 to accommodate the changes for Scott Bader Company Limited arising from the wider Scott Bader Commonwealth and Group wide Constitutional Review which was approved by all stakeholders in May 2022.

PAY

The Committee reviewed CEO pay ratios for 2022 and approved the second UK Gender Pay Gap Report for 2021.

As agreed with the Committee, the 2022 Salary Review focussed 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 2022 Salary Review process used the performance management principles introduced in 2021 as part of the new HRIS implementation.

In line with best practice, an external Executive Salary Benchmark Review, conducted by Willis Towers Watson, was completed prior to the 2022 Salary Review. The Executive benchmark was agreed in December 2022.

VARIABLE PAY

Wills Towers Watson's work with the Remuneration Committee continued in 2022 and the Committee approved the proposal to address this topic in December 2022. The focus for 2023 will be considering, communicating and implementing any changes.

BENEFITS

Following the benefit benchmarking activity, a set of principles were developed and agreed. The proposed approach for key Scott Bader country locations was agreed at the Remuneration Committee in December 2022. These countries will be implementing the changes during 2023.

LOOKING AHEAD

Ensuring that we continue to invest in fair pay and reward within the Group and implementing the changes with bonus and benefits which have been approved during 2023.

Paul Smith
Group Chair and Remuneration Committee member

COMMITTEES OF THE BOARD OF DIRECTORS

EMPLOYEE, ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE

A Group Sustainability Committee was established in 2020 and Chaired by Steven Brown until he stepped down as Community Director in June 2022. At this point a decision was taken by the Board to widen the remit to encompass Employee, Environment, Social and Governance (EESG) matters. To ensure these matters are considered within the Board decision making process, a Board EESG Committee was set up with a Terms of Reference to guide its work. In tandem, a revised EESG Steering Team has been put in place by the Executive Leadership Team with membership drawn from across the global Scott Bader Group, including representation from both GMB and the CWB, to work closely with the EESG Board Committee, inform the Committee's work and to support execution against its objectives.

The EESG Steering Team held two meetings and the Board EESG Committee held one formal meeting. To guide the work moving forwards, the EESG Steering Team is working through the process to help identify a small number of tangibles, stretching but achievable targets over the next two-to-three years that can enable the organisation to move forward and ultimately meet the 2036 vision.

Paul Smith
Group Chair

JOINT NOMINATION COMMITTEE

The terms of reference of the Joint Nomination Committee (JNC) activities were upgraded and broadened during late 2022 to encompass oversight of appointments in a wider number of senior roles across several of the leadership bodies operating within the Scott Bader Group, including Scott Bader Commonwealth Limited and Scott Bader Company Limited.

Chaired by either of the Chairs of the Scott Bader Company Limited Board or the CWB respectively, the Joint Nomination Committee is constituted to oversee the selection and appointment of the Chief Executive, the Chief Financial Officer, Non-Executive Directors of the Group Board (including the Chair), and External Guardian Trustees (EGTs) of the SCWB.

In each case, the Joint Nomination Committee will usually be constituted from selected representatives of Directors (Executive and Non-Executive depending on the precise role), members of the CWB and of the GMB, the latter having replaced the Members' Assembly under new constitutional arrangements.

The Committee makes a recommendation of appointment of suitable candidates to both the GMB and the CWB which approves all Independent Non-Executive Directors, EGTs and key Executive Director roles. Note that this process also applies to the extended tenure of Non-Executive Directors at the end of their first three-year term of office.

In 2022 the Joint Nomination Committee met to consider and approve the following appointments:

Scott Bader Company Limited:

- Selected and appointed Executive Director and Group Chief Financial Officer (Neil Miller).
- Re-appointed Chair of the Scott Bader Group (Paul Smith).

RISK COMMITTEE

The Risk Committee, chaired by the Group Chief Executive Officer, 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 41-45.

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	
Deborah Baker	Independent Non-Executive Director	Until 8 June 2022
David Rossouw	Member Director	
Jean-Marc Ferran	Member Director	Appointed 8 June 2022
RISK COMMITTEE		
Kevin Matthews (Chair)	Chief Executive Officer / Chief Risk Officer	
Deborah Baker	Independent Non-Executive Director	Resigned 31 March 2023
Dorota Watzlaw-Kost	Group Compliance Manager	
Andrew Cottrell	Group Operations Director	
Jeremy Mutter	Group General Counsel & Company Secretary	
Matthew Collins	Chief Financial Officer	Resigned 30 June 2022
Tara-Jane Brodie	Assistant Company Secretary and Risk Officer	Appointed 19 May 2022
REMUNERATION COMMITTEE		
Deborah Baker (Chair)	Independent Non-Executive Director	Resigned 31 March 2023
Samuel Boustred	Chair of the Global Members Board	
Dianne Walker	Senior Independent Non-Executive Director	Until 25 May 2022
Paul Smith (Chair)	Group Chair	Appointed 25 May 2022
EESG COMMITTEE		
Deborah Baker (Chair)	Independent Non-Executive Director	Resigned 31 March 2023
Samuel Boustred	Chair of the Global Members Board	Appointed 17 November 2022
Kevin Matthews	Group CEO	Appointed 17 November 2022
Paul Smith	Group Chair	Appointed 17 November 2022
INVESTMENT COMMITTEE		
Kevin Matthews (Chair)	Chief Executive Officer / Chief Risk Officer	
Dianne Walker	Senior Independent Non-Executive Director, Audit Chair	
Jonathan Stowell	Group Commercial Director	
Samuel Boustred	Global Members Board Chair	
Paul Smith	Group Chair	
Andy Bell	Chair Commonwealth Board	
Jeremy Mutter	Group General Counsel & Company Secretary	
Matthew Collins	Chief Financial Officer	Resigned 30 June 2022

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.

To support Directors in executing their duties regular updates are provided on statutory changes to those duties alongside changes and developments in the business, legislative and regulatory environments. New Directors receive formal induction training, customised for each Director as required.

The Scott Bader Constitution sets out the guiding principles by which the Group operates, noting the values and behaviours that must underpin the operation of a successful and thriving business. In keeping with these principles, progress was made on two significant governance projects in the year:

- **Completion of the Constitutional Review**
  The Constitutional Review was completed in 2022 and provides the Commonwealth and wider Group stakeholders with precise guidance on the purpose of each of the governing boards and how they interrelate. Available in more than four languages, it improves the governance by providing further transparency on the interactions and accountability between bodies. This offers both internal and external stakeholders' clarity over the unique organisation and governance structure comprising of three boards and their interactions within the Commonwealth and wider Group.

  An updated Constitutional Review is available internally and will be made available on the company website.

- **An independent examination of Governance, Risk and Compliance**
  The Group Board commissioned independent review of Scott Bader's Governance and Risk framework was completed in 2021 and allowed the recommendations from the report to be implemented by the Group during 2022.

  The revised governance operating model assists the Board in meeting the requirement of the new constitution and provides the foundation for updated governance framework, policies, practices, procedures, and job responsibilities within the corporate governance infrastructure moving forward.

  The Risk Management Framework review was also concluded in 2021 and has allowed the Group to develop an integrated risk management framework, which supports the Board's desire, as key stakeholders, to improve its risk maturity level, control framework and associated risk assurance model.

In keeping with the requirements of section 172 of the Companies Act which requires the Board to take into consideration the interests of stakeholders in its decision making, this section provides information about the Board's approach to engagement with stakeholders, namely: Colleagues, Customers, Suppliers, and the wider community and environment.

COMMUNITY & ENVIRONMENT

The Group has established clear targets to support its 2036 vision including setting up an Employee, Environment, Social and Governance (EESG) committee tasked with delivering reductions in Scope 1 & 2 emissions by 2025, thus ensuring that the business has the right strategy and goals aligned across the Group, to deliver environmental performance improvements.

Publication of an annual EESG report allows the Group to review our impact across the year, summarising how we have put our values into actions. More details are provided under the Environmental Care section of the Report of the Directors which indicates our impact on the environment through publication of metrics as a snapshot of the wider EESG report.

The Group undertakes a number of charity and voluntary activities with a proportion of Scott Bader Company Limited's profits each year required by the Constitution to be devoted to charitable and community work. This is administered by The Commonwealth who benefit from a donated amount from the Group.

COLLEAGUES

The Group Board is mindful of its broader commitments to colleagues and the Report of the Directors includes the pledge to brief and consult colleagues for significant decisions, the employment of disabled persons, offering equal opportunities to all, as well as ensuring we work co-operatively and collaboratively.

More specifically, the ongoing work of the Remuneration Committee, with internal representation from the Chair of the GMB, ensures that the interests of colleagues are considered on everything from salary and benefit benchmarking, through to review of gender pay gaps. For more information around the Remuneration Committee please refer to page 48.

KEY DECISIONS IN 2022 INCLUDE:

- **Leadership Changes**
  Matthew Collins resigned his post on 30th June 2022 as Group Chief Financial Officer, leaving the Group on 30 September 2022. After a period of probation Neil Miller was appointed to the permanent role of Group Chief Financial Officer on 25 January 2023. We would like to thank Matthew Collins for his contribution in his tenure in this important executive role.

COMMITTEES OF THE BOARD OF DIRECTORS

CUSTOMERS

Our business is based on the simple principle of maintaining a balance between our social purpose and business needs, with the success of our customers at the heart of what we do, enabling our customers to supply more effective and sustainable products using innovative polymer solutions. 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, including our ongoing world class technical support.

Through 2022 we have further developed our customer CARE (Categorisation, Attain, Retain, Experience) programme, tailoring the service we offer to our customers to provide an improved customer experience for all, as part of our ongoing focus on the customer.

Scott Bader continues to grow and expand its geographical footprint, creating value for its stakeholders and to serve our existing and new customers across the globe. Tapping into opportunities presented by new and fast-growing markets in North America and Asia, we have now established a presence in North Carolina and India as we strive to meet growing domestic and global demand for our market leading products.

KEY DECISIONS IN 2022:

- **Investment in India**

  July 2022 the Group acquired the commercial operations of Satyen Polymers Private Limited in India. This investment supports the strategic aim of growth in India, seen as a key growth area for the Composites market.

The strategy included entering into a third party tolling agreement with Satyen Polymers Manufacturing Pvt Limited, as the Group assesses options around the future manufacturing footprint requirements.

The long-term benefits of this acquisition are to provide the Group with a base in India from which we can concentrate on production for the local markets, establishing the Scott Bader brand and providing the local market with high quality output, which will benefit the wider Group as the operation matures.

- **Investment in US operations**

  During 2021, the Group acquired a 110,000 square foot industrial unit in Mocksville, USA. 2022 has seen the first stage of the build process to create a US hub for Customer Service, Quality Lab, Distribution, and Manufacturing facility for Gelcoats and Adhesives.

  As construction began in July 2022, starting with the offices and labs, a core team (Site Lead, HR, Finance, Production, Quality, SHE, Maintenance, and S&OP) was established in parallel to support the site once it begins to commission volumes in Q2 2023, following the installation of vessels and mixers in November 2022.

  This facility will increase the operational capacity of the Group and fundamentally improve the Groups ability to deliver its products across the Americas region once online, thus improving our ability to meet customer needs and ensuring stable demand for suppliers.

  Updates on progress are communicated internally with the ability for internal stakeholders to discuss the project at length through a series of forums at which the senior leadership team provide updates on current topics impacting the organisation.

SUPPLIERS

The Group Board is mindful of its broader commitments to suppliers and the Report of the Directors includes a commitment that covers broader corporate responsibility, the conduct of business with honesty, integrity, and fairness at all times. These items are covered in more detail in the Report of the Directors. The Group continues to invest in improving risk assessment and management systems including building out the S&OP (Sales and Operations planning) function to improve quality and reliability of production which includes the implementation of an improved Group wide S&OP system, and the development of a global procurement function to support efficient purchasing across the Group.

- **ERP systems improvements**

  The ERP improvement project continued apace through 2022, successfully building out the systems architecture and company blueprint in line with the stated objective of modernising our ERP system to become “evergreen” in nature. With this phase complete the Group has taken a strategic decision to focus on attaining in the short term some of the operational opportunities to improve how the Group utilises the current ERP system. These include:

  - Onboarding new divisions
  - Delivering improved S&OP processes
  - Improving end-to-end effectiveness

  This will allow the Group to realise some of the benefits of the project earlier than anticipated and has the additional benefit of allowing increased investment into business critical SHE capital projects in 2023. Continuous improvement remains a key driver for the business, benefitting both internal stakeholders through improved productivity, and external stakeholders through improved service.

  This decision was communicated internally and discussed at a series of forums at which the senior leadership team provide updates on current topics impacting the organisation.

BY ORDER OF THE BOARD

Jeremy Mutter 10 May 2023
Secretary

REPORT OF THE DIRECTORS

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 £2.3m (2021: £8.7m) on continuing operations for the year ended 31 December 2022. The Directors do not recommend payment of a dividend (2021: 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 2022, the most recent cash position, the projected cashflows and the availability and headroom of the financing facilities across the Group, including the availability of new facilities secured in March 2023.

The performance of the Group in the year to date are in line with expectations, reflecting a strong order book despite subdued economic indicators, and thus the Group continues to trade profitably.

Given continuing economic uncertainty, performance forecasts to 30 June 2024 have been generated under a variety of scenarios, including the application of 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, 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 Group will focus on building upon and integrating the recent investments in the USA and India and growing market share in North America and Asia.

At the date of signing these financial statements, Russia has invaded in Ukraine, and the Group continues to experience raw material and energy inflation and disruption to supply chains, although these are at a reduced level when compared to 2022. The Group's response will be to further build and leverage the procurement and supply chain capabilities that were key focus areas in 2022, as well as expanding the range of suppliers, increasing stock levels where needed and increasing production flexibility.

The business remains in a strong financial position, with a number of opportunities offering great potential for growth. The Group Leadership Team is focussed 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 £4.4m (2021: £3.8m).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group uses various financial instruments including loans, cash, and 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 and working capital requirements. The existence of these financial instruments exposes the Group to a number of financial risks. The main risks are; 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 as there is a natural balance of purchases and sales across the various currencies. Customer pricing may be adapted to deal with step changes in exchange rates as needed. The currency risk is closely monitored, and appropriate actions taken when needed.

TRADE AND OTHER RECEIVABLES

All operating companies have credit policies, that are approved at the appropriate level using the delegation of authority matrix 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 and in line with Group policy. Due to the geographical spread of the operating companies, the credit risk varies from site to site and is 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 weekly and aims to ensure that there is always available headroom in all entities to meet all obligations as they become due. Access to a USD $10m revolving credit facility with the Royal Bank of Scotland (RBS) was utilised in the period to regularise cashflows in light of volatile market conditions whilst continuing the ongoing capital investment programme. The revolving credit facility was extended in March 2023 to USD $20m, allowing the Group access to a further USD $10m. At 31 December 2022 the Group had headroom which the Directors considered to be adequate for current business demands.

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 skills, knowledge, experience and alignment to the Core Values.

CHARITABLE AND POLITICAL DONATIONS

The Group's donations for charitable purposes charged to the profit and loss account for 2022 amounted to £325,000 (2021: £560,000). Of this, £305,000 (2021: £552,000) related to the 2022 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 donations were made for political purposes (2021: Nil).

CORPORATE RESPONSIBILITY

It is our Corporate Responsibility to conduct our manufacturing and distribution businesses in accordance with our principles, these were updated as part of the constitutional review in 2022. We strive to be a role model for the application of these principles and have published a second Employee, Environment, Social and Governance (EESG) Report in 2022 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 have been refreshed and will be embedded in our colleague practices including recruitment, onboarding, development, annual appraisals, our leadership competency framework, as well as our recognition scheme.

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 established a baseline year for our Scope 1 and Scope 2 carbon footprint, making a commitment to reduce this by 60% over a five year period. The Operational Sustainability Team was replaced with an EESG Board Committee and Steering Group in Autumn 2022 to ensure that the business has the right strategy and goals aligned across the Group, to deliver environmental performance improvements.

Scott Bader historically has purchased electricity from low carbon suppliers in the UK, France and Croatia, and over the past year we have expanded to include Dubai, and South Africa. Further auditing has been undertaken at our Croatian site to further reduce our carbon impacts. The renewable energy certificates for these sites allow us to report zero CO_2 for our Scope 2 market emissions in these locations and bring a significant reduction for the market-based reporting across the Group. However, in line with the GHG Protocol Corporate Standard, we report both market-based and location based emissions for Scope 2 CO_2.

We have not included Scope 1 emissions from company owned and company leased vehicles as we 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.

2022

ENERGY CONSUMPTION		SB UK		GROUP	
		LOCATION BASED	MARKET BASED	LOCATION BASED	MARKET BASED
Non-renewable (GJ)		74,185	52,412	177,842	128,628
Renewable (GJ)		167	21,940	3,683	41,230
Total (GJ)		74,352		181,525	
GREENHOUSE GAS EMISSIONS		SB UK		GROUP	
Scope 1 ($TeCO_2e$)		2,668	2,668	7,166	7,166
Scope 2 ($TeCO_2e$)		1,284	0	3,839	577
Scope 1 and Scope 2 ($TeCO_2e$)		3,952	2,668	11,005	7,743
INTENSITY FACTOR		SB UK		GROUP	
Energy Intensity	MJ/Te of product	2,244		1,438	
	GJ/full time employee	234		225	
	MJ/£000's revenue	885		595	
Carbon Intensity (market based)	$kgCO_2e$ /Te of product	81		61	
	$TeCO_2e$/full time employee	8		10	
	$kgCO_2e$/£000's revenue	32		25	

2021

ENERGY CONSUMPTION		SB UK		GROUP	
		LOCATION BASED	MARKET BASED	LOCATION BASED	MARKET BASED
Non-renewable (GJ)		80,424	54,018	201,419	157,793
Renewable (GJ)		151	26,557	3,004	46,629
Total (GJ)		80,575		204,422	
GREENHOUSE GAS EMISSIONS		SB UK		GROUP	
Scope 1 ($TeCO_2e$)		2,778	2,778	8,204	8,204
Scope 2 ($TeCO_2e$)		1,557	0	4,116	2,249
Scope 1 and Scope 2 ($TeCO_2e$)		4,335	2,778	12,320	10,452
INTENSITY FACTOR		SB UK		GROUP	
Energy Intensity	MJ/Te of product	2,142		1,541	
	GJ/full time employee	417		291	
	MJ/£000's revenue	906		757	
Carbon Intensity (market based)	$kgCO_2e$ /Te of product	74		79	
	$TeCO_2e$/full time employee	14		15	
	$kgCO_2e$/£000's revenue	31		39	

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
Deborah Baker	Independent Non-Executive		31 March 2023
Samuel Boustred	Global Members' Board Chair	1 July 2022	
Steven Brown	Elected		30 June 2022
Matthew Collins	Group Chief Financial Officer		30 June 2022
Jean-Marc Ferran	Elected		
Michael Findlay-Wilson	Group Chief Information Officer	17 March 2023	
Kevin Matthews	Group Chief Executive Officer		
Neil Miller	Group Chief Financial Officer	25 January 2023	
David Rossouw	Elected		
Paul Smith	Chair, Independent Non-Executive		
Julie Thorburn	Group HR Director		17 March 2023
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 10 May 2023
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.

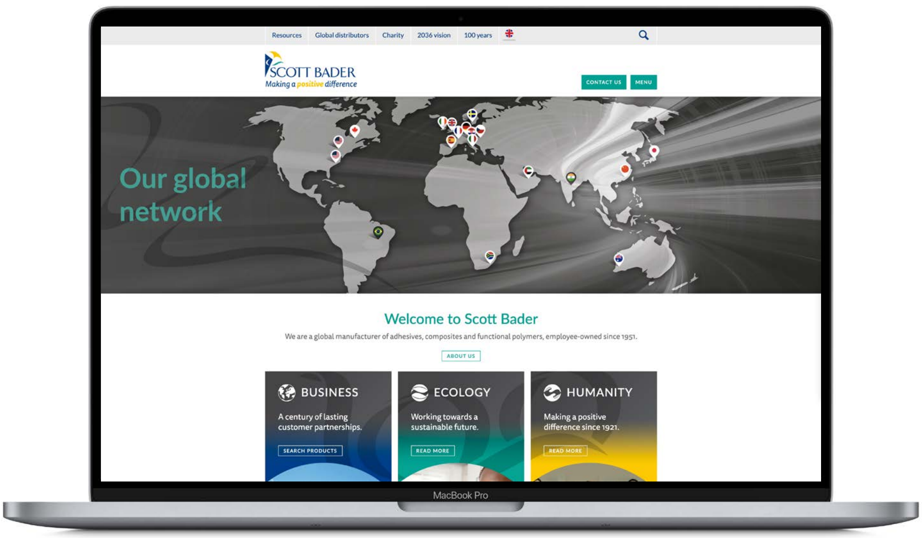
Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors have elected to prepare Group and parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting 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 each of the Group and Company 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 2022 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 2022 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 AUDITOR'S 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 58, 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

INDEPENDENT AUDITOR'S REPORT

correspondence with licensing or regulatory authorities.

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: 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	2022	2021
		£'000	£'000
Group Turnover	5	303,976	270,039
Change in stocks of finished goods and goods for resale		1,252	8,251
Other operating income	6	597	286
		305,825	278,576
Raw materials and consumables		210,388	183,715
Other external charges		30,948	25,715
Staff costs	7	40,885	40,957
Depreciation and amortisation		5,962	5,262
Other operating charges		15,545	14,608
		303,728	270,257
Operating profit	8	2,097	8319
Share of profit in joint ventures		197	280
Profit on ordinary activities before interest and taxation		2,294	8599
Interest payable and similar charges	9(a)	(328)	(95)
Interest receivable and similar income	9(b)	356	187
Profit on ordinary activities before taxation		2,322	8,691
Taxation on profit on ordinary activities	11(a)	(237)	(1,174)
Profit for the financial year		2,085	7,517
Attributable to Group		2,064	7,486
Attributable to Non-Controlling Interest		21	31
Profit for the financial year		2,085	7,517

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2022	2021
		£'000	£'000
Profit for the financial year		2,085	7,517
Other comprehensive income:			
Re-measurement loss on defined benefit pension scheme	22	(10,054)	1,183
Total tax on components of other comprehensive income	11(b)	2,513	(292)
Currency translation differences		4,692	(992)
Cash flow hedges			
– Change in value of hedging instrument	23	90	44
Other comprehensive income for the year, net of tax		(2,759)	(57)
Total (losses) / gains recognised since date of last annual report		(674)	7,460

Attributable to Group	(695)	7,429
Attributable to Non-Controlling Interest	21	31
Total (losses) / gains recognised since date of last annual report	(674)	7,460

CONSOLIDATED AND COMPANY BALANCE SHEETS

		GROUP		COMPANY	
	Notes	2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12	7,768	272	1,942	71
Tangible assets	13	58,143	48,729	5,176	3,115
Investments	14	414	591	27,393	27,393
		66,325	49,592	34,511	30,579
Current assets					
Stocks	15	38,279	32,898	-	-
Debtors	16	51,398	49,498	41,060	24,703
Debtors greater than one year	17	2,499	-	1,813	-
Cash at bank and in hand		21,206	32,186	2,196	7,565
		113,382	114,582	45,069	32,268
Creditors:					
Amounts falling due within one year	18	66,165	61,237	32,908	27,312
Net current assets		47,217	53,345	12,161	4,956
Total assets less current liabilities		113,542	102,937	46,672	35,535
Creditors:					
Amounts falling due after more than one year	19	1,372	1,366	-	-
Provisions for liabilities	21	7,521	5,536	1,145	1,442
Net assets excluding pension asset		104,649	96,035	45,527	34,093
Pension asset	22	7,508	16,796	-	-
Net assets including pension asset		112,157	112,831	45,527	34,093
Capital and reserves					
Called up share capital	24	50	50	50	50
Profit and loss account		112,055	112,750	45,477	34,043
Equity attributable to owners of the parent		112,105	112,800	45,527	34,093
Non-Controlling Interest		52	31	-	-
		112,157	112,831	45,527	34,093

The financial statements on page 60 to 65 were approved and authorised for issue by the Board of Directors on 10 May 2023 and are signed on their behalf by:

Kevin Matthews
Group Chief Executive Officer
Company registration number: 00189141

The accompanying accounting policies and notes form an integral part of these financial statements.

The profit after taxation in the financial statements of Scott Bader Company Limited was £11,434,000 (2021: loss of £3,147,000).

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 2021	**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**
Profit for the year	-	-	2,064	21	2,085
Other comprehensive income	-	-	(2,759)	-	(2,759)
Total comprehensive income for the year	-	-	(695)	21	(674)
Balance as at 31 December 2022	**50**	-	**112,055**	**52**	**112,157**

COMPANY

	Called up share capital	Retained earnings	Total
	£'000	**£'000**	**£'000**
Balance as at 1 January 2021	**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**
Profit for the year	-	11,434	11,434
Total comprehensive income for the year	-	11,434	11,434
Balance as at 31 December 2022	**50**	**45,477**	**45,527**

GROUP CASH FLOW STATEMENT

	Notes	2022		2021	
		£'000	£'000	£'000	£'000
Net cash from operating activities	25		(1,358)		894
Taxation paid			(3,105)		(1,633)
Net cash (used in) / generated from operating activities			(4,463)		739
Cash flow from investing activities					
Purchase of tangible assets		(13,297)		(13,006)	
Purchase of intangible assets		(8,092)		-	
Proceeds from disposals of tangible assets		105		(4)	
Interest received		50		187	
Dividends received from joint ventures		368		96	
Net cash used in investing activities			(20,866)		(12,727)
Cash flow from financing activities					
Repayment of bank loans		-		(590)	
New bank loans		7,802		-	
Interest paid		(328)		(95)	
Net cash from / (used in) financing activities			7,474		(685)
Net decrease in cash and cash equivalents			(17,855)		(14,151)
Effect of exchange rates on cash and cash equivalents			1,916		(473)
Cash and cash equivalents at the beginning of the year			25,777		40,401
Cash and cash equivalents at the end of the year			9,838		25,777
Cash and cash equivalents consist of:					
Cash at bank and in hand			21,206		32,186
Bank overdrafts			(11,368)		(6,409)
Cash and cash equivalents at the end of the year			9,838		25,777

Within cash and cash equivalents is a balance of £459,000 (2021: £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 22.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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 2022, the most recent cash position, the projected cashflows and the availability and headroom of the financing facilities across the Group, including the availability of new facilities secured in March 2023.

The performance of the Group in the year to date are in line with expectations, reflecting a strong order book despite subdued economic indicators, and thus the Group continues to trade profitably.

Given continuing economic uncertainty, performance forecasts to 30 June 2024 have been generated under a variety of scenarios, including the application of 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, 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.

Basis of consolidation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency

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

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

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

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

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

Revenue recognition

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

The cost of the defined benefit plan is recognised in the profit and loss account as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and

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

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

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

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

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

Current or deferred taxation assets and liabilities are not discounted.

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

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

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

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

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

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

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

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

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period of 0 to 10 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 Directors' assessment of the beneficial period.

Goodwill	0-10 years
Technology	0-10 years
Customer Lists	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.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets and depreciation (continued)

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 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions and contingencies (continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

4. 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 21)
Provision is made for various employee benefits payable on retirement or exit from the Group. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

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

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

5. TURNOVER

	2022	2021
Turnover by geographical market is analysed below	£'000	£'000
UK and Eire	51,614	56,374
Continental Europe	134,960	100,052
Rest of World	117,402	113,613
	303,976	270,039

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

	2022	2021
	£'000	£'000
Royalties receivable	111	100
Rents receivable	7	15
Others	479	171
	597	286

NOTES TO THE FINANCIAL STATEMENTS

7. STAFF COSTS

	2022	2021
	£'000	£'000
Wages and salaries	31,561	25,684
Staff bonuses	401	4,944
Other staff benefits	1,706	3,132
Social security costs	4,782	3,855
Pension costs - current service	1,915	2,008
Other retirement provisions	-	(46)
Redundancy	520	1,380
	40,885	40,957

The monthly average number of employees of the Group, including Directors, by geographical area was as follows:	2021 Number	2020 Number
UK and Eire	328	298
Continental Europe	219	207
Rest of World	220	198
	767	703

Directors	2022	2021
Group staff costs include the following remuneration in respect of Directors:*	£'000	£'000
Basic Salary	938	1,014
Pension contributions and other benefits	181	228
Settlement agreement	145	72
Bonuses	181	164
	1,445	1,478

	2022	2021
	£'000	£'000
The remuneration of the highest paid Director was:		
Total emoluments excluding pension contributions	372	343
Payments to defined contribution scheme	4	3
	376	346

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

The highest paid Director in 2022 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 £1,963,000 (2021: £1,888,000). This includes Directors' remuneration noted above. Key management personnel are defined by their involvement within the day-today 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

	2022	2021
Operating profit is stated after charging / (crediting) the following items:	£'000	£'000
Research and development	4,376	3,825
Depreciation and amortisation	5,962	5,262
Profit on disposal of tangible assets	33	45
Impairment of trade receivables	185	(147)
Impairment of inventory	722	606
Operating lease rentals	2,753	1,416
Foreign exchange loss / (gain)	510	(461)
Auditors' remuneration:		
Fees payable to the Company's auditors:		
– for the audit of the Company's financial statements	70	38
– for the audit of the Company's subsidiaries	204	283
– other non-audit fees	79	144

9. INTEREST AND SIMILAR ITEMS

	Notes	2022	2021
a) Interest payable and similar charges:		£'000	£'000
Interest expense on bank loans and overdrafts		307	89
Interest expense on other loans		21	6
Total interest expense on financial liabilities not measured at fair value through profit or loss		328	95
Total interest payable and similar charges		328	95
b) Interest receivable and similar income:			
Bank interest received		50	12
Net interest income on post-employment benefits	22	306	175
Total interest receivable and similar charges		356	187

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 profit after taxation of Scott Bader Company Limited was £11,434,000 (2021: loss £3,147,000).

NOTES TO THE FINANCIAL STATEMENTS

11. INCOME TAX

a) Tax expense included in profit or loss	2022 £'000	2021 £'000
Current tax:		
– UK Corporation tax on profits for the year	1	603
– Foreign corporation tax on profits for the year	483	1,613
– Adjustment in respect of prior periods	(1,413)	813
Group current tax	(931)	3,029
Total current tax	(931)	3,029
Deferred tax:		
– Change in tax rate	(81)	566
– Origination and reversal of timing differences	(229)	(781)
– Adjustment in respect of prior periods	1,478	(1,640)
Group and total deferred tax	1,168	(1,855)
Group current tax	(931)	3,029
Group deferred tax	1,168	(1,855)
Group tax on profit on ordinary activities	237	1,174
b) Tax expense included in other comprehensive income		
Deferred tax:		
– Change in tax rate	603	-
– Origination and reversal of timing differences	1,910	(292)
Total tax credit / (expense) included in other comprehensive income	2,513	(292)
(c) Reconciliation of tax charge		
The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK 19% (2021: 19%). The differences are explained below:		
Profit on ordinary activities before tax	2,322	8,691
Profit on ordinary activities at standard rate of corporation taxation in the UK: 19% (2021: 19%)	441	1,651
Effects of:		
Foreign subsidiary profits within zero tax rate regime	(215)	(557)
Other adjustments in respect of foreign tax rates	49	311
(Income) / Expenses not subject to tax	(293)	142
Unrecognised deferred tax	271	(111)
Re-measurement of deferred tax (change in tax rate)	(81)	566
Adjustment in respect of prior periods	65	(828)
Group tax on profit on ordinary activities	237	1,174

NOTES TO THE FINANCIAL STATEMENTS

11. INCOME TAX (CONTINUED)

Change in Effective Tax Rate
The Effective Tax Rate (ETR) of the Group (excluding adjustment in respect of prior periods) decreased by 11.2% to 7.4% (2021: 18.6%).

Due to the decrease in PBT for the year to £2,322k (2021: £8,691k), profit mix and local tax rates have a much larger impact on ETR. The impact of profits for Scott Bader Middle East being within a zero tax regime was a decrease in ETR by 9.3% (2021: 6.4%). The impact of other local tax rates outside of the UK on ETR was an increase in ETR of 2.1% (2021: 3.6%).

Other factors driving the ETR for the year were UK capital allowances super deductions (reducing ETR by 14.3%), expenses not deductible for tax purposes (increasing ETR by 1.8%), non-recognition of deferred tax assets and the reduction of deferred tax assets recognised only on consolidation (increasing ETR by 11.6%) and the impact of changes in tax rates on deferred tax balances (reducing ETR by 3.5%).

Change in Corporation Tax rate
The UK Corporation Tax rate will remain at 19% until April 2023. During the previous 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 and has been reflected in the UK deferred tax balances as at 31 December 2022.

12. INTANGIBLE ASSETS

	Goodwill	Customer lists	Technology	Group Total	Company Technology
	£'000	£'000	£'000	£'000	£'000
Cost at 1 January 2022	1,456	-	1,066	2,522	2,482
Additions	221	1,308	6,563	8,092	1,906
Disposals	-	-	(6)	(6)	(1,717)
Reclassification	-	-	(251)	(251)	-
Difference on exchange	75		10	85	-
Cost at 31 December 2022	**1,752**	**1,308**	**7,382**	**10,442**	**2,671**
Accumulated Amortisation at 1 January 2022	1,255	-	955	2,250	2,411
Charge for the year	115	97	376	588	35
Disposals	-	-	(6)	(6)	(1,717)
Reclassification	29	-	(203)	(174)	-
Difference on exchange	16	-	(1)	16	-
At 31 December 2022	**1,415**	**97**	**1,162**	**2,674**	**729**
Net book value at 31 December 2022	**337**	**1.211**	**6,220**	**7,768**	**1,942**
Net book value at 31 December 2021	201	-	71	272	71

Assets in the course of construction and on which depreciation has yet to commence are included in the cost of Technology to the value of £1,906,000 (2021: Nil).

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 2022	39,911	4,833	86,830	422	131,996
Additions	1,252	258	11,596	191	13,297
Disposals	(59)	-	(201)	(151)	(411)
Reclassification	-	-	77	-	77
Difference on exchange	554	544	2,984	32	4.114
At 31 December 2022	**41,658**	**5,635**	**101,286**	**494**	**149,073**
Accumulated depreciation:					
At 1 January 2022	18,578	2,711	61,635	343	83,267
Charge for the year	900	309	4,135	30	5,374
Disposals	(50)	-	(140)	(149)	(339)
Difference on exchange	508	308	1,776	36	2,628
At 31 December 2022	**19,936**	**3,328**	**67,406**	**260**	**90,930**
Net book value					
At 31 December 2021	**21,722**	**2,307**	**33,880**	**234**	**58,143**
At 31 December 2020	21,333	2,122	25,195	79	48,729

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 £12,010,000 (2021: £4,466,000). Freehold land of £5,347,000 (2021: £6,437,000) is not depreciated.

COMPANY	Plant and equipment
Cost	£'000
At 1 January 2022	10,315
Additions	2,658
At 31 December 2022	**12,973**
Depreciation	
At 1 January 2022	7,200
Charge for the year	597
At 31 December 2022	**7,797**
Net Book Value	
At 31 December 2022	**5,176**
At 31 December 2021	3,115

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES AND GROUP UNDERTAKINGS

	GROUP		COMPANY	
	2022	2021	2022	2021
Shares in Group undertakings:	**£'000**	£'000	**£'000**	£'000
At 1 January			**27,883**	29,409
Additions	-	-	-	1,906
Return of Capital	-	-	-	(3,432)
At 31 December	-	-	**27,883**	27,883
Provision for diminution in value:				
At 1 January	-	-	**(784)**	(784)
At 31 December	-	-	**(784)**	(784)
Net book value: At 31 December	-	-	**27,099**	27,099
Interests in joint ventures:				
At 1 January	**591**	615	**294**	294
Share of profits	**197**	280	-	-
Dividend received	**(368)**	(96)	-	-
Difference on foreign exchange	**(6)**	(208)	-	-
At 31 December	**414**	591	**294**	294
Total fixed asset investments	**414**	591	**27,393**	27,393

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

On 1 July 2022, the Group acquired control of Scott Bader Private Limited through the purchase of 100% of its share capital for total consideration of INR 11,00,000 (£12,000) via its newly incorporated Singapore entity Scott Bader AsiaPac Holdco Pte. Limited. In parallel, but via separate agreement, the Group, via Scott Bader Private Limited, acquired the trade and assets of Satyen Polymers Private Limited and Satyen Scott Bader LLP. This was for a total consideration of INR 69,78,85,000 (£7,327,000). Both acquisitions have been accounted for using the 'purchase method' as described under FRS 102 19.7. More details are provided in Note 31 below.

15. STOCKS

	GROUP	
	2022	2021
	£'000	£'000
Raw materials and consumables	**18,267**	11,634
Finished goods and goods for resale	**20,012**	21,264
	38,279	32,898

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	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade debtors	42,572	44,597	5	-
Amounts owed by Group undertakings	-	46	37,202	19,329
Corporation tax recoverable	3,096	72	622	-
Deferred tax asset	712	-	712	2,525
Other taxation recoverable	535	1,794	440	1,560
Other debtors	1,342	1,265	612	522
Prepayments and accrued income	3,141	1,724	1,467	767
	51,398	49,498	41,060	24,703

Trade debtors are stated after provisions for impairment of £483,000 (2021: £289,000). Recorded within other debtors is derivative financial instrument with the value of £32,000. Movement in the year was gain of £90,000. Note 23 provides additional detail.

17. DEBTORS: GREATER THAN ONE YEAR

	GROUP		COMPANY	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Deferred tax asset	2,499	-	1,813	-
	2,499	-	1,813	-

Note 21 provides additional detail.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank and other borrowings (Note 20)	19,633	6,872	14,350	2,805
Trade creditors	37,081	40,909	1,758	953
Bills of exchange payable	51	337	-	-
Amounts owed to Group undertakings	1,098	1,389	14,983	21,194
Corporation tax	269	1,274	-	-
Other taxation and social security	2,770	1,742	536	103
Other creditors	1,612	948	722	-
Accruals and deferred income	3,651	7,766	559	2,257
	66,165	61,237	32,908	27,312

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 £9,857,000 (2021: £14,209,000) 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 £11,368,000 as at 31 December 2022 (2021: £6,409,000). 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

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

	GROUP	
	2022	2021
Loans	£'000	£'000
Within one to two years	471	408
Within two to five years	901	875
In five years or more	-	25
	1,372	1,308
Derivative financial instruments		
Within two to five years	-	58
	1,372	1,366

20. LOANS AND OTHER BORROWINGS

	GROUP		COMPANY	
Loans repayable, included within creditors, are analysed as follows:	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Due within one year or on demand				
Bank loans and overdrafts	19,633	6,872	14,350	2,805
Due after more than one year				
Bank loans	1,372	1,308	-	-
Total borrowings	21,005	8,180	14,350	2,805
Maturity of financial liabilities				
In one year or less, or on demand	19,633	6,872	-	-
In more than one year, but not more than two years	471	408	-	-
In more than two years, but not more than five years	901	875	-	-
In more than five years	-	25	-	-
	21,005	8,180	-	-

Details of loans not wholly repayable within five years are as follows:	GROUP	
	2022 £'000	2021 £'000
Loan without interest, payable by 60 equal instalments	-	25
	-	25

£9,449,000 (2021: £1,452,000) 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 2022 the outstanding amount was €1,339,000 (£1,185,000). They are all secured by a charge over the Group's trading subsidiary in France. These loans have variable rates and during 2022 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 2022 is €125,000 (2021: €284,000). 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%.

21. PROVISIONS FOR LIABILITIES

	GROUP				
	Environmental	Leaving Provisions	Retirement Benefits	Deferred Tax	Total
	£'000	£'000	£'000	£'000	**£'000**
At 1 January 2022	1,110	2,193	2,140	93	**5,536**
Foreign exchange impact	3	-	30	(22)	**11**
Amounts charged to the profit and loss account	330	160	(369)	1,168	**1,289**
Amounts used during the year			(66)	53	**(13)**
Amounts charged to OCI	-	-		(2,513)	**(2,513)**
At 31 December 2022	1,443	2,353	1,735	(1,221)	**4,310**

The provision for deferred taxation is disclosed as a Debtor falling due in 2 to 5 years (Note 17) £2,499,000 (2021: £Nil) and Debtor falling due in under 1 year (Note 16) £712,000 (2021: £Nil) and a Provision for liabilities and charges of £1,990,000 (2021: £93,000) making the total Provisions creditor £7,521,000 (2021: £5,536,000).

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) £1,145,000 (2021: £1,442,000) 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) £590,000 (2021: £697,000) 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

21. PROVISIONS FOR LIABILITIES (CONTINUED)

Deferred taxation:	**2022**	**2021**
Deferred tax consists of the following (assets) / liabilities:	**£'000**	£'000
Excess of capital allowances over depreciation	**1,606**	58
Short term timing differences	**(698)**	(949)
Post-employment benefits	**1,877**	4,199
Losses	**(4,006)**	(3,215)
	(1,221)	93

Company
£1,145,000 (2021: £1,442,000) of the retirement benefits provision relates to the Company. The decrease during the year amounted to £298,000, representing a £66,000 release of the provision and a decrease in expected liabilities amounting to £232,000.

22. POST EMPLOYMENT BENEFITS

(a) Defined benefit scheme

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

The date of the most recent actuarial valuation as at 31 December 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, further contributions are expected into the Scheme through 2023 to a level of £460,000 p.a. (£38,333.33 per month).

Contributions:

- Potential £460,000 pa in respect of 1 January 2023 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:

	2022	**2021**
Rates of increase in salaries	**n/a**	n/a
Rate of increase in 5% LPI pensions in payment	**3.20%**	3.40%
Rate of increase in 5% LPI pensions with 3.5% underpin in payment	**3.80%**	3.90%
Rate of increase in pensions in deferment	**2.20%**	2.50%
Discount rate	**4.90%**	1.80%
Inflation assumption	**3.20%**	3.50%

NOTES TO THE FINANCIAL STATEMENTS

22. POST EMPLOYMENT BENEFITS (CONTINUED)

(a) Defined benefit scheme (continued)

Assumed life expectancies on retirement at age 60:		2022 Years	2021 Years
Retiring today	Males	**26.4**	26.3
	Females	**29.1**	29.0
Retiring in 10 years	Males	**27.0**	26.9
	Females	**29.8**	29.7

Reconciliation of scheme assets and liabilities:	Assets £'000	Liabilities **£'000**	Total £'000
At 1 January 2022	150,268	(133,472)	16,796
Remeasurement gains / (losses)			
- Experience (losses) on liabilities	-	(3,780)	(3,780)
- Changes to demographic assumptions	-	(91)	(91)
- Actuarial gain	-	45,241	45,241
- Return on plan assets excluding interest income	(51,424)	-	(51,424)
Net remeasurement gains	(51,424)	41,370	(10,054)
Benefits paid	(5,565)	5,565	-
Employer contributions	460	-	460
Interest income / (expense)	2,659	(2,353)	306
At 31 December 2022	**96,398**	**(88,890)**	**7,508**

No amounts (2021: Nil) were included in the cost of assets.	2022	2021
The fair values of the plan assets were:	**£'000**	£'000
Equities	**5,136**	9,857
Gilts and LDI funds	**61,489**	110,600
Corporate Bonds	**24,377**	25,124
Cash & net current assets	**5,396**	4,687
	96,398	150,268

(b) Defined contribution schemes

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

Outstanding contributions included in creditors as at 31 December 2022 were £197,000 (2021: £169,000).

	GROUP		COMPANY	
The amount recognised as an expense for these defined contribution schemes was:	2022 **£'000**	2021 £'000	2022 **£'000**	2021 £'000
Current period contributions	**1,913**	1,992	**434**	546

NOTES TO THE FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS

	Notes	GROUP 2022 £'000	GROUP 2021 £'000	COMPANY 2022 £'000	COMPANY 2021 £'000
Financial assets / (liabilities) measured at fair value through profit or loss:					
- Derivative financial instruments	18/19	**(32)**	(58)	**-**	-

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, 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 £32,000 (2021: £(58,000)).

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 £90,000 (2021: £44,000) was recognised in other comprehensive income for changes in the fair value of the interest rate swap.

24. SHARE CAPITAL RESERVES

	GROUP AND COMPANY 2022 £'000	GROUP AND COMPANY 2021 £'000
Share Capital:		
Authorised, allotted, and fully paid		
10,000 (2021: 10,000) Trustee shares of 50p each	**5**	5
90,000 (2021: 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.

P&L Reserve: £112,055 (2021: £111,288)
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

25. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities	**2022** £'000	**2021** £'000
Profit for the financial year	**2,085**	7,517
Adjustments for:		
Tax on profit on ordinary activities	**237**	1,174
Net interest expense	**(28)**	(92)
Share of profit in joint ventures	**(197)**	(280)
Operating profit	**2,097**	8,319
Depreciation and amortisation	**5,962**	5,262
Profit on disposal of tangible assets	**(33)**	(45)
Exchange difference	**1,355**	211
Contributions to UK defined benefit pension scheme	**(460)**	(230)
Increase in stocks	**(5,381)**	(13,055)
Decrease / (increase) in debtors	**1,836**	(9,367)
(Decrease) / Increase in creditors	**(6,822)**	9,406
Increase / (decrease) in provisions	**88**	393
Net cash used in / (from) operating activities	**(1,358)**	894

(b) Analysis of changes in net debt

	GROUP			
	At 1 January 2022	Cash flows	Foreign exchange movement	At 31 December 2022
Cash and Equivalents:		£'000		**£'000**
Cash	32,186	(10,980)	-	**21,206**
Overdraft	(6,409)	(4,959)	-	**(11,368)**
	25,777	(15,939)	-	**9,838**
Borrowings:				
Borrowings - repayable within one year	(463)	(7,802)	-	**(8,265)**
Borrowings - repayable after one year	(1,308)	-	(64)	**(1,372)**
	(1,771)	(7,802)	(64)	**(9,637)**
Net Cash	24,006	(23,741)	(64)	**201**

NOTES TO THE FINANCIAL STATEMENTS

26. 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.

27. CAPITAL AND OTHER COMMITMENTS

	GROUP		COMPANY	
	2022	2021	2022	2021
	£'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	522	1,601	-	-
(b) Future minimum lease payments under non-cancellable operating leases for each of the following periods				
Not later than one year	1,711	1,240	53	71
Later than one year and not later than five years	2,779	2,440	44	100
Later than five years	1,757	1,381	-	-
	6,247	5,061	97	171

28. RELATED PARTIES

Company and Group

The Company received dividends from Novascott Especialidades Quimicas Ttda of £368,000 (2021: £96,000), 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 (2021: £Nil) was outstanding. Revenue in relation to the share of profit in joint ventures of £197,000 (2021: £280,000) has been recognised in the profit and loss account.

The Company has charged £305,000 (2021: £552,000) in the 2022 financial statements as a donation to The Scott Bader Commonwealth Limited. In addition, the Company charged The Commonwealth £46,000 for management services (2021: £45,000). The net balance of money owed by Scott Bader Company Limited to The Scott Bader Commonwealth Limited was £232,000 (2021: £1,307,000).

The Company has provided a capital contribution to Polymer Mimetics Limited of £1,343,000 (2021: £431,000).

29. CONTROLLING PARTY

The immediate and ultimate parent undertaking and controlling party of Scott Bader Company Limited is The Scott Bader Commonwealth Limited, a company incorporated in England and Wales and registered as a charity. The Scott Bader Commonwealth Limited is the only parent undertaking to consolidate these financial statements at 31 December 2022.

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

30. SUBSIDIARIES AND RELATED 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, 80044 Amiens
Scott Bader Middle East Ltd (Incorporated in Jersey) [1]	United Arab Emirates	Manufacturer of resins	One The Esplanade, St Helier, Jersey, JE 3QA, Channel Islands
Scott Bader d.o.o. [2]	Croatia	Manufacturer of resins	Radnička cesta 173 i, 10000 Zagreb
Scott Bader (Pty) Ltd[1]	South Africa	Manufacturer of resins	1 Lubex Road, PO Box 1539, Hillcrest 3650, Hammarsdale, Kwazulu Natal, South Africa
Scott Bader ATC Inc.	Canada	Manufacturer of adhesives	2400, Canadien Street #303, Drummondville (Qc), J2C 7W3, Canada
Scott Bader Scandinavia AB[1]	Sweden	Distributor of resins	BOX 202, 31123 Falkenberg
Scott Bader Eastern Europe[1]	Czech Republic	Distributor of resins	Evropska 2588/33a, Dejvice, 160 00 Praha 6
Scott Bader Iberica SL[1]	Spain	Distributor of resins	Avda. Corts Catalanes, 8, 08173 Sant Cugat del Valles-Barcelona
Scott Bader Inc [3]	USA	Distributor of resins	Registered Agent Solutions, Inc., 9E. Loockerman Street, Suite 311, Dover, DE 19901
Scott Bader (Shanghai) Trading Company Ltd	China	Distributor of resins	Room2402, Hitch 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

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
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
Scott Bader Private Limited	India	Distributor of resins	307, Floor-3 Plot-267 A to Z Industrial Estate Ganpatrao Kadam Marg Lower Parel Mumbai, Mumbai City, Maharashtra, 400013, India
Scott Bader Manufacturing Private Limited	India	Manufacturer of resins	307, Floor-3 Plot-267 A to Z Industrial Estate Ganpatrao Kadam Marg Lower Parel Mumbai, Mumbai City, Maharashtra, 400013, India
Scott Bader AsiaPac Holdco Pte.Ltd.	Singapore	Intermediate holding company	600 North Bridge Road #23-01 Parkview Square 188788 Singapore

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

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

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

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

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, sala48, 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 compounded 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

31. ACQUISITION OF SCOTT BADER INDIA

On 1 July 2022, the Group acquired control of Scott Bader Private Limited through the purchase of 100% of the share capital for total consideration of INR 11,00,000 (£12,000) via its newly incorporated Singapore entity Scott Bader AsiaPac Holdco Pte. Ltd. In parallel, but via separate agreement, the Group, via Scott Bader Private Limited, acquired the trade and assets of Satyen Polymers Private Limited and Satyen Scott Bader LLP (previously held as a joint venture by the Group). This was for a total consideration of INR 69,78,85,000 (£7,327,000). Both acquisitions have been accounted for using the 'purchase method' as described under FRS 102 19.7.

Scott Bader Private Limited is incorporated in India and their principal activities, following the acquisition of trade and assets of Satyen Polymers Private Limited and Satyen Scott Bader LLP, is the manufacture and sale of chemical products.

As a result of the acquisition, the Group expects to increase its sales to customers in India. The goodwill of INR 2,10,85,000 (£221,000) arising from the acquisition is attributable to the expertise of the workforce and economies of scale expected from combining the operations into the Group. Management have estimated the useful life of the goodwill to be 10 years in line with the Directors' view of the period of benefit.

The exchange rate used on the date of acquisition was £1/INR 95.2519. The following table summarises the consideration paid by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Fair value INR'000	Fair value £'000
Intangible assets	556,600	5,843
Tangible assets	2,600	27
Stocks	64,900	681
Debtors	175,200	1,842
Total assets	**799,300**	8,393
Creditors	(121,400)	(1,275)
Total liabilities	**(121,400)**	(1,275)
Net assets acquired	**677,900**	7,118
Goodwill	21,085	221
Total consideration	**698,985**	7,339
Satisfied by:		
Cash	640,800	6,728
Deferred consideration	38,078	400
Contingent consideration	1,000	10
Directly attributable costs	**19,107**	201
Total consideration	**698,985**	**7,339**

No adjustments arose on acquisition other that those detailed below relating to the deferred consideration.

The deferred consideration has been recognised after discounting the amount for the time value of money. INR 4,00,00,000 (£420,000) was paid on 23 December 2022 and amounts of INR 19,22,000 (£20,000) recognised in finance costs relating to the unwinding of the discount.

From the date of the acquisition to 31 December 2022 Scott Bader Private Limited contributed £4,159,000 and £(715,000) to the Group's revenues and profit before tax respectively.

32. STATEMENT OF GUARANTEE

For the year ended 31 December 2022, the following companies were wholly owned subsidiaries of Scott Bader Company Limited and were entitled to exemption from audit under section 479A of the Companies Act 2006.

Entity	Company number
Boldhelp Limited	3793984
Scott Bader Brazil Limited	08549866
Synthetic Resins Limited	282663

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

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