SCOTT BADER

*Making a **positive** difference*

2023 SCOTT BADER ANNUAL REPORT

HUMAN RESOURCE MANAGEMENT - DIVERSITY AND INCLUSION
ISO 30415 CERTIFIED

SCOTTBADER.COM

SCOTT BADER LIMITED COMPANY INFORMATION

Company registration number:
00189141

Registered office:
Wollaston Hall
Wollaston
Wellingborough
Northamptonshire
NN29 7RL
United Kingdom

Directors:
Paul Smith
Samuel Boustred
Jean-Marc Ferran
Michael Findlay-Wilson
Kevin Matthews
Dianne Walker
Neil Miller (appointed 25 January 2023)
Bruce Penn (appointed 1 June 2023)
Janet Dawson (appointed 11 Jan 2024)

Company Secretary:
Jeremy Mutter

Independent Auditor:
RSM UK Audit LLP
Rivermead House
7 Lewis Court
Grove Park
Leicester
Leicestershire
LE19 1SD

Solicitors:
Pinsent Masons
55 Colmore Row
Birmingham
B3 2FG

Bankers:
National Westminster Bank PLC
Leicester Customer Service Centre
Bede House
11 Western Boulevard
Leicester
LE2 7EJ

Citibank UK
Citigroup Centre
33 Canada Square
London
E14 5LB
United Kingdom

CONTENTS

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.

£317,000

donated to The Commonwealth

£33,517

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 the Company's profits each year is required by its Constitution to be paid to The Commonwealth, to be devoted to charitable and community work. The 2023 donation of £317,000 (2022: £305,000) was allocated by the Company to The Commonwealth. In addition to this, £33,517 (2022: £20,000) of further donations were paid by Group companies direct to various charities.

2023 HIGHLIGHTS

- 30% reduction in process safety incidents and 12% reduction in lost time/restricted duty accident rates.
- Operating profit reduced by 43% to £1.2m due to weakening markets in H2 2023 and increased costs, including new build in North America.
- Completion of build and commissioning of a new gelcoat and adhesive facility in North Carolina, USA.
- Agreed acquisition of remaining 50% of the shares of Brazilian joint venture Nova Scott, due to complete in 2024.
- Achieved ISO 30415:2021 Certification for Diversity and Inclusion

30%
REDUCTION IN PROCESS SAFETY INCIDENTS

OPERATING PROFIT
£1.2m

ISO 30415 CERTIFIED
HUMAN RESOURCE MANAGEMENT · DIVERSITY AND INCLUSION

DIVERSITY & INCLUSION
AT SCOTT BADER

CHAIR'S STATEMENT

Paul Smith

I am sure when we come to reflect on 2023 in the future, it will be seen as a significant year of delivery against a background of increasing international tension and difficult economic conditions created by conflict and uncertainty in the market.

We delivered on a series of commitments in 2023, despite the continuing impact of the protracted war in Ukraine, the deepening crisis in the Middle East and growing tensions between China and Taiwan. And all of this ahead of potentially disruptive elections in the UK and the USA, and for the European Parliament, elections taking place in June 2024. The key to riding out the current uncertainly lies in decisions and investments made across the last 3 years.

Our new investment in Mocksville, North Carolina is now fully operational and a strong signal to our North American customers of our intent to provide products, proven technology and our renowned and much appreciated technical service and support.

It was a similar story in Europe as we took up residence in the newly built Engineering and Technical Laboratory facilities in France building on the value and capabilities of our Amiens team, and the more recent announcement of our commitment to the UK site with planned investments of £30million over the next five years to create a world class, flexible, and responsive hub for innovation and new product delivery.

2023 represented the first full year of ownership of our Indian operations, this combined with a stronger regional product and service offering, has provided the platform for a significantly increased presence across the whole of Asia and Australasia. Our growing presence in the Americas is a vital part of establishing a strong and effective global footprint mirroring that of our key trading partners.

CHAIR'S STATEMENT

Leveraging these commitments to the future, and central to their delivery, has been the move to a regionally focused leadership structure based around a strengthened Group Leadership Team (GLT), recognising the local cultural and economic models influencing our ultimate commercial success. Increasing the focus on our customers – a core focus of our unique democratic model – and strengthening the voice of our colleagues operating in the regions, reflects our desire to meet the needs both of global and regional partners.

Another notable success in late 2023 was attaining the prestigious ISO 30415:2021 Diversity & Inclusion (D&I) standard, one of the first manufacturing companies to do so. The ISO 30415:2021 standard provides organisations with a robust framework to ensure that their governance bodies, leaders, colleagues, and representatives are equipped with the policies, know-how and understanding to support a workforce that feels psychologically safe and equally empowered to reach their full potential.

In and of itself, this is a remarkable achievement, but more importantly, it is a further confirmation of our desire to reinforce the culture of Scott Bader and to recognise and embrace equity to create further opportunities in a company whose DNA has always been about social justice, self-improvement, and service to the community in addition to environmental responsibility.

Sharing in our ambition to create and sustain our unique business model are my colleagues on the Company Board, the Commonwealth Board, the Global Members' Board and the GLT who together continue to prosecute our pivotal industrial democracy model, embracing fairness and openness and seeking to create a culture where all our colleagues can prosper. My thanks to all for their continuing ambition, commitment, and co-operation to maintain and develop the vision of our founder, Ernest Bader.

Over the next 12 months, we will be reviewing the impact of the Constitutional Review we completed in 2022, and seeking to improve on what we got right and addressing any areas where we may wish to create more flexibility to achieve our ultimate goals.

I have tabled plans to increase the governance and independence of the Company Board and aware that my colleagues on the other governing boards are seeking to do the same in our collaborative efforts to challenge and support our executive leadership, and to create an environment where the executive leadership has the necessary freedom to operate, to deliver our collective strategy for growth, and secure our financial longevity.

In closing my comments in this 2023 Annual Report and Accounts, I want to share a call to arms. We now have all the elements in place to face the challenge of an increasingly disrupted market in an uncertain world tackling the existential challenges of climate change and social equity. It is time to come together to take maximum benefit for all the hard work and sacrifice of our colleagues, working together to deliver against tough but realistic targets to make a positive difference to our partners, communities and colleagues.

Paul Smith
Chair

COMMONWEALTH BOARD CHAIR'S STATEMENT


Richard Tapp

Over 70 years ago, Ernest Bader established the Commonwealth with his ground-breaking philosophies - which would be seen as forward-thinking even today. 2023 saw the official launch of the new Constitution, which ensures we are governed and run under those philosophies – updated for the future following extensive consultations with colleagues across the Commonwealth.

Colleagues joined site celebrations and received a copy of the new Constitution and Members Guide. The Members Guide reminds us what the Constitution means to us all, and ensures that we never lose sight of the strength of being an inclusive company.

The Commonwealth Board also embarked on a review of its charitable activities to align them with the overarching goals of the Commonwealth. Notably, the success of Keep House at Wollaston – which supports several not-for-profit organisations following our charitable objectives - has inspired the Commonwealth Board to consider establishing similar facilities in other Scott Bader locations.

The EGM held in February 2023 saw the climax of the Centenary Fund, introduced to commemorate the Company's 100th anniversary. The fund supported four large community-based projects from UK-registered charities with a donation of £25,000 each. The successful charities were voted for by our Members at the EGM.

Our global colleague count reached 824, including those who joined us through our expansion in India and the USA. As we grow, it's vital that all colleagues, whether new or existing, adhere closely to our Guiding Principles. Notably, we've introduced a fresh onboarding process to assist colleagues and emphasise our uniqueness.

A vital part of this uniqueness is our volunteering, deepening our contact with our local communities. As a result of the COVID pandemic, volunteering activity has suffered over recent years, but we now have the opportunity to build the Scott Bader influence through renewing our commitment. I warmly encourage you to bring a renewed focus to your volunteering in 2024. It is at the heart of who we are at Scott Bader, helping to make the difference that Scott Bader represents in our communities and beyond.

I express my heartfelt gratitude to everyone who has contributed to our success. Your commitment and dedication have been instrumental in navigating the challenges we faced. To my fellow trustees, both internal and external, thank you for your collaboration, insight, and tireless efforts. A special thank you to the exceptional Commonwealth Office staff, for your diligence and professionalism. To the Group Board, Group Leadership Team, and all leadership teams within our organisation, I commend your expertise, resilience, and unwavering commitment. Together, we have weathered challenging times.

Finally, I extend my sincere appreciation to Andy Bell who stepped down as Commonwealth Chair in November 2023. His leadership set a strong foundation for our work. Likewise, Hansi Manning, who completed her term in December 2023, deserves our most sincere thanks. Her vision and dedication have reminded us constantly of her grandfather, Ernest's, great foresight and have been invaluable.

Richard Tapp
Interim Chair of Scott Bader Commonwealth Limited

GLOBAL MEMBERS' BOARD CHAIR'S STATEMENT

Sam Boustred

Democracy in Scott Bader continues to thrive and as a GMB we took every opportunity to express our purpose and "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 SBCW Members". In this report I will outline some of the highlights that contributed to this purpose.

2023 saw the completion of a significant project, this was called Funding Democracy and it set very clear rules in how both the GMB and CWB would receive funding for their operational activity. With these rules in place, it is now clearer for all parties how much funding will be required and removes any conflicted parties from the spending approval process.
The amount of funding that is provided from SBCL is a clear signal of support for the democratic processes and the initiatives of both the GMB and CWB.

Another highlight was the introduction of a minimum standard set of rules for all Local Councils. This piece of work was completed in collaboration with the Local Councils and the business to highlight individual cases of best practice and share these examples across the different councils. Councils now share a common purpose and a simple set of rules that they are free to build upon where appropriate.

Communication with colleagues is critical in any business and even more so in ours where the employees are also the owners. With this firmly held belief we launched the Members' Report. This report is issued quarterly and provides all the information that an owner/shareholder would need to know about their business. We provide key financial information, people updates, customer highlights, governance news and Commonwealth activity. Feedback has been very positive, and we will continue to improve the content and features.

The GMB purpose states our D&I aims and 2023 saw us complete our first training on this topic. It is with enormous pride that I can say that our joint highest scores in our annual Board performance review were:

THE ATMOSPHERE OF GMB MEETINGS IS COLLEGIAL AND FOSTERS OPEN AND HONEST COMMUNICATION.

4.6/5

THE GMB VALUES INFORMED DISCUSSIONS AND DIVERSE VIEWPOINTS.

4.6/5

From these statements it is clear that reps value the inclusivity which is providing a safe space to contribute diverse opinions.

GLOBAL MEMBERS' BOARD CHAIR'S STATEMENT

Our role as a flagbearer for employee ownership continued in 2023. We remain active in the UK with our position as a trustee member of the Employee Ownership Association and we were a principal sponsor of the enormously successful Knowledge programme. This research, the first of its kind in the UK proved what we have always known at Scott Bader, Employee Ownership works! We have also been active in South Africa and continue to support the work of the Southern African Employee Ownership Association. Employee Ownership remains an attractive solution for this region as a fantastic tool for the reduction in wealth inequality and ownership rights for more individuals.

We had some people changes in 2023 with Richard Owen stepping down from the GMB and Sylvie Lehoucq completing her term. I would like to thank them both for their contributions and hard work to the GMB. We welcome our new starters Neil Kegg and Antoine Hebert both have already made a fantastic contribution to the team. I am also delighted to confirm that Kevin O'Moore was successful in his reappointment and will serve a second term.

None of the items that I have reported on would have been possible without the dedication, passion, and support from all involved. Thank you to all those who have been part of this continued success.

Sam Boustred
Global Members' Board Chair

CHIEF EXECUTIVE OFFICER’S STATEMENT

Kevin Matthews

In previous years, I summarised the business progress in five zones; People, Performance, Productivity, Transformation and Incubator. This year, I will report in respect of the new organisation with the performance zone focused on markets, productivity on the Europe/Africa region, transformation on the Asia/Americas region and the incubator focused on personal care and 3D printing along with our initiatives in sustainable materials.

PEOPLE

I would like to welcome all those individuals who joined Scott Bader during 2023. Headcount at the end of December 2023 was 824 versus 805 at the end of December 2022, this increase includes colleagues who joined us as part of our build up in the Americas with 10 individuals added to the team. We also welcomed Kim Gingras to the Group Leadership Team as Group Business Director to lead our newly formed business teams. We formally implemented Regional Leadership Teams towards the end of 2023 to drive strategic and operational focus respectively. I would also like to welcome Marie Elliot into the role of

OVERVIEW

2023 was yet another year with a challenging backdrop to the transformational journey the Group is on. The first half of 2023 was much stronger than the equivalent period in 2022. However, we saw a significant economic slowdown in the second half of the year at the same time as we were carrying the operational costs of the new facility in Mocksville, North Carolina, USA which led to reduced profitability. Overall, on a like-for-like basis, excluding the bonus paid to colleagues through PPP to support them during cost of living pressures, profitability improved 76%, which was fully shared with colleagues. Over the last three to four years the Group’s focus has been on expanding our global footprint. The next phase of the strategic transformation will be in relation to investing in the Group's European assets to improve efficiency and reliability.

2023 saw more conflict breakout in the Middle East and there is little sign that geopolitical tensions will ease in 2024. There was a glimmer of hope that came out of the United Nations Climate Change Conference (COP28), however, as the world came together to face the challenges of climate change with an agreement that signals the ‘beginning of the end’ of the fossil fuel era by laying the ground for a swift, just and equitable transition, underpinned by deep emissions cuts and scaled-up finance. The recognition that industries will switch to more environmentally sustainable materials is also a key aspect of our innovation efforts supported by our move to a market focused business structure. We are all going through a period of incredible change and this puts pressure on us all both in our private lives and at work. I say this every year but being kind and supportive to one another is critical. Positioning Scott Bader to be able to ‘make a positive difference’ is not easy and I hope I can rely on you all to show the Bader spirit and continue to deliver for your customers and communities underpinned by our Guiding Principles.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Regional Managing Director – Asia and the Americas and Mike Findlay-Wilson as Chief Transformation Officer, both new roles on the GLT and both internal appointments.

I am pleased to report that our efforts to develop an inclusive workplace where everyone feels like they belong with a clear and robust framework has been recognised internationally. We are one of a small group of organisations who have been awarded the ISO 30415:2021 Certification for Diversity & Inclusion. We are very proud of this incredible achievement because it gives us a framework to continue our Diversity & Inclusion journey.

We continue to maintain a good gender balance with UK Gender Pay swinging to being positive for women for the second year running. We continue to encourage women to join Scott Bader and 26.4% of our global workforce at the end of 2023 are female. We have 33% of management roles now occupied by women and we finish 2023 with our Group Leadership Team with 42.8% female representation.

Other recognition includes Scott Bader being awarded the Best Employee Voice Initiative for small to medium organisations at the Business Culture Awards in London in recognition of the efforts on consultation and communication that went into the Constitutional review in 2022 and the Best Companies One To Watch Accreditation recognising our good level of colleague engagement.

BUSINESS STRATEGY AND VISION

The global landscape continues to evolve at a rapid pace, driven by climate change, technological disruption, and major demographic shifts against a backdrop of geopolitical uncertainty. Now, more than ever, the Core Values of Scott Bader are needed to help navigate the present and ensure a strong and sustainable future. We believe that the transition from a product focus to a market focus as we enter 2024 will allow us to develop innovative and sustainable solutions for our customers through a deepened understanding of the customer needs of both today and tomorrow.

To ensure that we can best meet the needs of both our global and local customers, we are implementing a regional operating structure into the key regions of Europe, Africa, Asia and the Americas. This structure will support delivery of our strategic vision by creating increased responsibility and autonomy to execute at an operational level within the regions.

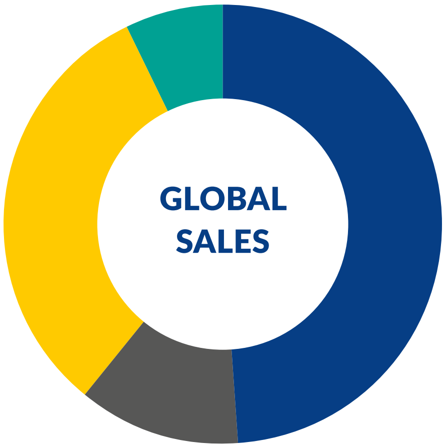
CHIEF EXECUTIVE OFFICER'S STATEMENT

MARKET REPORT – INDUSTRIAL

Markets within the industrial area were differently impacted by the macro-economic climate. Building and construction showed growth in the first half, but a pronounced slowdown in the second half as the effects of inflation and a higher interest rate environment started to impact activity levels.

The marine sector was broadly flat, but production of large vessels held up better than small craft, smaller craft being more exposed to the general squeeze on discretionary consumer spending. Land transportation showed growth as longer term technically demanding projects within the rail and commercial vehicle sectors were commercialised.

In all market sectors sustainability is a growing driver of decision making but the definition of what constitutes sustainability still varies widely from customer to customer and sector to sector. The direction of travel however is clear and being able to participate in a customer's sustainability journey has gone from 'nice to have' to 'must have'.



CASE STUDY

MARINE

CHEMISTRY EXPERTISE POWERS SUNSEEKER'S AWARD WINNING 90 OCEAN YACHT

Company:
Sunseeker International

Location:
**Poole, Dorset,
United Kingdom**

Product used:
Crystic resins and Crestomer structural adhesives

ABOUT

Sunseeker is the world's leading brand for luxury performance motor yachts. Based on the south coast of England, they employ c.2,000 people and c.150 boats every year, ranging from 38 to 161 feet.

CHALLENGE

To launch a new range of luxury yachts, called the Ocean range, marking the start of a new era in performance, functionality, and styling for Sunseeker. Through our long-standing partnership, Scott Bader met the challenge head-on focused on the first Ocean model, the 90 Ocean, boasting a remarkable 20% increase in overall volume and nearly 30% more deck space.

SOLUTION

Our advanced Crystic resins and Crestomer structural adhesives, along with our expertise, delivered superior properties, such as high strength, impact resistance, lightweight and excellent adhesion. The 90 Ocean ambitions became a reality, promising long-term durability and improved fuel efficiency and maneuverability.

RESULT

The 90 Ocean won the best 'Custom Yacht' at the 2023 Motorboat Awards which celebrate the very best that the leisure boating industry has to offer, recognising excellence in design, innovation and performance. A key factor in winning the award was the revolutionary design with its extra beam, additional volume and the brand-new hull shape, produced from Scott Bader products. The award adds to the series of accolades the 90 Ocean has already achieved including a World Yachts Trophies Award and BOAT International Design & Innovation Award.

CASE STUDY

BUILDING AND CONSTRUCTION

BEST PUBLIC LIBRARY IN THE WORLD 2023 CRAFTED USING SCOTT BADER MATERIALS

Company:
SUMA Arquitectura

Location:
Madrid, Spain

Product used:
Fireguard 70PA, Crestapol 1211A and Crestabond M7-05

ABOUT

SUMA Arquitectura is an international studio based in Madrid producing singular architectures that challenge the limits of traditional design.

CHALLENGE

SUMA Arquitectura needed lightweight yet strong and weather-resistant facade panels that are fire retardant, whilst maintaining the unique, eye-catching design of the Gabriel García Márquez Library.

SOLUTION

Scott Bader's FST system of Fireguard 70PA and Crestapol 1211A, a urethane acrylate resin designed for applications requiring the highest levels of fire and smoke performance, chosen because it provides an excellent surface finish, is easy to handle, provides excellent mechanical and FST performance.

The panels were bonded to the building surface using Crestabond M7-05 for market leading strength and durability.

RESULT

The Gabriel García Márquez Library is the best library in the world in 2023. It offers the community an exceptionally diverse space that encourages information and knowledge. The public library is designed as a home, a welcoming space where everyone can find their place.

CASE STUDY

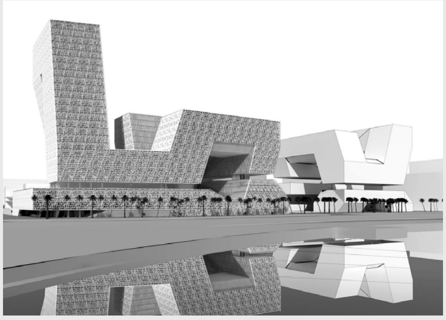
BUILDING AND CONSTRUCTION

SABIC HQ USE SCOTT BADER'S FIRE-RETARDANT SYSTEM FOR COMPOSITE FACADE PANELS

Company:
BFG International

Location:
Manama, Bahrain

Product used:
Crystic 349E PA and Crystic 76E PA



ABOUT

BFG are global leaders and pioneers in composite design, engineering and manufacturing, with over 2,000 people and 15 production facilities worldwide and a total commitment to quality and innovation.

CHALLENGE

Scott Bader and BFG International bought together their composite and building expertise to help deliver the SABIC Jubail Headquarters, a state-of-the-art office complex designed by architect Henning Larsen and an iconic sustainable landmark situated in the New City Centre in Jubail's Industrial City, Saudi Arabia.

SOLUTION

Scott Bader's Crystic 349E PA, a fire-retardant resin, was used with Crystic 76E PA, a low styrene fire retardant gelcoat, to create an FST system to produce the building's multi-composite facade panels to make a complex, eye catching geometric pattern on the building.

Scott Bader's technical service team, involved from the inception of the project, provided application guidelines, external weathering performance data and the FST properties of the products to meet SABIC's qualification process within the project delivery timelines. Meeting tight supply chain requirements, Scott Bader delivered close to 1000 tonnes of product!

RESULT

"Scott Bader was the perfect partner for this project. Their range of fire-retardant systems, alongside their technical expertise, enabled us to produce composite facade panels to an extremely high standard. Thanks to Scott Bader who helped us deliver this iconic project." Imran Jamil Project Manager, BFG International

CHIEF EXECUTIVE OFFICER'S STATEMENT

MARKET REPORT - RENEWABLES AND MOBILITY

Wind experienced a slow down as projects were affected by increased costs and permitting challenges. Looking forward to 2024–2030, a promising outlook is anticipated, driven by China's renewable commitments, the US Inflation Reduction Act (IRA) and the energy reform in Europe.

Entering the solar PV market in 2023, Scott Bader introduced Crestabond adhesives for both lightweight flexible and traditional glass-faced solar PV installations on rooftops. The focus for 2024 is on enhancing market presence, increasing awareness of these solutions and actively supporting customers in adopting this technology.

Scott Bader's ongoing expansion of Structural Adhesives aligns with the evolving needs of batteries and manufacturing. We have made improvements to our Fire, Smoke, Toxicity (FST) systems with bio-content materials while consistently meeting stringent industry standards. These technology advances underscores Scott Bader's commitment to being an agile and innovative player in the E-mobility and Renewables market.

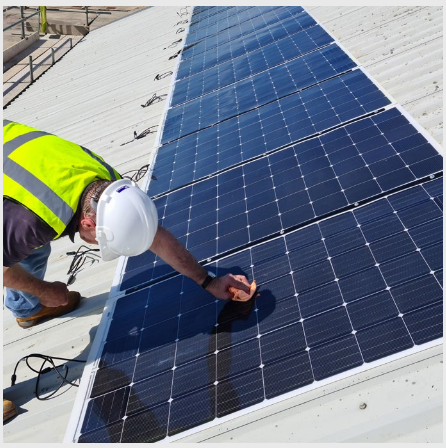
CASE STUDY

RENEWABLES

BRADCLAD BOND FLEXIBLE SOLAR PANELS TO ROOF USING CRESTABOND STRUCTURAL ADHESIVES

Companies:
Bradclad Group and OXECO

Product used:
Crestabond M7 series



ABOUT

The Bradclad Group is a collection of companies engaged in the design, manufacture and supply of metal roof systems and related products. OXECO is a chemistry technology company that designs, develops, and manufactures surface treatments for the transport and clean technology sectors.

CHALLENGE

Bradclad wanted to install lightweight flexible solar panels directly to the roof of their production facility in Wetherby, quickly and cost-effectively.

SOLUTION

Crestabond M7 primerless MMA structural adhesives were used to bond lightweight flexible solar panels directly to a metal and PVC plastisol coated steel corrugated roof structure. Using Scott Bader's Crestabond M7 adhesive and OXECO SEMPRABOND primer technology, panels were directly bonded to the roof, removing the cost of mounting systems typically used for installing solar panels and significantly reducing weight and complexity.

RESULT

Testing performed by Scott Bader and testing house Lucideon, who specialise in cyclic wind load testing for the construction market, confirmed the structural bond of the solar panels would last for the 25-year service life of the solar panels.

Keith Bradley Managing Director of Bradclad: "Bradclad are excited that Scott Bader have met the challenge to develop a technology to reliably bond our Solarbond flexible solar PV panels to a wide variety of roof substrates. From our first consultation with Scott Bader, they provided excellent technical input and product knowledge, aligned with a keen understanding of the practicalities of what we needed to achieve. The technology has opened the opportunity for Bradclad to secure new business in this rapidly growing market segment."

CASE STUDY

E-MOBILITY

WRIGHTBUS DESIGN EV AND HYDROGEN CITY BUSES USING SCOTT BADER MATERIALS

Company:
Wrightbus

Location:
Ballymena, Northern Ireland

Product used:
Crystic resins and gelcoats

ABOUT

Wrightbus is a city bus public transport manufacturer who design and manufacture chassis and body structures along with GRP manufacture and fabrications.

CHALLENGE

Wrightbus required the help of our technical experts to create a range of approved systems with adaptations for each application.

SOLUTION

We worked together to create the required range of approved systems and adaptations to suit their needs.

RESULT

Wrightbus continue to choose Scott Bader for our service, consistency and reliability of supply, confidence and trust in the materials, and our ability to develop and improve.

Paddy Martin Senior Materials Engineer at Wrightbus: "It is rare using a supplier's materials for so long, especially one which is used extensively over a wide range of demanding applications, to experience such a low number of issues both in the consistency of supply and in service performance. Any issues experienced are dealt with quickly, effortlessly and reliably by the team in Dublin, which is a necessity when having to manage a large portfolio of materials and suppliers."

CASE STUDY

ELECTRIC VEHICLES

CRESTABOND PROVIDES LIGHTWEIGHT STRUCTURAL STRENGTH FOR WHISPER E-VTOL

Company:
Electric Aircraft Concept

Location:
Caromb, France

Product used:
Crestabond M1-30

ABOUT

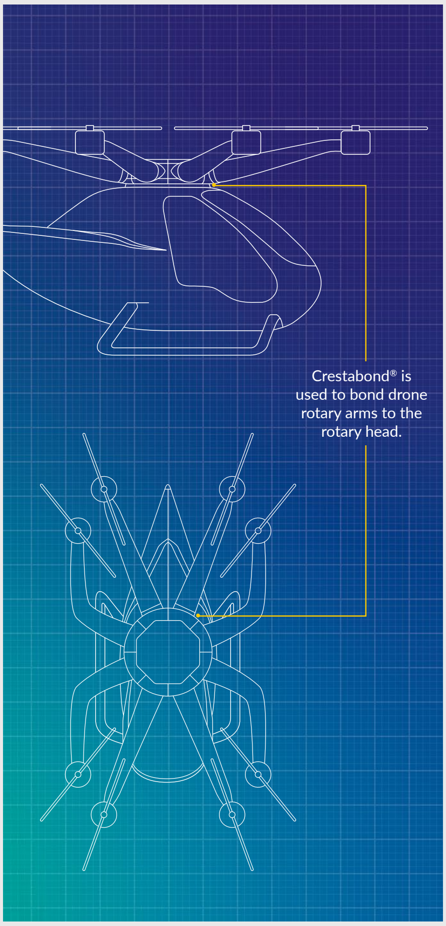
Since 2017, Electric Aircraft Concept have been building heavy load drones and e-VTOL (electric-Vertical Take Off and Landing) designed to carry two passengers.

CHALLENGE

Electric Aircraft Concept faced the challenge of creating a e-VTOL light enough to fly a substantial distance.

SOLUTION

Scott Bader's Crestabond M1–30 to bond the rotary arms to the rotary head and the hinges within the specially designed folding arms of the e-VTOL in replacement of mechanical fixings. This made the e-VTOL lighter, more fuel efficient and strong enough to fly further.

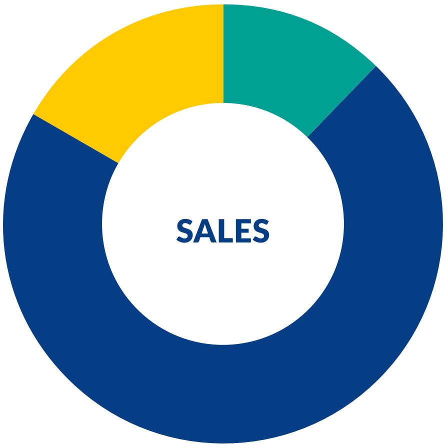


RESULT

The Whisper e-VTOL was created! Yves Pearcy, owner of Electric Aircraft Concept said, "The use of Scott Bader products has allowed us to lighten the weight of our e-VTOL without the loss of structural integrity. Scott Bader supplied us with high quality products and excellent technical support service."

CHIEF EXECUTIVE OFFICER'S STATEMENT

REGIONAL REPORT - EUROPE AND AFRICA



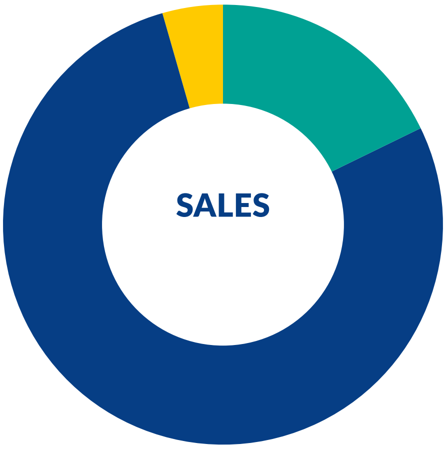
In 2023, Europe was heavily impacted by high energy costs and reduced demand through the year particularly in Eastern Europe in the second half, this was most pronounced in building and construction and consumer facing markets.

Nevertheless, we were still able to grow our business relative to 2022 with controllable trading profit up 61% and a repositioning of our commercial organisation to better align with both large and growing markets in Germany through the appointment of a distributor, Biesterfeld Spezialchemie and the establishment of our own sales office in Turkey. In France, we completed our investment in new factory offices and laboratories for the development, scale-up and application testing of our products.

In recognition of our ongoing efforts in continuing to improve the health and safety of our colleagues we were delighted to receive the 2023 Chemical Northwest Award (UK) for sustainability, health and safety. I was also pleased to be accepted to sit on the UK Chemical Industry Association Council which has overall responsibility for the policy work of the Association, including issues such as net zero, energy and trade.

In South Africa we saw improving profitability through the year, albeit hampered by port delays. To help us expand our commercial presence we also appointed two new distributors Allied Fibreglass and Bodotex.

REGIONAL REPORT - ASIA AND AMERICAS



In both Asia and America, Scott Bader saw strong continued growth in the speciality adhesive and composite business to the marine, renewables, construction and automotive markets. H1 saw exceptional demand with a slowdown in H2 due to general economics in both regions, inflation and cost management. The on-going geopolitical turbulence in Gaza and the hostilities through the Red Sea have further tempered demand in Asia on the later part of 2023. Aligned with Scott Bader's strategic intent a regionally empowered organisation design has been executed to allow detailed focus on growth with customer centricity at the heart of the activity. This includes partnerships, efficiency in supply and meeting the customer needs both locally and internationally. Health and safety continues to be a priority in region and our Dubai site reached 1000 days without a lost time incident in 2023.

Mocksville, U.S, has begun production of its innovative structural adhesives and gelcoats at its new £12.5m manufacturing facility in North Carolina. The development of the 15-acre site represents the company's commitment to serving the needs of the North American market, coupled with recent expansion and investment in its Canadian facility. This will be particularly beneficial for customers in the marine, renewables, e-mobility and land transport markets seeking the strength, durability, flexibility and lightweighting that structural adhesives and gelcoats offer. A USA Presidential Honour was awarded to our Scott Bader colleague Kumar Abhinava in the summer of 2023.

Scott Bader India has completed its first full year of trading with a drive and expansion of the customer and market base where quality, safety and performance are valued. Further development of technology lead initiatives will come through in 2024.

Integrating new facilities and acquisitions into a common ERP has been another milestone in 2023 with both Mocksville commencing with the latest ERP best practices and Australia coming online towards the end of the year.

Scott Bader is due to complete the acquisition of the remaining 50% of its Brazilian joint venture Nova Scott, which manufactures gelcoats, in the course of 2024 to support its international customers with localised production.

CHIEF EXECUTIVE OFFICER'S STATEMENT

INNOVATION, ECOLOGY AND SOCIAL IMPACT

MARKET REPORT ACCELERATORS - PERSONAL CARE AND 3D PRINTING

Building on the successes of 2022, personal care and 3D printing moved from Incubation to the Accelerator stage in 2023. Dedicated resources have been focused on responding to evolving market and customer needs in support of rapid development and growth.

ACCELERATOR - PERSONAL CARE

As the personal care business continues to develop, we celebrate the success of our bio-based rheology modifiers Texique HE10 and HE20 in India and South East Asia supported through our established relationships with NanoTech Chemical Brothers and Namsiang Group. Progress has been made with our development portfolio of functional additives with focus on natural raw materials, biodegradability and overall performance in use. Reflecting the sustainability needs of the personal care market into our development projects, we plan to launch four new silicone alternatives in 2024.

ACCELERATOR – 3D PRINTING

Scott Bader's 3D printing product range continues to expand with an emphasis on sustainability, bio-content and leveraging unique value propositions. 2024 sees an increased focus on this line of products, in terms of resource and investment intent. We will continue exploring the value that 3D printing technology brings to a variety of target markets including dental modelling, medical devices and tooling/prototyping. Routes to market have been identified and we look forward to developing a new customer base for these products and Scott Bader.

INNOVATION

Focused on meeting current and future customer needs in our chosen markets through innovation, we have increased our range of structural adhesives and supported the wider commercialisation of our FST (Fire, Smoke, Toxicity) products for rail applications. With an emphasis on sustainability, we continue to work on reducing the hazards of our composite products through the development of styrene-free alternatives. Polymer Mimetics, our joint venture with the University of Liverpool, has successfully scaled-up products and continues to work on market opportunities for this highly branched polymer technology platform, both inside Scott Bader and with external partners.

To support our sustainability journey, we are playing an active role in several external initiatives. We continue our long-standing partnerships and engagement with the Institute for Sustainability at the University of Bath, through iCAST, and the University of Sheffield, seeking to develop future sustainable polymers and materials for composites, adhesives and functional polymer applications.

We have recently joined forces with Sonichem, Polestar and SHD Composites in an Innovate UK funded consortium to create high value automotive parts from readily available biomass. In addition, we continue to proactively support projects with the UK National Composites Centre, Royal Society of Chemistry and Society of Chemical Industry in the sustainable chemistry area.

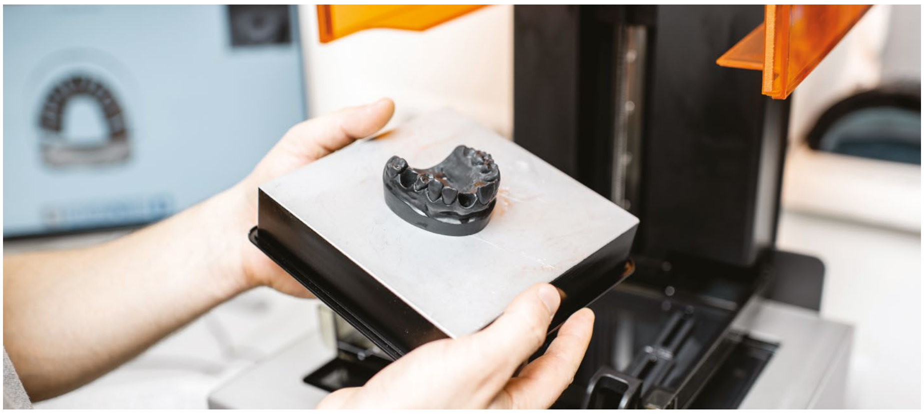
LOOKING FORWARD TO 2024

We start 2024 with a certain degree of uncertainty. High interest rates are reducing inflation and causing an economic slow-down, compounded by conflicts and geopolitical tensions around the world, that may last through the first quarter of 2024.

As the world readjusts and interest rates stabilise and then perhaps start to fall, we may see markets pick-up in the second half. At the same time, we continue to have some exciting opportunities to deliver on key elements of the Group strategy such as India, North America and more efficient utilisation of our European asset base.

As we enter 2024 markets remain uncertain, but we remain confident in the continued delivery of our strategic objectives.

Kevin Matthews
Group Chief Executive Officer



CHIEF FINANCIAL OFFICER'S STATEMENT

2023 started well. The strong start led to above budget performance in the first half of the year across all regions. This was followed by a more challenging second half, where we saw some of our end markets slowing and customers destocking as they saw their demand reduce. This was due to the overall weaker economic outlook driven by the combined effects of high interest rates and inflation. We also saw supply chain challenges with higher levels of slow moving and obsolete stock leading to high write offs. Despite this, we have continued to deploy our strategy of growing in Asia and North America with growth in margin of 15% in Asia and 19% in North America as well as completing the build of our new facility in Mocksville NC. I would like to thank all my colleagues across the Group for their hard work and delivery throughout the year.

Overall annual sales volumes increased by 0.9% to 110k tonnes (2022: 109k tonnes). Despite this, Group turnover decreased by £30.7m (-10.1%) to £273m. This reduction was driven by raw material price decreases from the record high prices in mid-2022 that flowed through into lower sales prices. We have seen raw material prices drop consistently since Q3 2022, initially as supply chains normalised after the disruption of the Russian invasion of Ukraine, and more recently as the global economy slowed in H2 2023.

The Group made good progress on the strategic focus of improving product mix towards higher margin, speciality products, leading to an increase in margin of £4.8m to £77.6m (2022: £72.8m) and the margin as a % of revenue to 28.4% (2022: 24.0%).

Staff costs increased on the year by £5.3m (12.9%) to £46.2m from £40.9m, as a result of 8.7% net headcount additions of 67 to 834 (2022: 767) and average salary inflation of 3.96%.

Operating Profit pre-staff bonuses of £2.5m (2022: £nil) grew to £3.7m (2022: £2.1m).

Profit Before Tax ('PBT') was £0.7m (2022: £2.3m).

Offsetting the positive momentum on margin and good cost control, the drivers of the reduction in Operating Profit and PBT were;, an increase in foreign exchange costs predominantly coming from the revaluation of non-trading intercompany loans of £1.3m (2022: £0.9m) and the increase in interest costs of £1.4m (2022: £0.3m) due to the increase in the base rate of interest in 2023 vs 2022 and full year's use of the Group's debt facilities. The half year payment of the Profit Performance Plan ('PPP') bonus to employees of £2.5m was also a contributing factor to the final PBT.

The combination of our broad geographic footprint, with legal entities paying tax in a number of jurisdictions combined with the lower level of PBT has led to the tax charge on PBT of £0.9m (2022: £0.2m).

The effective tax rate (ETR) for 2023 (excluding adjustments for prior year) was 64.9% (2022: 7.4%). Main drivers of the increased ETR were the combination of adverse permanent differences and a decrease in PBT for the year together with the partial de-recognition of deferred tax assets in respect of tax losses arising in the UK.

2023 saw a positive cashflow from operating activities of £11.7m (2022: outflow of £1.4m). This was derived from Operating Profit and an improvement in working capital including the new non-recourse debt factoring facility in France.

In 2023 the Group continued its objective to invest the majority of the operating cashflow into the business to support the delivery of the strategic priorities with regards to geographic growth, efficiency and innovation.

CHIEF FINANCIAL OFFICER'S STATEMENT

Overall, in the year there was a £1.1m decrease in net cash on opening of £0.2m to net debt at the year-end of £0.9m driven by the ongoing strategic investment programme in capital expenditure £12.1m (2022: £13.3m) as well as cash outflows of £1.5m (2022: £0.3m) in servicing the Group's debt facilities.

The Group continued to invest in line with strategy with the highlights being the completion of the green field manufacturing site in Mocksville in the USA and the new R&D laboratory and office in our Amiens site in France. Further capital investment went into new IT systems including the rollout of our M3 ERP system into Australia, as well as continued investment into the maintenance programme to ensure asset integrity.

The outlook for 2024 sees the continued focus on reducing working capital and tight cash management while continuing to invest the cashflow from operations in supporting the strategic growth priorities.

The Group's Revolving Capital Facility (RCF) with NatWest was extended to a five year term and increased to USD20m in March 2023 providing the Group with significant additional funds for working capital should it be needed. The Group had in excess of £32m in receivables and £35m in inventories at the balance sheet date, which were free of security for financing and available to raise working capital facilities if needed.

Significant progress has been made across the Group to improve our cash management and treasury processes with the implementation of cash pooling with our banking partner Citibank, improved forecast accuracy of our short-term cash forecasting and the investigation and implementation of working capital financing facilities. This focus will continue into 2024 as the efficient management and deployment of cash across the Group is a critical enabler for the deployment of our strategy.

In line with the constitution, we have set aside 1% of our employment costs for distribution to Scott Bader Commonwealth Ltd for Charitable purposes.

As we look forward into 2024, we see the weaker market conditions continuing into the first half of the year. We will remain agile in order to react to the market conditions whilst staying focussed on delivering the strategic priorities or growth in Asia and North America, driving efficiency in Europe and Africa whilst adjusting our focus onto our core and growing market segments in order to drive focus on our innovation pipelines and key customers.

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"

HUMAN RESOURCES PEOPLE REPORT


Julie Thorburn

The major challenge for our colleagues in 2023 was the continued impact of the Russian invasion of Ukraine and the impact this had on driving up prices of energy and food. Although we did start to see the level of inflation start to decrease during 2023, it remains high and colleagues continue to manage the impact of the cost-of-living crisis.

Due to our company performance in 2022, we did not meet the criteria to pay a bonus payment for 2022. The Group Staff Bonus, which is similar to a corporate dividend, was paid to colleagues in August 2023 after the AGM. This was followed by a discretionary one-off cost of living bonus paid equally to all colleagues. This payment was to recognise the challenges colleagues were facing and this bonus was designed to provide proportionately more support to those colleagues on lower grades.

We continue to work on our pay and reward principles; salary, benefits and variable pay over the last four years and have made some good progress on addressing salary levels against market salary data. We submitted our 2022 salary data to our reward consultants as part of our regular salary benchmarking activity and the updated market salary data was used in our 2023 salary review process. We intend to submit our 2024 salaries to obtain updated market salary data to use in the 2025 salary review process. We completed our benefit benchmarking across the Group and identified that the main priority area to be addressed was for our recently joined Indian colleagues, which was subsequently carried out.

We are part-way through implementing our global payroll solution with an interface to Oracle, electronic payslips, and automatic payment solutions. We expect to complete the final phase of implementation by end of Q2 2024.

Our journey to unleash colleagues' potential continued during 2023 with numerous projects to support this 2036 objective. Our Training Assessment Scheme which is used at our manufacturing sites has been gradually updated and deployed. It is similar to a National Vocational Qualification where our colleagues demonstrate their level of competence against a specific skill requirement.

We have continued the deployment of our leadership competency framework which started in 2021 with the GLT and their direct reports as part of Phase 1 deployment. During 2023 we completed Phase 2 of the deployment of the framework across the organisation with talent reviews completed for both Phase 1 and Phase 2 colleagues with succession plans being developed. The talent review and succession plans process will form part of our normal HR calendar of activities from 2024.

Following the review of our Constitutional Review in 2022, we took the opportunity to update our Core Values which are part of the Scott Bader DNA. The updated values were communicated and incorporated into our HR systems and process in early 2023 and we held Constitutional Review launches during the summer of 2023 to launch the new Members' Guide.

As part of our commitment to Diversity & Inclusion and to develop our leaders, we started our second RISE programme with 16 colleagues from across the Group. We encouraged our colleagues to apply to attend this prestigious leadership programme and we were oversubscribed with applications. The programme started in the Autumn of 2023 with the main residential programme taking place in January 2024 with work related projects being assigned with a GLT sponsor to assist the teams. The RISE project teams will be reporting back to the GLT on the completion of their project during 2023.

We have seen the impact of our work on pay principles and addressing gender pay gaps with the results of our 2022 UK Gender Pay report showing a median gender pay gap of -5.5%. This is significantly below the national average of 14.9% as estimated by the Office for National Statistics. Our 2023 median gender pay gap remains low at -7.5% and an updated report will be issued in line with reporting regulations.

We have been working on a number of initiatives to increase our Diversity & Inclusion and our approach and efforts to develop an inclusive workplace where everyone feels like they belong has been recognised internationally. We are pleased to report that we are one of a small group of organisations who have been awarded the ISO 30415:2021 Certification for Diversity & Inclusion. We are very proud of this incredible achievement because it gives us a framework to continue our Diversity & Inclusion journey.

Following the success of our colleague engagement survey and achieving the Best Companies accreditation of 'One to Watch' in 2022, we completed the survey again at the end of 2023 and we are pleased to report that we have been awarded another 'One to Watch' 2024 which demonstrates good colleague engagement. We pledged to pay £10 for each competed survey with matched funding and we will be donating £10,000 to the World Land Trust which was due to the high completion rate we achieved.

We are proud of this achievement and will be developing further site action plans to improve on the eight factors for our next survey. One area which we have continued to outperform the benchmark is giving back and our charitable giving through the Commonwealth Board is a strong contributor to achieving this level. To continue to improve communication to our colleagues we launched our first intranet 'Reactor' where we share key messages and other information.

REACTOR

Julie Thorburn
Group HR Director

SAFETY, HEALTH AND ENVIRONMENTAL

In 2023 we saw an improvement in many of our SHE KPI's, however we did not quite hit all our targets.

- Process Safety Incident frequency rate just missed year-end target but improved **30% Year on Year** ('YOY').
- Lost Time Accident/Restricted Duty frequency rate remains higher than expected, but improved by **12%** YOY.

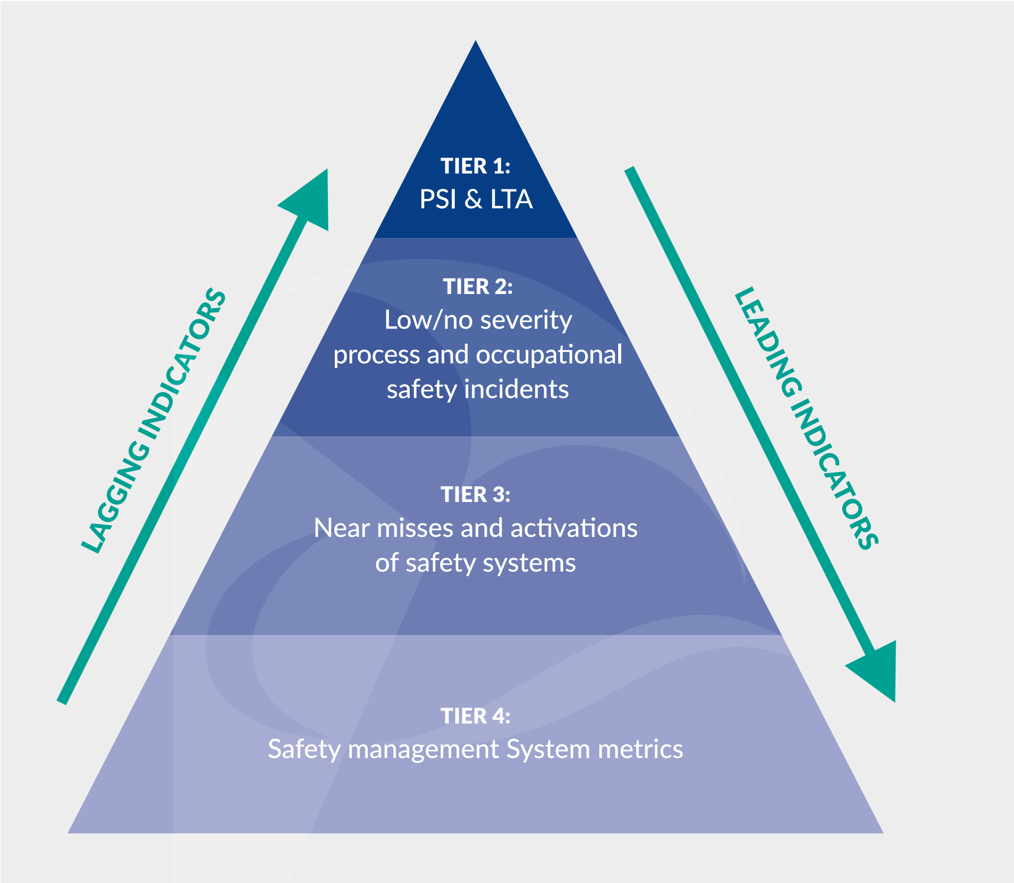
We have historically been focused on lagging indicators. In 2024 one of our key improvements will be to not only continue to drive the lagging metrics that alert us to challenges in our SHE programme, but to also focus on leading metrics which are more proactive and preventative.

By focusing on the proactive and preventive measures we can promote the effectiveness of our SHE activities and highlight the challenges we face. We can then put in place proactive practices to resolve those challenges before they are able to result in events that are measured as a lagging indicator.

To demonstrate our focus, we use the safety pyramid.

The tier-based approach is based on the safety pyramid, where consequences increase in severity from the bottom to the top of the pyramid.

Tier 3 and Tier 4 events are considered leading PSP Indicators, and Tier 1 and Tier 2 events are considered lagging PSP Indicators.

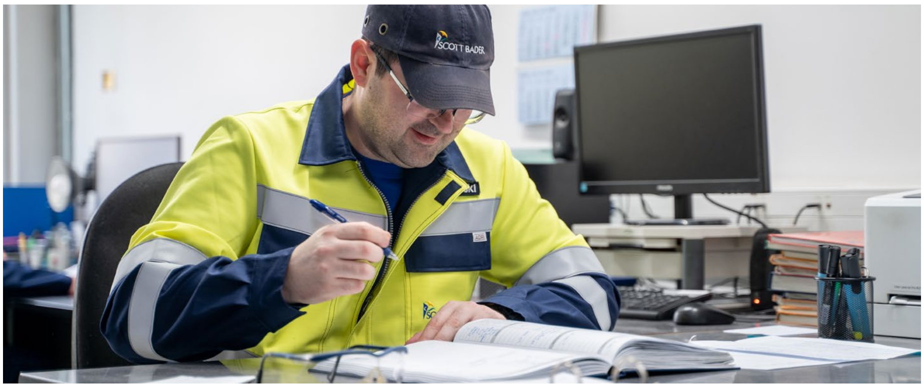


Lagging indicators provide reactive monitoring of the barriers through incident investigation, near-misses, and weaknesses discovered in the system. Leading indicators provide active monitoring of the barriers and help to ensure the barrier's continued effectiveness at reducing risk.

SAFETY, HEALTH AND ENVIRONMENTAL

PROGRESS TOWARDS WORLD CLASS

When the Croatian regulatory authorities needed a good example of a high performing and well managed chemical manufacturing site to show visiting international OECD inspectors, they chose our Zagreb site as one of the best regarded SEVESO sites in the country.



SAFETY CAMPAIGNS

We initiated a Safety Campaign model using multimedia tools to communicate important SHE programmes and improvements across the group. Our initial focus was on Forklift Truck safety as we recognise that FLT and other vehicle movements are one of the most prevalent risks our colleagues face every day. In 2024 we will continue the programme to highlight awareness on other important SHE topics.

PROCESS SAFETY

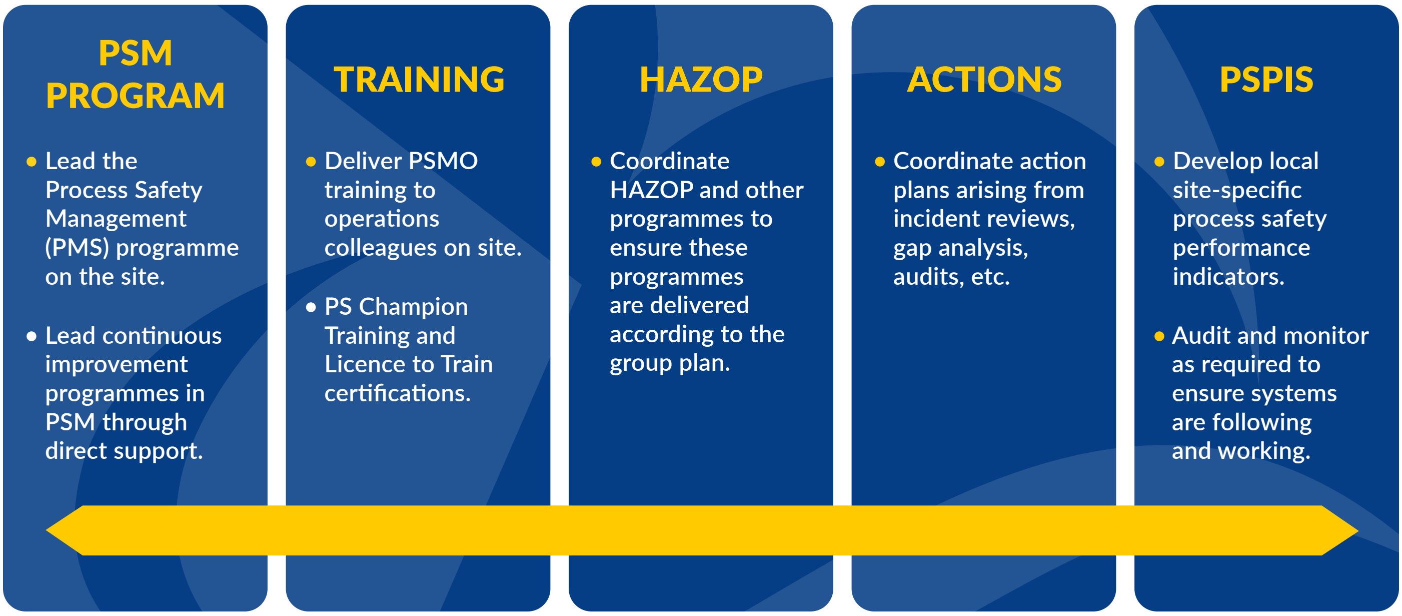
Process safety is a blend of management, engineering, and SHE skills to prevent and mitigate the low probability but high severity consequences of a major incident in the chemicals industry. At Scott Bader we are working hard to reduce the risk of these types of incidents to be as low as possible.

We have continued to develop our process safety and risk management framework based on recognised industry good practice to ensure the continued safe operation of our plants and to deliver our stated ambition of Zero Harm in terms of no process safety incidents resulting in consequences to our colleagues, neighbours, or the environment.

In 2023 we continued our hazard identification and risk assessment programme to ensure that we fully understand the risks we face and to ensure that we have adequate controls in place for our major hazards. We have driven risk reduction across our sites by strengthening existing control measures and introducing new barriers where required.

2023 has also seen the development of our Process Safety Competency Framework, based on industry standards, and including the development of a Process Safety Champion model training plan for all operations colleagues and all Group, Region and site leaders not directly involved in operations.

The diagram illustrates the 5 key areas our in-house site SHE champions will have responsibility to deliver to ensure our Process Safety Management Programme is successful and operationalised.



CORPORATE GOVERNANCE

STRUCTURE

Scott Bader Company Limited (the "Company") is a 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. Each employee of Scott Bader may become a member of The Commonwealth. The Commonwealth and the Company have no external shareholders.

COMMONWEALTH BOARD

GROUP BOARD

GLOBAL MEMBERS' BOARD

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

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

A proportion of the Company's profits each year is required by its Constitution to be paid to The Commonwealth, to be devoted to charitable and community work. The 2023 donation of £317,000 (2022: £305,000) was allocated by the Company to The Commonwealth. In addition to this, £33,517 (2022: £20,000) of further donations were paid by Group companies direct to various charities.

The Commonwealth is not involved in the day to day running of the Company. However, pursuant to the Constitution, it does have responsibility to exercise oversight of the Company to ensure appropriate governance, risk and compliance processes are in place to promote its long-term success.

The Trust assets continues to be well managed, and the Company continues to adhere to the Guiding Principles. The Commonwealth Board, together with the GMB, are regularly consulted with in line with the Constitution on the future direction of the business (i.e., strategy), major acquisitions or disposals, and profit distribution, and, with the Global Members' Board, will monitor the development of industrial democracy within Scott Bader. The Commonwealth Board, and the GMB, are kept informed of business performance by the Group CEO and Group Chair.

CORPORATE GOVERNANCE

COMMONWEALTH BOARD MEMBERS

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.

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.

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.

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.

Ben Penney
Internally Elected Director

Ben has been at Scott Bader for seven years and is the Group Marketing Manager, managing and implementing our global marketing strategy across our strategic markets and regions.

Ben is a Business and Marketing graduate, and he also holds qualifications from the Chartered Institute of Marketing. He has over twelve years' experience in B2B marketing for small and large businesses. Ben joined the Commonwealth Board in April 2023 to help the Commonwealth meet its charitable objects and to also bring his communication experience to support the Board with internal and external communications.

Gillian Shapiro
Guardian Trustee

Gillian has been working with human dynamics, complexity, culture and change as a leadership coach, organisational development consultant, researcher and developer of human potential for over 30 years. She founded Shapiro Consulting in 2003 with a mission to help build high performing, relational organisations where people from all backgrounds feel a strong sense of belonging. Her clients span many different sectors and locations across the world.

Gillian has a business degree and her doctorate focused on the leadership careers of women working in technology. In addition to leading her consulting practice, Gillian is a faculty member of the International Gestalt Organisational and Leadership Development programme (iGOLD). She joined Scott Bader Commonwealth in 2023 as an External Guardian Trustee with a strong interest in bringing her experience on culture, leadership and inclusion to a growing employee-owned business with strong Guiding Principles.

Juliette Delprat
Internally Elected Director

Juliette joined Scott Bader France in 1991 on an interim basis and moved into a permanent role in March 1992. Juliette has held a number of roles across the organisation, including Receptionist/Sales Assisant, Quality Assistant and Learning and Development Manager for France.

Juliette's current role within Scott Bader is Group L&D Advisor. In addition to these roles Juliette has also been the Commonwealth Coordinator in France for over fifteen years. Juliette enjoys seeing the success of our colleagues and is keen to rise to any challenges faced to make our company successful.

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

BUSINESS REVIEW

TURNOVER
£273m -10%
2022: £304m

OPERATING PROFIT
£1.2m -43%
2022: £2.1m

PROFIT BEFORE TAX
£0.7m -67%
2022: £2.3m

NET (DEBT)/CASH
(£0.9m) -550%
2022: £0.2m

BUSINESS PERFORMANCE

Annual sales volumes increased by 0.9% to 110k tonnes (2022: 109k tonnes), despite this, Group turnover decreased by £30.7m (-10.1%) to £273m. This reduction was driven by raw material price decreases from the record high prices in mid-2022 that flowed through into lower sales prices. We have seen raw material prices drop consistently since Q3 2022, initially as supply chains normalised after the disruption of the Russian invasion of Ukraine, and more recently as the global economy slowed in H2 2023.

The Group made good progress on the strategic focus of improving product mix towards higher margin, speciality products, leading to an increase in margin of £4.8m to £77.6m (2022: £72.8m) and the margin as a % of revenue to 28.4% (+4.4ppt; 2022: 24.0%).

Other Operating costs have increased by £0.5m from £15.5m to £16.0m reflecting the growth into the Americas and Asia regions, as well as the continued investment in the business to build out operational and commercial capabilities as the foundation for future growth.

Staff costs increased on the year by £5.3m (12.9%) to £46.2m from £40.9m, as a result of 8.7 % net headcount additions of 67 to 834 (2022: 767) and average salary inflation of 3.96%.

Operating Profit pre-staff bonuses of £2.5m (2022: £nil) grew to £3.7m (2022: £2.1m).

Profit Before Tax ('PBT') was £0.7m (2022: £2.3m).

Offsetting the positive momentum on margin and good cost control, the drivers of the reduction in Operating Profit and PBT were; the half year payment of a Profit Performance Plan ('PPP') bonus to employees of £2.5m in total which was £nil in 2022, an increase in foreign exchange costs predominantly coming from the revaluation of non-trading intercompany loans of £1.3m (2022: £0.9m) and the increase in interest costs of £1.4m (2022: £0.3m) due to the increase in the base rate of interest in 2023 vs 2022 and full year's use of the Group's debt facilities.

BALANCE SHEET

2023 saw a positive cashflow from operating activities of £11.7m (2022: outflow of £1.4m). This was derived from Operating Profit and an improvement in working capital including the new non-recourse debt factoring facility in France.

In 2023 the Group continued its objective to invest the majority of the operating cashflow into the business to support the delivery of the strategic priorities with regards to geographic growth, efficiency and innovation.

Overall in the year there was a £1.1m decrease in net cash on opening of £0.2m to net debt at the year end of £0.9m driven by the ongoing strategic investment programme in capital expenditure £12.1m (2022: £13.3m) as well as cash outflows of £1.5m (2022: £0.3m) in servicing the Group's debt facilities.

BUSINESS REVIEW

The Group continued to invest in line with strategy with the highlights being the completion of the green field manufacturing site in Mocksville in the USA and the new R&D laboratory and office in our Amiens site in France. Further capital investment went into new IT systems including the rollout of our M3 ERP system into Australia, as well as continued investment into the maintenance programme to ensure asset integrity.

The outlook for 2024 sees the continued focus on reducing working capital and tight cash management while continuing to invest the cashflow from operations in supporting the strategic growth priorities.

The Group's Revolving Capital Facility (RCF) with NatWest was extended to a 5-year term and increased to USD20m in March 2023 providing the Group with significant additional funds for working capital should it be needed. The Group had in excess of £32m in receivables and £35m in inventories at the balance sheet date, which were free of security for financing and available to raise working capital facilities if needed.

The Group recognised goodwill additions of £2.9m representing the fair value movement of the contingent consideration associated with the 2022 acquisition of Scott Bader India with a corresponding liability recognised in creditors greater than one year which would fall payable in 2025 subject to performance conditions being met.

TAXATION

The tax charge on Profit Before Tax was £0.9m (2022: £0.2m). The effective tax rate (ETR) for 2023 (excluding adjustments for prior year) was 64.9% (2022: 7.4%). Main drivers of the increased ETR were the combination of adverse permanent differences and a decrease in PBT for the year and the partial de-recognition of deferred tax assets in respect of tax losses arising in the UK.

Deferred tax assets of £4.0m 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

Asia

The focus on growing our business across Asia continued with margin growth of +12.7% in the region to £19m. The business in India performed well following the acquisition of the commercial business of Satyen Pvt in 2022. Margin growth of +97.5% to £145m included the transfer of Scott Bader technologies and products as well as penetration into target market areas. Australia continued to perform well with margin growth of 65% to £3.7m following the acquisition in 2020 with subsequent significant customer wins in the marine market.

USA

2023 saw the completion of the Group's investment in its new USA based manufacturing facility in Mocksville, North Carolina. Capital spend in the year was £6.9m. The site is now fully operational with a number of customer commissioning activities completed and approvals ongoing. Ramp up in production both for new customers and the transfer of existing customers from other Group production facilities will take place through 2024. It is important to note that in 2023 the profitability of the Group was suppressed as there were £1.3m of operational costs on the site that were in training and supporting the transfer but were not revenue producing customer orders.

Brazil

In September 2023 the Group signed an agreement to purchase the remaining shares of our joint venture in Brazil, Nova Scott Especialidades Químicas Limitada ("Nova Scott") from Anderpol do Brasil Participações Ltda ("Anderpol"). This will give the Group full control of a manufacturing and distribution base in South America to continue its geographic expansion and to be able to serve our global customers and penetrate our chosen markets in Brazil and across the South American continent. The transaction is expected to complete in Q2 2024.

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 include:

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 for the past five years were:

KPI	2019	2020	2021	2022	2023
Volume movement %	-	(5.7)	9.0	(5.2)	**1.5**
Gross margin[1] growth[2] %	12.1	4.4	8.0	(3.6)	**6.2**
Return on sales %	3.3	6.1	3.1	0.7	**0.5**
Return[3] on net assets[4] %	10.4	18.0	9.8	2.1	**1.2**
Average monthly trade working capital as a % of sales	12.9	14.8	12.5	15.2	**16.2**
Staff turnover %	12.9	15.6	12.3	12.4	**14.2**
Lost Time Incident Frequency Ratio (LTIFR)[5]	1.26	1.10	1.04	1.49	**1.3**

[1] Excluding manufacturing labour and overhead
[2] At constant exchange rates
[3] Operating profit
[4] Trade working capital + tangible fixed assets
[5] Number of lost time accidents per 200,000 hours worked

Sales volumes were marginally higher than prior year, reflecting geographic growth offset by the move to lower volume, higher margin products.
Gross margin improved due to decreased raw materials prices and the move to higher margin products. Offsetting was persistent inflation, meaning overall costs rose, which, along with the continued expansion of our investment in people and assets led to a slightly reduced return on sales of 0.5%.

Decreasing returns and significant capital investment, partially offset by a decrease in trade working capital led to a reduction in the Return on Net Assets to 1.2% (2022: 2.1%).

In comparison to the prior year, average monthly trade working capital as a percentage of sales increased following the improvement in working capital from reduced debtors in the business reflecting the non-recourse debt facility taken out in France.

Staff turnover increased to 14.2% in 2023 (2022: 12.4%) reflecting a strong candidate market.

The Group was reorganised in Q3 2023 to create regional structures to align the business structure with future strategic goals and a focus on talent development and retention.

The initial implementation of the occupational safety awareness programmes and targeted safety campaigns that we highlighted for 2023 helped to drive the LTA/RDFR metric down 12% from 2022.

RISK REPORT

APPROACH TO RISK

Risk is an integral part of any business and this is especially true for Scott Bader due to the highly regulated multinational nature of the Group. A successful risk management process identifies the principal risks and then balances risk and reward, relying on a sound judgement of their likelihood and consequence and developing and monitoring appropriate controls to minimise the risk.

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

- **Board of Directors** - The Board is responsible for setting overall risk appetite, approving the risk management framework and approving the main risks identified by management for inclusion in this annual report.

- **The Audit and Risk Committee** is established to oversee risk management and make recommendations to the Board on the risk management framework and risk appetite. The Audit and Risk Committee is also responsible for reviewing the principal risks identified by management and escalating risk matters to the Board.

- **Management Leadership Team** - 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.

2023 RISK MANAGEMENT

In 2023 the Group continued to invest in improving risk assessment and management systems in health and safety, tax compliance, treasury, supply chain management, payroll processing, project management and business processes.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risks are 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.	• As a result of tensions in the Middle East, Business Continuity Planning has been conducted in the context of supply to and from the Dubai site through the Straits of Hormuz. • Our regional presence was further expanded with the completion of the new manufacturing facility in North Carolina, USA. This further balances the Group's geographical presence. • The business continues to work on its Treasury policy to further improve the resilience of the business in the event of raw material price increases. • Further development of ability to manufacture key products at multiple sites and contract manufacturing partners to improve resilience and business continuity planning.	No change overall. The continued geopolitical instability and the war in Ukraine has continued to demonstrate the interconnectedness and fragility of global supply chains. As the situation around Ukraine has stabilised and improved this has been replaced by issues in the Middle East and we expect the landscape to remain volatile for some time to come.
Intellectual Property management There is a risk that as the business grows into new areas, engages in new markets and generates new technology that without proper controls key intellectual property could be lost. In addition, with an ageing workforce critical know how could be lost from the organisation.	Key mitigations that have been implemented or are work in progress include: • Appointment of an external patent agency to support the developments of a more active patent strategy. • Improved cybercrime resilience to prevent theft of intellectual property. • Increasing use of legal contracts with appropriate clauses to protect intellectual property. • Audit of the Group's major elements of intellectual property and an active development of a repository of key elements of intellectual property.	New risk. The expansion of the business into more specialty markets with increasing differentiation built on intellectual property represents an increasing risk for the group.
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.	In addition to the mitigations reported last year the following actions have been implemented: • Further improvement of the major project approval process and governance oversight with the formation of a Capital Projects Committee. • Formalised integration processes have been strengthened as a result of post investment reviews of completed projects.	No change overall. The continued number of major projects and the level of investment and complexity continues to represent a significant risk.

2023 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.	In addition to the mitigations highlighted last year: • Initiatives continue to improve Group wide S&OP system. • The formation of regional supply chain structures with a greater oversight of supply chain performance connecting supply points into one network. • Upgrading of Group operation technical resource to accelerate the development of dual site manufacturing for key products.	No change overall. The Group sees opportunities for productivity improvements through an effective supply chain management system.
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. • Launch of life saving rules • Investment in Health & Safety resourcing (appointment of Group Occupational Health Manager). • Improvements at site levels to ensure closing off of HSE actions. Increase in number of safety opportunities reported across the Group. • Significant number of the Groups assets now have an updated HAZOP (hazard and operability study) with mitigations.	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.
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.	• No significant initiatives in 2023 pending investments into new assets. • Upgraded 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.	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.

2023 RISK MANAGEMENT

The Group's key risks summarised (continued):

FINANCIAL RISKS: Financial risks are risks associated with an organisation's ability to raise capital, maintain access to capital and deliver profitable growth.		
RISK / UNCERTAINTY	**MITIGATION**	**YEAR-ON-YEAR CHANGE**
Volatility of demand and market uncertainty There is a risk that a slowdown or acceleration in demand leads to increasing raw material pricing, decreasing raw material availability and results in competition which can impact sales, capacity utilisation, profitability, and cash generation.	• We aim to embed our product / service into the client product cycle to provide a differentiated offering. • Proactively manage raw materials to optimise the balance between price and security of supply with sourcing from a broad and diverse supplier base. • Improve supply chain connectivity to ensure we respond rapidly to a slowdown or acceleration in market demand. • Financial performance closely monitored against operating plans with variances investigated. Clear focus on cash generation. • Contingency and cost reduction plans implemented in an economic downturn.	Increased risk. The market slowdown resulting from high levels of interest rates impacted business performance in the second half of the year which also resulted in increased levels of working capital.
Liquidity management and foreign currency exposures There is a risk that the current levels of working capital, anticipated capital investment and strong acquisition pipeline significantly impact liquidity levels across the Group. There is a risk that Group's financial results are materially impacted by adverse currency movements leading to volatility in the reported profits and asset values.	• Significant improvement in Treasury function and cash pooling to enable liquidity support between entities. • Continued close supervision of cash management activities and forecasting. • Active project to improve foreign exchange management.	No change. The impact of a significant increase in capital spending in 2023 and the challenging business environment continues to have a material impact on liquidity which requires more active management. The foreign exchange risk is increased due to fluctuation of the sterling vis-à-vis other currencies in markets where we incur a significant proportion of our profits.

2023 RISK MANAGEMENT

The Group's key risks summarised (continued):

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 have recently carried out a salary benchmarking exercise. • Regular performance reviews and appraisals. • Development of an employee value proposition has been an active project through 2023.	No change. Recruitment and retention continued to be challenging in 2023 for certain skills due to the historically low levels of unemployment and the shortage of skills in certain regions.
Succession planning There is a risk that unplanned departures and overreliance on key individuals leads to knowledge, customer and supplier relationships and competitive advantage are lost or compromised.	• Succession plans and retention strategies are in place for Group leadership and other key positions. • Ongoing talent reviews and succession planning programmes. • Talent management programme continue including overseas secondment to build experience.	No change. The leadership competency framework was reinforced as part of the 2023 annual appraisal. The new organisational structure implemented at the end of 2023 is also designed to provide opportunities for building experience in bridging roles.

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.	No change. This area remains a high ongoing risk for the Group as the Group expands globally, national regulations tighten and a global expansion of data protection laws. It continues to receive ongoing investment and monitoring by management.

CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

At the date of this report the Board of the Company comprised:

- **Three Executive Directors**
  Kevin Matthews, Neil Miller and Michael Findlay-Wilson;
- **Elected Directors**
  Sam Boustred, Jean-Marc Ferran and Bruce Penn;
- **Non-Executive Directors**
  Paul Smith (Chair), Dianne Walker (Senior Independent Director) and Janet Dawson.

Under the Company's governance arrangements there may be up to nine Directors on the 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 & Ireland, Continental Europe, and the Rest of the World.

Neil Miller, Group Chief Financial Officer, was appointed as an Executive Director on 25 January 2023.

Juliet Thorburn (upon completion of her term) stepped down as an Executive Director on 17 March 2023 and was replaced by Michael Findlay-Wilson as an Executive Director on this date.

Deborah Baker stepped down as a Non-Executive Director (upon completion of her first term) on 31 March 2023. Janet Dawson was appointed a Non-Executive Director on 11 January 2024.

David Rossouw (upon completion of his second term) stepped down as a Member Director on 1 June 2023 and Bruce Penn was appointed as a Member Director on this date.

New Directors receive a tailored onboarding process and formal training where appropriate. Ongoing professional development is encouraged and needs are evaluated following regular skills audits and board evaluation. Director development 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 2023:

NAME OF DIRECTOR	POSSIBLE MEETINGS	ACTUAL MEETINGS	% ATTENDED
Deborah Baker NED	5	5	100%
Samuel Boustred MD	12	11	92%
Jean-Marc Ferran MD	12	12	100%
Michael Findlay-Wilson ED	8	7	88%
Kevin Matthews ED	12	12	100%
Neil Miller ED	12	12	100%
Bruce Penn MD	4	4	100%
David Rossouw MD	8	8	100%
Paul Smith Chair, NED	12	12	100%
Juliet Thorburn NED	4	4	100%
Dianne Walker NED, SID	12	12	100%

Note: NED – Non-Executive Director; SID – Senior Independent Director; ED – Executive Director; MD – Member Director

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT AND RISK COMMITTEE

The Board of Directors, following recommendations from the Audit Committee and the Risk Committee, merged the Risk Committee into the Audit Committee and from 3 October 2023 to form the Audit and Risk Committee (the 'Committee').

The Audit Committee's responsibilities had included oversight of the work of the 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). These responsibilities remain the same under the Audit and Risk Committee.

The role of the Committee is to review the significant financial reporting issues and judgements made in connection with the Company's financial statements and reports. It provides independent scrutiny and challenge to seek to ensure that the Company presents a true and fair view of its performance, focusing on the accuracy, integrity and communication of financial reporting.

The Committee appoints the external and internal auditors and reviews the scope and findings of their reports. The Committee considers the Company'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 Committee of the external auditor's independence, and objectivity and the effectiveness of the audit process; any threats are considered with the auditor. The level of non-audit fees compared to audit fees is kept under review. The Committee is responsible for monitoring non-audit services with the objective that the provision of such services does not impair the auditor's independence or objectivity. In doing so it considers various factors relating to whether it is appropriate for the auditor to provide such services, including that the auditor's skills and experience make it the most suitable supplier. Fees for non-audit services amounted to 29% of the fees paid to RSM for audit, audit-related and other services in 2023 (2022: 22%).

Considering the Company's scale, risk profile and controls within the Finance function, the Committee and Board do not and have not, historically, believed that a separate internal audit function is required. BDO provide internal audit services to complement those of the Company's own quality and assurance resources, as required, using a risk-based approach to areas of focus. In 2023 BDO performed a site review audit in Scott Bader Pty (South Africa) and supported the Group in its self-assessment of the Safety Health & Environment controls and its compliance programme. The South Africa site review was focused on inventory management, accounts payable processes and controls (and included site access and third-party warehouses).

The Committee comprises two Non-Executive Directors and one Member Director. This composition allows the Committee to maintain appropriate levels of objectivity and independence when providing assurance over the Company's systems, operations and financial probity. Decisions can only be made by the Committee when three members are present, including the Chair (or their appointed deputy) and at least one member who is independent.

COMMITTEES OF THE BOARD OF DIRECTORS

MEMBERSHIP AND COMPOSITION OF THE AUDIT AND RISK COMMITTEE	
Dianne Walker	Senior Independent and Non-Executive Director (Chair of the Audit and Risk Committee)
Jean-Marc Ferran	Member Director
Paul Smith	Non-Executive Director and Chair

The Audit and Risk Committee was formed on 3 October 2023 and met on two occasions in 2023 in October and November.

MEMBERSHIP AND COMPOSITION OF THE AUDIT COMMITTEE, LATTERLY THE AUDIT AND RISK COMMITTEE	
Dianne Walker	Senior Independent and Non-Executive Director (Chair)
Jean-Marc Ferran	Member Director
Paul Smith	Non-Executive Director and Chair

David Rossouw served on the Audit Committee as a Member Director during the year under review stepping down on 1 June 2023 to be replaced by Jean-Marc Ferran.

The Audit Committee met on three occasions in 2023 January, April and May 2023.

All meetings were attended by all Committee members who were eligible to attend.

The Chair of the Committee has met at least once during the year with the Partner of the external auditor and with the Group Control and Compliance Manager without management being present.

Dianne Walker
Chair of Audit and Risk Committee

COMMITTEES OF THE BOARD OF DIRECTORS

REMUNERATION COMMITTEE

The Group Remuneration Committee ensures that in line with good governance principles all material remuneration matters are scrutinised and notified to the Board by a committee of independent individuals.

The Committee membership comprises two Non-Executive Directors of the Group Board and the Chair of the Global Members Board ("GMB"). Deborah Baker, (MCIPD), Non-Executive Director, chaired this Committee until her resignation on 31 March 2023.

Committee member, Paul Smith, Group Chair and Non-Executive Director, chaired this Committee during the period from 31 March 2023 until 11 January 2024. Dianne Walker, Senior Independent Non-Executive Director joined the Committee from 31 March 2023 until 11 January 2024. Janet Dawson was appointed as a Non-Executive Director and Chair of this Committee on 11 January 2024.

The Remuneration Committee is responsible for considering and making recommendations to The Scott Bader Commonwealth Limited and the GMB in respect of the remuneration for the Group Chief Executive (in accordance with the Articles of Scott Bader Company Limited). In addition, the Remuneration Committee has oversight of remuneration arrangements for all colleagues whose base salary is greater than £120,000 (or equivalent).

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 equivalent) or any payment which was outside normal custom and practice.

AREAS OF FOCUS FOR 2023

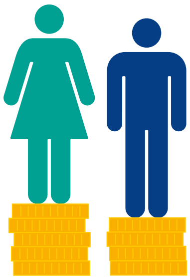
The Remuneration Committee met on five occasions in 2023 in March, April, twice in May and again in September. Discussion topics during the year covered Salary Review process, pay ratios, CEO pay reporting and salary proposal, UK Gender Pay Report and approving senior level appointments.

The Committee reviewed CEO pay ratios for 2023 and approved the third UK Gender Pay Report for 2022 which shows a median gender pay gap of -5.5% (2022: 0.9%) which is a result of the actions implemented as part of our pay principles and addressing gender pay gaps. Having a median pay gap with a negative number meant that the pay differential is positive for women, which is the first occasion in Scott Bader.

The 2023 Salary Review process used the performance management principles introduced in 2021 as part of the HRIS system implementation and used updated salary market data to reflect the changes in salary levels during the cost-of-living crisis. The Remuneration Committee agreed to review the Group Remuneration Policy now the new Chair is in position in 2024.

MEMBERSHIP AND COMPOSITION OF THE REMUNERATION COMMITTEE AS AT THE DATE OF THIS REPORT	
Dianne Walker	Non-Executive Director (Chair of the Remuneration Committee)
Samuel Boustred	Member Director
Paul Smith	Non-Executive Director and Chair of the Board

Janet Dawson
Remuneration Committee Chair



A 5.5% gender pay gap in favour of women for the first time.

COMMITTEES OF THE BOARD OF DIRECTORS

EMPLOYEE, ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE (EESG)

The EESG Committee is supported by an executive EESG Steering group with membership drawn from across the global Scott Bader Group, including representation from both Global Members' Board (GMB) and The Scott Bader Commonwealth Limited, to work closely with the EESG Board Committee, inform the Committee's work and to support execution against its objectives.

During the year the EESG Steering group held six meetings and the Board EESG Committee held one formal meeting.

The EESG Steering Team has formed four working groups, that each address either employee, environment, social & governance issues. The working groups have identified measures for a focused number of strategic objectives and are working closing with a sponsoring senior executive.

It is anticipated that attainment of these stretching but achievable EESG targets over the next two to three years will enable the organisation to move forward and ultimately meet the 2036 vision.

MEMBERSHIP AND COMPOSITION OF THE EESG COMMITTEE	
Michael Findlay-Wilson	Executive Director (Chair of the EESG Committee)
Samuel Boustred	Member Director
Kevin Matthews	Executive Director

Deborah Baker served on the EESG Committee as Chair as a Non-Executive Director during the year under review, stepping down on 31 March 2023. She was succeeded by Michael Findlay-Wilson as member and Chair of the Committee

All members attended each meeting they were eligible to attend.

Michael-Findlay- Wilson
Chair EESG Committee

COMMITTEES OF THE BOARD OF DIRECTORS

JOINT NOMINATION COMMITTEE (JNC)

The Company has a Nomination Committee which is a joint committee with that of its parent company The Scott Bader Commonwealth Limited ("Commonwealth").

The JNC's purpose is to ensure there is a robust appointment process to the Boards of both the Company and the Commonwealth. The JNC supports the Board in ensuring that there is a formal, rigorous and transparent procedure for the Board appointments. The JNC Chair is either the Chair of the Company or the Commonwealth, depending upon which company is appointing.

The JNC's membership is flexible depending on the appointment under consideration. Where appropriate, membership includes co-opted members who bring subject area experience to the selection process.

The JNC prepares a role profile and capabilities specification for a particular appointment. The JNC then decides on the appropriate search and selection process, including whether to use open advertising or the services of external search consultants to facilitate the search. The process ensures that candidates are considered on merit, against objective criteria and with due regard to promoting the benefits of diversity including gender, social and ethnic backgrounds, as well as cognitive and personal strengths.

During the year, the JNC was supported by the Company's HR function and supplemented where necessary by external search consultancy firms. None of the external firms have any other connection with the Company aside from the provision of recruitment services.

There were three JNC meetings during the year. All members attended each meeting they were eligible to attend.

No member of the JNC participates in discussions regarding their own appointment. When any matter relating to their appointment is being discussed or agreed, they recuse themselves from that part of the meeting.

In January 2024, Janet Dawson was recruited to fill the Non-Executive Director vacancy.

Paul Smith
Chair of the Joint Nomination Committee and Company Chair

COMMITTEES OF THE BOARD OF DIRECTORS

RISK COMMITTEE

The Risk Committee was 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 37 - 40.

The Risk Committee met on three occasions in January, April and May 2023. On 3 October 2023 the Risk Committee merged with the Audit Committee to form a new Audit and Risk Committee.

MEMBERSHIP AND COMPOSITION

The Committee normally comprises one Non-Executive Director, two Executive Directors and senior executives drawn from across the Scott Bader Group. This composition allows the Committee to have a practical appreciation of the Company's risk appetite and keys risks.

THE MEMBERS OF THE COMMITTEE WHO SERVED DURING THE FINANCIAL YEAR UNTIL 3 OCTOBER 2023 (WHEN THE COMMITTEE MERGED WITH THE AUDIT COMMITTEE) WERE:	
Kevin Matthews	Executive Director and Chief Risk Officer (Committee Chair)
Tara-Jane Brodie	Group Risk Officer
Neil Miller	Executive Director
Jeremy Mutter	Group General Counsel
Dorota Watzlaw-Kost	Group Compliance and Control Manager

Deborah Baker served on the Committee as a Non-Executive Director during the year under review, stepping down on 31 March 2023. Andrew Cottrell (Group Operations Director) served on the Committee during the year under review, stepping down on 27 September 2023 (upon ceasing to be an employee of the Company).

COMMITTEES OF THE BOARD OF DIRECTORS

INVESTMENT COMMITTEE

The Investment Committee 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.

MEMBERSHIP AND COMPOSITION

THE MEMBERS OF THE COMMITTEE AT THE DATE OF THIS REPORT ARE:	
Kevin Matthews	Executive Director (Investment Committee Chair)
Samuel Boustred	Member Director
Kim Gingras	Group Business Director
Neil Miller	Group Chief Financial Officer
Jeremy Mutter	Group General Counsel
Paul Smith	Non-Executive Director & Chair
Richard Tapp	Commonwealth Board (Interim Chair)
Dianne Walker	Senior Independent Director & Non-Executive Director

Andrew Bell, Chair of the shareholder The Scott Bader Commonwealth Limited, left the Committee on ceasing to be a Director of The Scott Bader Commonwealth Limited on 1 December 2023, and Richard Tapp, as Interim Chair of The Scott Bader Commonwealth Limited joined the Committee on this date.

Jonathan Stowell (Group Commercial Director) stepped down from the Committee on 1 December 2023 and Kim Gingras (Group Business Director) joined the Committee on this date.

There were two Investment Committee meetings during the year in May and December. All members attended each meeting they were eligible to attend.

COMMITTEES OF THE BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS' INDEPENDENCE

The Non-Executive Directors bring an independent view to the Board's discussions and the development of strategy. Their range of skills and experience ensures that the performance of management in achieving the Company's plans are appropriately challenged.

The Board reviews the independence of all Non-Executive Directors annually and has determined that they bring strong independent oversight and continue to be independent from management of the Company. The Board is also confident that none of the Non-Executive Directors have any cross-directorships or significant links to other organisations that would adversely interfere with their independent judgement.

SECTION 172 (1) STATEMENT

Understanding the issues that are important to our stakeholders is essential and integral to the way in which we develop and execute our business strategy. It is also critical to our long-term success.

OUR APPROACH TO SECTION 172

The Scott Bader Constitution sets out the Governance Principles expected of the Company Board and demonstrates how the Company Board should make decisions for the long-term success of the Company and its stakeholders, noting the values and behaviours that must underpin the operation of a successful and thriving business. Although the original Constitution pre-dates this section of the Companies Act, its continuing principles are closely aligned with the QCA (Quoted Companies Alliance) Governance Code and conform to the requirements of Section 172 of the Companies Act 2006.

Our Section 172 statement describes the ways in which the Company Board has carried out its responsibility to promote the success of the Company, recognising that the key decisions it makes today will affect long-term performance. The statement considers paragraphs (a) to (f) of Section 172(1) and includes details on how the Company Board has considered and engaged with stakeholders.

When making decisions, the Company Board considers the needs of our different stakeholder groups as well as the likely consequences that any action taken might have for Scott Bader's reputation. Stakeholder engagement is at the core of how Scott Bader operates and inform strategic discussions, including any implications for the resilience of our business and the potential impact on our community and environment. It is the Chair's responsibility to ensure that the Company Board considers Section 172 when making its decisions.

This process includes the Company Board and its Committees considering the interests of our employees. We primarily engage with employees through the Member Directors, Global Members Board (GMB) and The Commonwealth Board.

Throughout the year, the Company Board received reports from management about their engagement with customers.

We recognise that it is not always possible to provide a positive outcome for all stakeholders and that sometimes the Company Board must make decisions based on competing priorities. The Company Board regularly assesses the outcomes of its decisions and is available to talk to stakeholders when needed. This engagement helps the Company Board better understand what matters most to our stakeholders and supports discussion on relevant issues. It also helps the Company Board choose the course of action that best leads to high standards of business conduct and success for Scott Bader in the long term.

COMMITTEES OF THE BOARD OF DIRECTORS

STAKEHOLDER ENGAGEMENT IN 2023	
STAKEHOLDER GROUPS	**HOW THE GROUP BOARD ENGAGED IN 2023**
Customers We work with customers worldwide, providing the products they need to address technical and sustainability challenges in their own manufacturing processes.	• The Executive Committee provided customer related intelligence and feedback, including from a customer survey. • The Company Board approved a refreshed strategy that focuses on getting closer to our customers and on growing in attractive end markets. • Given that some areas of our business have seen weakened demand, the Company Board kept up to date with operational issues, including plant capacity and shift planning to match production to demand and reduce costs.
Employees Our success relies on the talent of our employees. We want them to feel part of a culture that values diversity and inclusion, fairness and transparency.	• The Company ensured that colleagues were properly considered as part of the Company reorganisation in line with the strategy refresh. • The Company Board supported the application for D&I ISO certification. • The Company Board received and considered two reports on follow-up actions from the results of the Best Companies employee survey.
Suppliers Our suppliers deliver the raw materials and services we need to make our products. We look for ways to work in partnership with suppliers to create a more sustainable supply chain.	• The Company Board received reports on management's work to ensure the Group's supply chain complied with the new sanction regime put in place as a result of Russia's war in Ukraine. • European energy security and cost was a key topic for the Company Board throughout 2023. Management kept the Company Board informed on how it was engaging with utility suppliers and site hosts as it worked to reduce operational risks.
Shareholders As an Employee Owned business, with a defined Constitution, we have a responsibility to deliver value for our shareholders (also referred to as colleagues).	• The Chair, CEO and CFO provide the Group Board with updates from their meetings with the GMB and Commonwealth Board at Company Board meetings. • The GMB Chair shares feedback and thoughts with the Company Board as a standing item on the Company Board agenda. • The Member Directors are encouraged to be the voice of the shareholders (colleagues) at the Company Board and contribute to the Company Board on that basis.

In carrying out its duties, the Company Board continued to ensure it understands, and considers, the issues that matter most to these stakeholder groups, particularly when making material decisions.

After two years of online meetings as a result of Covid 19 restrictions, we were pleased to return to holding an open Annual General Meeting in July 2023 and continued to make the AGM accessible to all through the use of Teams video. We kept in place the option for shareholders (colleagues) to submit questions in advance of the meeting, however, which we introduced during the pandemic. We also have regular correspondence with shareholders (colleagues), through meetings with the Commonwealth Board and the GMB and by responding to suggestions and queries. In addition, our CEO met with a number of the site employee councils when visiting the Group's manufacturing locations.

COMMITTEES OF THE BOARD OF DIRECTORS

PRINCIPAL DECISIONS IN 2023

This was another busy year for the Company Group Board, and one in which several key decisions were taken. Below we set out two examples of principal decisions the Company Board took in 2023 and how it considered Section 172 matters in the process.

APPROVING A REFRESHED STRATEGY

In 2023 the Company Board approved a refreshed strategy, with a focus on markets and innovation with the continuing thread of sustainability. It was presented to the Commonwealth Board and the GMB in October and has been subsequently communicated to colleagues and other stakeholders.

How the Company Board made its decision

As the Company Board reflected on the potential strategic options, it considered all stakeholder groups – for example, the impact on employees currently engaged in non-core products of pursing a focus on either commodity or speciality chemicals and on the value potential for shareholders (colleagues). The Company Board considered that strategic alignment to end markets would enable the Company to better serve its customers for the long term and to focus its innovation and capital allocation – and so deliver greater business value and community for shareholders (colleagues).

We also reflected on the potential disruption of a business reorganisation. We concluded that this was a necessary step to align everyone in the business with the new strategy and that it would provide greater opportunities for employee development.

REFINANCING

At the start of 2023 the Board asked management to update business plans and forecasts and to review the Group's banking facilities in the light of those plans.

How the Company Board made its decision

The management team put forward to the Company Board for approval:

- A programme of working capital, capital expenditure and cost reduction and
- Refinancing the Group with additional facilities including increasing its RCF with NatWest and implementing invoice factoring with Société Générale in France.

The Board reviewed and considered management's updated business forecasts and budgets and agreed that management should refinance to ensure that the business had appropriate medium-term facilities, with sufficient headroom, to enable the business to operate through a period of potentially challenging economic headwinds. The refinancing was completed in March 2023.

These were complex decisions for the Company Board, balancing the interests of shareholders (colleagues) and other stakeholders. Our Guiding Principles (as set out in the Constitution) focussed us in protecting value in the business and providing a robust financial structure that aligned with the strategic needs of the business.

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 £0.7m (2022: £2.3m) on continuing operations for the year ended 31 December 2023. The Directors do not recommend payment of a dividend (2022: 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 2023, the most recent cash position, the projected cashflows and the availability and headroom of the financing facilities across the group, including the availability of facilities secured in March 2023. Post year end the Group obtained a waiver from its lending partner for one of the two covenant tests required to be met quarterly for which it was not in compliance.

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

Given continuing economic uncertainty, performance forecasts to 31 December 2025 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

2024 starts with a certain degree of uncertainty and it is clear that high interest rates are reducing inflation and causing an economic slow-down, compounded by conflicts and geopolitical tensions around the world, that may last through the first half of 2024. As the world readjusts and interest rates stabilise and then perhaps start to fall, we may see markets pick-up in the second half. At the same time, we continue to have some exciting opportunities to deliver on key elements of the Group strategy such as India, North America and more efficient utilisation of our European asset base.

The transition from a product focus to a market focus as we enter 2024 will allow us to develop innovative and sustainable solutions for our customers through a deepened understanding of the customer needs of both today and tomorrow.

To ensure that we can best meet the needs of both our global and local customers, we implemented a regional operating structure into the key regions of Europe, Africa, Asia and the Americas. This structure will support delivery of our strategic vision by creating increased responsibility and autonomy to execute at an operational level within the regions.

RESEARCH AND DEVELOPMENT

The focus of research is on new products and processes for all kinds of new sustainable polymeric materials that offer a differentiated benefit for the Group's target markets. The investment in this area in the year was £3.3m (2022: £4.4m).

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.

REPORT OF THE DIRECTORS

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 and where appropriate the Group uses debt factoring facilities.

LIQUIDITY AND CASHFLOW

The Group monitors its borrowings and future cashflows weekly and aims to ensure that there is always available headroom in all entities to meet all obligations as they become due.
The Group extended its USD $10m revolving credit facility with NatWest in March 2023 to $20m although did not draw down further on the facility in the year. As at 31 December 2023 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 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, including the Chair of the Global Members' Board, to serve for three years as members of the Board of Directors of the Company.

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 2023 amounted to £350,517 (2022: £325,000). Of this, £317,000 (2022: £305,000) related to the 2023 donation to The 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 (2022: Nil).

CORPORATE RESPONSIBILITY

It is our Corporate Responsibility to conduct our manufacturing and distribution businesses in accordance with our Constitutional Guiding Principles. We strive to be a role model for the application of these principles and have published a third Employee, Environment, Social and Governance (EESG) Report in 2023 to increase transparency across these critical areas.

REPORT OF THE DIRECTORS

VALUES: COMMITMENT & DELIVERY; FAIRNESS & COMPASSION; RESPONSIBILITY & EMPOWERMENT; TEAM WORKING & INNOVATION

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 are being embedded in our colleague practices including recruitment, onboarding, development, annual appraisals, our leadership competency framework, as well as our recognition scheme.

ETHICAL BUSINESS

In accordance with our Constitution and Core Values, 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 5-year period and targeting net-zero by 2028. Our EESG Board Committee has worked toward targets and goals for the business to drive this change and to re-focus our efforts.

We have built awareness in sustainability throughout the business by rolling out biodiversity footprint training and carbon literacy training for board members and members of the EESG Board Committee. We have driven change in our sustainability goals at our logistics hubs and created an internal team to assess and begin work on LCA/EPD for our products.

We now purchase green energy for our six operating manufacturing sites, with a seventh site opening toward the end of 2023 which will be included in future green energy purchases; the management of the green energy will also move to encompass our scope 1 emissions, with a solution for biogas purchasing being considered for our EU sites initially.

2023

ENERGY CONSUMPTION		SB UK		GROUP	
		LOCATION BASED	MARKET BASED	LOCATION BASED	MARKET BASED
Non-renewable (GJ)		72,264	53,382	177,500	130,861
Renewable (GJ)		0	18,882	4,157	38,426
Total (GJ)		72,264		181,667	
GREENHOUSE GAS EMISSIONS		SB UK		GROUP	
Scope 1 ($TeCO_2e$)		2,736	2,736	7,436	7,436
Scope 2 ($TeCO_2e$)		1,086	0	3,640	504
Scope 1 and Scope 2 ($TeCO_2e$)		3,822	2,736	11,076	7,940
INTENSITY FACTOR		SB UK		GROUP	
Energy Intensity	MJ/Te of product	2,427		1,454	
	GJ/full time employee	386		218	
	MJ/£000's revenue	860		663	
Carbon Intensity (market based)	$kgCO_2e$ /Te of product	92		64	
	$TeCO_2e$/full time employee	15		10	
	$kgCO_2e$/£000's revenue	33		29	

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	

REPORT OF THE DIRECTORS

DIRECTOR'S LISTING AND ROLES

The Directors who served during the year and up to the date of approval of these financial statements are detailed in the Group Board section of this report at page 41.

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 AUDITOR

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.

DIRECTORS RESPONSIBILITY 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 the 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's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company 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 Group and the Company 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.

The Director's Report was approved by the Group Board on 15 April 2024 and is signed on its behalf by:

Jeremy Mutter
Secretary

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 2023 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 2023 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material

INDEPENDENT AUDITOR'S REPORT

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 56, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety and environmental compliance. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

INDEPENDENT AUDITOR'S REPORT

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, review of accounting policies in relation to revenue recognition and sample testing revenue. All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the consolidated financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our group audit approach.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities This description forms part of our auditor's report.

USE OF OUR REPORT

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

GARETH JONES
(Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
Rivermead House
7 Lewis Court
Grove Park
Leicester
Leicestershire
LE19 1SD

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2023	2022
		£'000	£'000
Group Turnover	5	273,344	303,976
Change in stocks of finished goods and goods for resale		(160)	1,252
Other operating income	6	461	597
		273,645	305,825
Raw materials and consumables		173,913	210,388
Other external charges		29,659	30,948
Staff costs	7	46,171	40,885
Depreciation and amortisation		6,621	5,962
Other operating charges		16,039	15,545
		272,403	303,728
Operating profit	8	1,242	2,097
Share of profit in joint ventures		221	197
Profit on ordinary activities before interest and taxation		1,463	2,294
Interest payable and similar charges	9(a)	(1,455)	(328)
Interest receivable and similar income	9(b)	741	356
Profit on ordinary activities before taxation		749	2,322
Taxation on profit on ordinary activities	11(a)	(875)	(237)
(Loss)/Profit for the financial year		(126)	2,085
Attributable to Group		(157)	2,064
Attributable to Non-Controlling Interest		31	21
(Loss)/Profit for the financial year		(126)	2,085

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023	2022
		£'000	£'000
(Loss)/Profit for the financial year		(126)	2,085
Other comprehensive income:			
Re-measurement loss on defined benefit pension scheme	22	**(4,061)**	(10,054)
Total tax on components of other comprehensive income	11(b)	**1,015**	2,513
Currency translation differences		**(2,050)**	4,692
Cash flow hedges			
– Change in value of hedging instrument	23	**(13)**	90
Other comprehensive income for the year, net of tax		(5,109)	(2,759)
Total (losses) recognised since date of last annual report		(5,235)	(674)

Attributable to Group	**(5,266)**	(695)
Attributable to Non-Controlling Interest	**31**	21
Total (losses) recognised since date of last annual report	(5,235)	(674)

CONSOLIDATED AND COMPANY BALANCE SHEETS

		GROUP		COMPANY	
	Notes	2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12	**10,139**	7,768	**2,824**	1,942
Tangible assets	13	**62,904**	58,143	**4,785**	5,176
Investments	14	**392**	414	**27,363**	27,393
		73,435	66,325	**34,972**	34,511
Current assets					
Stocks	15	**35,675**	38,279	**-**	-
Debtors	16	**44,695**	51,398	**37,866**	41,060
Debtors greater than one year	17	**2,058**	2,499	**3,256**	1,813
Cash at bank and in hand		**15,703**	21,206	**591**	2,196
		98,131	113,382	**41,713**	45,069
Current liabilities					
Creditors:					
Amounts falling due within one year	18	**58,931**	66,165	**39,420**	32,908
Net current assets		**39,200**	47,217	**2,293**	12,161
Total assets less current liabilities		**112,635**	113,542	**37,265**	46,672
Creditors:					
Amounts falling due after more than one year	19	**3,531**	1,372	**-**	-
Provisions for liabilities	21	**6,472**	7,521	**1,038**	1,145
Net assets excluding pension asset		**102,632**	104,649	**36,227**	45,527
Pension asset	22	**4,290**	7,508	**-**	-
Net assets including pension asset		**106,922**	112,157	**36,227**	45,527
Capital and reserves					
Called up share capital	24	**50**	50	**50**	50
Profit and loss account		**106,789**	112,055	**36,177**	45,477
Equity attributable to owners of the parent		**106,839**	112,105	**36,227**	45,527
Non-Controlling Interest		**83**	52	**-**	-
		106,922	112,157	**36,227**	45,527

The loss after taxation in the financial statements of Scott Bader Company Limited was £9,300k (2022: profit of £11,434k).

The financial statements on pages 58 to 63 were approved and authorised for issue by the Board of Directors on 15 April 2024 and signed on their behalf by:

Kevin Matthews
Group Chief Executive Officer
Company registration number: 00189141

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

GROUP

	Called up share capital £'000	Retained earnings £'000	Non-Controlling Interest £'000	Total £'000
Balance as at 1 January 2022	**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)
Transfer to retained earnings	-	-	-	-
Balance as at 31 December 2022	**50**	**112,055**	**52**	**112,157**
Loss for the year	-	(157)	31	(126)
Other comprehensive income	-	(5,109)	-	(5,109)
Total comprehensive income for the year	-	(5,266)	31	(5,235)
Balance as at 31 December 2023	**50**	**106,789**	**83**	**106,922**

COMPANY

	Called up share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2022	**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**
Profit for the year	-	(9,300)	(9,300)
Total comprehensive income for the year	-	(9,300)	(9,300)
Balance as at 31 December 2023	**50**	**36,177**	**36,227**

GROUP CASH FLOW STATEMENT

	Notes	2023		2022	
		£'000	£'000	£'000	£'000
Net cash from / (used in) operating activities	25		11,698		(1,358)
Taxation received / (paid)			696		(3,105)
Net cash from / (used in) operating activities			12,394		(4,463)
Cash flow from investing activities					
Purchase of tangible assets		(12,072)		(13,297)	
Purchase of intangible assets		(925)		(8,092)	
Proceeds from disposals of tangible assets		322		105	
Interest received		358		50	
Dividends received from joint ventures		222		368	
Net cash used in investing activities			(12,095)		(20,866)
Cash flow from financing activities					
Repayment of bank loans		(417)		-	
New bank loans		-		7,802	
Interest paid		(1,455)		(328)	
Net cash (used in) / from financing activities			(1,872)		7,474
Net decrease in cash and cash equivalents			(1,573)		(17,855)
Effect of exchange rates on cash and cash equivalents			(409)		1,916
Cash and cash equivalents at the beginning of the year			9,838		25,777
Cash and cash equivalents at the end of the year			7,856		9,838
Cash and cash equivalents consist of:					
Cash at bank and in hand			15,703		21,206
Bank overdrafts			(7,847)		(11,368)
Cash and cash equivalents at the end of the year			7,856		9,838

Within cash and cash equivalents is a balance of £464,000 (2022: £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 adhesives, composites and functional polymers 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 preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account. 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 2023, the most recent cash position, the projected cashflows and the availability and headroom of the financing facilities across the group, including the availability of facilities secured in March 2023.

The performance of the Group in the year to date is below last year as a result of suppressed economic activity impacting Scott Bader's customers. Despite this the Group continues to trade profitably and have a number of opportunities for growth. The Group obtained a waiver from its lending partner for one of the two covenant tests required to be met quarterly for which it was not in compliance.

Given continuing economic uncertainty, performance forecasts to December 2025 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

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

Foreign currency

(i) Functional and presentation currency
The Group financial statements are presented in pound sterling and rounded to thousands.
The Company's functional and presentation currency is the pound sterling.
(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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

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

(iii) Translation
The trading results of Group 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').

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

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

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

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

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

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

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

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

Current or deferred taxation assets and liabilities are not discounted.

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

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

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

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

Business combinations and goodwill
Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at an estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination. Contingent consideration is discounted if material.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

(a) It is technically feasible to complete the software so that it will be available for use;

(b) Management intends to complete the software and use or sell it;
Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

(c) There is an ability to use or sell the software;

(d) It can be demonstrated how the software will generate probable future economic benefits;

(e) Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and

(f) The expenditure attributable to the software during its development can be reliably measured.

Tangible fixed assets and depreciation
Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Depreciation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives.

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

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

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased assets (continued)

Investments

Company

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

Group

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

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

Stocks

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

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

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

Cash and cash equivalents

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

Provisions and contingencies

(i) Provisions

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

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.

(iv) Hedging arrangements
The group does not generally apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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 (note 18)
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.

(v) Contingent consideration (note 3 and note 13)
The Group fair values contingent consideration based on latest available information as detailed in note 3 and note 13.

NOTES TO THE FINANCIAL STATEMENTS

5. TURNOVER

Turnover by geographical market is analysed below	2023 £'000	2022 £'000
UK and Eire	41,939	51,614
Continental Europe	100,468	134,960
Rest of World	130,937	117,402
	273,344	303,976

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

	2023 £'000	2022 £'000
Royalties receivable	108	111
Rents receivable	1	7
Others	352	479
	461	597

NOTES TO THE FINANCIAL STATEMENTS

7. STAFF COSTS

	2023	2022
	£'000	£'000
Wages and salaries	**34,027**	31,561
Staff bonuses	**3,323**	401
Other staff benefits	**1,729**	1,706
Social security costs	**4,537**	4,782
Pension costs - current service costs	**2,374**	1,915
Redundancy	**181**	520
	46,171	40,885

The monthly average number of employees of the Group, including Directors, by geographical area was as follows:	2023	2022
UK and Eire	**334**	328
Continental Europe	**221**	219
Rest of World	**279**	220
	834	767

Directors	2023	2022
Group staff costs include the following remuneration in respect of Directors:*	**£'000**	£'000
Basic Salary	**1,057**	938
Pension contributions and other benefits	**159**	181
Settlement agreement	**-**	145
Bonuses	**91**	181
	1,307	1,445

	2023	2022
	£'000	£'000
The remuneration of the highest paid Director was:		
Total emoluments excluding pension contributions	**358**	372
Payments to defined contribution scheme	**8**	4
	366	376

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

The highest paid Director in 2023 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, including employer's national insurance was £1,892k (2022: £1,963k). This includes Directors' remuneration noted above. Key management personnel are defined by their involvement within the day-to-day decision making of the Group strategy and comprise of the Group Leadership Team (GLT) and Regional Business Leaders.

NOTES TO THE FINANCIAL STATEMENTS

8. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following items:	2023 £'000	2022 £'000
Research and development	**3,354**	4,376
Depreciation and amortisation	**6,621**	5,962
Profit on disposal of tangible assets	**8**	33
Impairment of trade receivables	**(99)**	185
Impairment of inventory	**(154)**	722
Operating lease rentals	**1,706**	2,753
Foreign exchange loss	**1,172**	510
Auditors' remuneration:		
Fees payable to the Company's auditors:		
– For the audit of the Company's financial statements	**104**	70
– For the audit of the Company's subsidiaries	**269**	204
– Other non-audit fees	**156**	79

9. INTEREST AND SIMILAR ITEMS

	Notes	2023	2022
a) Interest payable and similar charges:		£'000	£'000
Interest expense on bank loans and overdrafts		**1,370**	307
Interest expense on other loans		**85**	21
Total interest expense on financial liabilities not measured at fair value through profit or loss		**1,455**	328
Total interest payable and similar charges		**1,455**	328
b) Interest receivable and similar income:			
Bank interest received		**358**	50
Net interest income on post-employment benefits	22	**383**	306
Total interest receivable and similar charges.		**741**	356

10. SCOTT BADER COMPANY LIMITED

No profit and loss account is presented for Scott Bader Company Limited as permitted by section 408 of the Companies Act 2006. The loss after taxation of Scott Bader Company Limited was £9,300k (2022: profit £11,434k).

NOTES TO THE FINANCIAL STATEMENTS

11. INCOME TAX

	2023	2022
a) Tax expense included in profit or loss	£'000	£'000
Current tax:		
– UK Corporation tax on profits for the year	206	(1)
– Foreign corporation tax on profits for the year	1,749	483
– Adjustment in respect of prior periods	346	(1,413)
Group current tax	2,301	(931)
Total current tax	2,301	(931)
Deferred tax:		
– Change in tax rate	(136)	(81)
– Origination and reversal of timing differences	(1,334)	(229)
– Adjustment in respect of prior periods	44	1,478
Group and total deferred tax	(1,426)	1,168
Group current tax	2,301	(931)
Group deferred tax	(1,426)	1,168
Group tax on profit on ordinary activities	875	237
b) Tax expense included in other comprehensive income		
Deferred tax:		
– Change in tax rate	60	603
– Origination and reversal of timing differences	955	1,910
Total tax credit included in other comprehensive income	1,015	2,513
(c) Reconciliation of tax charge		
The tax assessed for the year is higher (2022: lower) than the standard rate of corporation tax in the UK at a blended rate of 23.5% (19% from 1 January 2023 to 31 March 2023 and 25% from 1 April 2023) (2022: 19%). The differences are explained below:		
Profit on ordinary activities before tax	749	2,322
Profit on ordinary activities at standard rate of corporation taxation in the UK: 23.5% (2022: 19%)	176	441
Effects of:		
Foreign subsidiary profits within zero tax rate regime	(704)	(215)
Other adjustments in respect of foreign tax rates	(179)	49
Expenses / (Income) not subject to tax	314	(293)
Unrecognised deferred tax	976	271
Withholding tax suffered	38	-
Re-measurement of deferred tax (change in tax rate)	(136)	(81)
Adjustment in respect of prior periods	390	65
Group tax on profit on ordinary activities:	875	237

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) increased by 57.5% to 64.9% (2022: 7.4%).

Due to the decrease in PBT for the year to £749k (2022: £2,322k), 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 94.0% (2022: 9.3%). The impact of other local tax rates outside of the UK on ETR was a decrease in ETR of 23.9% (2022: an increase of 2.1%).

Other factors driving the ETR for the year were UK capital allowances super deductions (reducing ETR by 7.1%), expenses not deductible for tax purposes (increasing ETR by 50.8%), non-recognition of deferred tax assets and the reduction of deferred tax assets recognised only on consolidation (increasing ETR by 130.3%) and the impact of changes in tax rates on deferred tax balances (reducing ETR by 18.2%).

Change in Corporation Tax rate

The UK Corporation Tax rate increased from 19% to 25% on 1 April 2023. This tax rate was enacted on 10 June 2021 and has been reflected in the opening UK deferred tax balances as at 1 January 2023. A blended rate of 23.5% has been applied to movements in the year.

12. INTANGIBLE ASSETS

	Goodwill	Customer Lists	Technology	Group Total	Company Technology
	£'000	£'000	£'000	£'000	£'000
Cost at 1 January 2023	1,752	1,308	7,382	10,442	2,671
Additions	2,928	-	925	3,853	922
Difference on exchange	(127)	(129)	(514)	(770)	-
Cost at 31 December 2023	**4,553**	**1,179**	**7,793**	**13,525**	**3,593**
Accumulated Amortisation at 1 January 2023	1,415	97	1,162	2,674	729
Charge for the year	88	243	623	954	40
Difference on exchange	(86)	14	(170)	(242)	-
At 31 December 2023	**1,417**	**354**	**1,615**	**3,386**	**769**
Net book value at 31 December 2023	**3,136**	**825**	**6,178**	**10,139**	**2,824**
Net book value at 31 December 2022	337	1,211	6,220	7,768	1,942

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 £2,753k (2022: £1,906k).

Goodwill additions represent the fair value movement of the contingent consideration associated with the 2022 acquisition of Scott Bader India. The fair value of the contingent consideration is based upon the likelihood of a rolling 12-month target being hit within a three year window from the date of acquisition. The Group assesses, based upon the historical year to date performance and forecasts, the likelihood of the target being met and has adjusted the fair value accordingly. For the year ended 31 December 2023 an incremental £2,928k has been recognised with a corresponding liability recognised in creditors greater than one year which would fall payable in 2025. Subject to performance conditions being met.

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 2023	41,658	5,635	101,286	494	149,073
Additions	1,492	59	9,909	612	12,072
Disposals	(52)	(248)	(510)	(41)	(851)
Reclassification	237	5	(242)	-	-
Difference on exchange	(907)	(284)	(1,029)	(537)	(2,757)
At 31 December 2023	**42,428**	**5,167**	**109,414**	**528**	**157,537**
Accumulated depreciation:					
At 1 January 2023	19,936	3,328	67,406	260	90,930
Charge for the year	1,115	101	4,388	63	5,667
Disposals	-	(234)	(210)	(85)	(529)
Difference on exchange	(530)	100	(1,075)	70	(1,435)
At 31 December 2023	**20,521**	**3,295**	**70,509**	**308**	**94,633**
Net book value					
At 31 December 2022	**21,907**	**1,872**	**38,905**	**220**	**62,904**
At 31 December 2022	21,722	2,307	33,880	234	58,143

Assets in the course of construction and on which depreciation has yet to commence are included in the cost of plant and equipment to the value of £17,111k (2022: £12,010k). Freehold land of £5,092k (2022: £5,347k) is not depreciated.

COMPANY	Plant and equipment
Cost	£'000
At 1 January 2023	12,973
Additions	622
At 31 December 2023	**13,595**
Depreciation	
At 1 January 2023	7,797
Charge for the year	1,013
At 31 December 2023	**8,810**
Net Book Value	
At 31 December 2023	**4,785**
At 31 December 2022	5,176

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES AND GROUP UNDERTAKINGS

	GROUP		COMPANY	
	2023	2022	2023	2022
Shares in Group undertakings:	£'000	£'000	£'000	£'000
At 1 January			27,883	27,883
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	414	591	294	294
Share of profits	221	197	-	-
Dividend received	(222)	(368)	(30)	-
Difference on foreign exchange	(21)	(6)	-	-
At 31 December	392	414	264	294
Total fixed asset investments	392	414	27,393	27,393

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

In September 2023 the Group signed an agreement to purchase the remaining shares of our joint venture in Brazil, Nova Scott from Anderpol. This will give the group full control of a manufacturing and distribution base in South America to continue its geographic expansion and to be able to serve our global customers and penetrate our chosen markets in Brazil and across the South American continent. The transaction is expected to complete in Q2 2024.

15. STOCKS

	GROUP	
	2023	2022
	£'000	£'000
Raw materials and consumables	15,651	18,267
Finished goods and goods for resale	20,024	20,012
	35,675	38,279

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	
	2023	**2022**	**2023**	**2022**
	£'000	£'000	**£'000**	£'000
Trade debtors	**32,014**	42,572	**5**	5
Amounts owed by Group undertakings	**41**	-	**33,185**	37,202
Corporation tax recoverable	**217**	3,096	**-**	622
Deferred tax asset	**2,207**	712	**1,264**	712
Other taxation recoverable	**817**	535	**498**	440
Other debtors	**1,831**	1,342	**814**	612
Prepayments and accrued income	**7,568**	3,141	**2,100**	1,467
	44,695	51,398	**37,866**	41,060

Trade debtors are stated after provisions for impairment of £305k (2022: £483k). Recorded within other debtors is derivative financial instruments with the value of £19k (2022: £32k). Movement in the year was a loss of £13k (2022: gain of £90k). Note 23 provides additional detail.

17. DEBTORS: GREATER THAN ONE YEAR

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
	£'000	£'000	**£'000**	£'000
Deferred tax asset	**2,058**	2,499	**3,256**	1,813
	2,058	2,499	**3,256**	1,813

	COMPANY	
Deferred taxation:	**2023**	**2022**
Net deferred tax as disclosed in notes 16, 17 and 21 consists of the following assets / (liabilities):	**£'000**	£'000
Excess of capital allowances over depreciation	**(3,091)**	(1,606)
Short term timing differences	**1,164**	698
Post-employment benefits	**(1,072)**	(1,877)
Losses	**7,011**	4,006
	4,012	1,221

NOTES TO THE FINANCIAL STATEMENTS

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Bank and other borrowings (note 20)	16,028	19,633	8,002	14,350
Trade creditors	34,234	37,081	1,298	1,758
Bills of exchange payable	-	51	-	-
Amounts owed to Group undertakings	316	1,098	28,483	14,983
Corporation tax	162	269	261	-
Other taxation and social security	2,140	2,770	297	536
Other creditors	1,674	1,612	464	722
Accruals and deferred income	4,377	3,651	615	559
	58,931	66,165	39,420	32,908

Amounts owed by the Group to Group undertakings relate to the balance payable to the Ultimate Parent Company, Scott Bader Commonwealth Limited.

Amounts owed by the Company to Group undertakings include loans of £26,718k (2022: £9,857k) 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.

The Group's liabilities related to Bank and other borrowings consisting of drawn amounts under a revolving credit facility £7,855k (2022: £8,264k), overdraft balances arising under cash pooling £2,565k (2022: £6,172k) and utilisation of a UK-based invoice factoring facility £5,282k (2022: £5,196k). These facilities operate in various currencies and are subject to interest rates based on the relevant base rate, with margins ranging from 1.25% to 3.00% and loans of £326k (2022: £471k) (note 19).

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

	GROUP	
	2023	2022
Loans	£'000	£'000
Within one to two years	326	471
Within two to five years	277	901
	603	1,372
Contingent consideration		
Within one to two years	2,928	-
	3,531	1,372

NOTES TO THE FINANCIAL STATEMENTS

20. LOANS AND OTHER BORROWINGS

	GROUP		COMPANY	
Loans repayable, included within creditors, are analysed as follows:	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Due within one year or on demand				
Bank loans and overdrafts	**16,028**	19,633	**8,002**	**14,350**
Due after more than one year				
Bank loans	**603**	1,372	-	-
Total borrowings	**16,631**	21,005	**8,002**	**14,350**

Maturity of financial liabilities				
In one year or less, or on demand	**16,028**	19,633	**8,002**	14,350
In more than one year, but not more than two years	**326**	471	-	-
In more than two years, but not more than five years	**277**	901	-	-
	16,631	21,005	**8,002**	14,350

£7,855k (2022: £9,449k) of Group borrowings are secured by fixed and floating charges over the Company's and various subsidiaries' assets.

Other Group bank loans
Other bank loans 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 2023 the outstanding amount was €988k (£857k). They are all secured by a charge over the Group's trading subsidiary in France. These loans have variable rates and during 2023 they ranged from 0.77% to 5.25% (2022: 1.16% to 2.94%). They are included within the above bank loans across maturity buckets.

21. PROVISIONS FOR LIABILITIES

	GROUP			
	Environmental £'000	Leaving provisions £'000	Retirement benefits £'000	Total **£'000**
At 1 January 2023	1,443	2,353	1,735	**5,531**
Foreign exchange impact	(4)	257	3	**256**
Amounts charged to the profit and loss account	332	331	(58)	**605**
Amounts used during the year	-	(113)	(60)	**(173)**
At 31 December 2023	1,771	2,828	1,620	**6,219**

The provision for deferred taxation is disclosed as a Debtor falling due in two to five years (Note 17) £2,058k (2022: £2,499k) and Debtor falling due in under one year (Note 16) £2,207k (2022: £712k) and a Provision for liabilities and charges of £253k (2022: £1,990k) making the total Provisions creditor £6,472k (2021: £7,521k).

NOTES TO THE FINANCIAL STATEMENTS

21. PROVISIONS FOR LIABILITIES (CONTINUED)

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 2024 and 2049.

Retirement benefits:
a) £1,038k (2022: £1,145k) 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 2024 and 2041.

b) £582k (2022: £590k) relates to French statutory retirement benefits payable to France based employees of the Group. The provision is expected to be utilised between 2024 and 2038.

Company
£1,038k (2022: £1,145k) of the retirement benefits provision relates to the Company. The decrease during the year amounted to £107k (2022: £298k), representing a £38k (2022: £66k) increase of the provision and a decrease in expected liabilities amounting to £145k (2022: £232k).

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 plan was closed to new entrants in 2006.

The date of the most recent actuarial valuation as at 31 December 2022 revealed a funding shortfall of £2,823k (31 December 2019: shortfall of £4,101k). 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 2024 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 30 October 2028
- Amounts held in an Escrow account, which amounted to £464,000 as at 30 December 2023, were be paid into the Scheme by 31 March 2024

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:

	2023	2022
Rates of increase in salaries	n/a	n/a
Rate of increase in 5% LPI pensions in payment	**3.10%**	3.20%
Rate of increase in 5% LPI pensions with 3.5% underpin in payment	**3.90%**	3.80%
Rate of increase in pensions in deferment	**2.20%**	2.20%
Discount rate	**4.50%**	4.90%
Inflation assumption	**3.20%**	3.20%

NOTES TO THE FINANCIAL STATEMENTS

22. POST EMPLOYMENT BENEFITS (CONTINUED)

Assumed life expectancies on retirement at age 60:		2023	2022
		Years	Years
Retiring today	Males	**26.0**	26.4
	Females	**28.8**	29.1
Retiring in 10 years	Males	**26.6**	27.0
	Females	**29.6**	29.8

Amount recognised in profit and loss in respect to the deferred benefit scheme is as follows:	2023	2022
	£'000	£'000
Interest on liabilities	**4,202**	2,353
Interest on assets	**(4,585)**	(2,659)
	(383)	**(306)**

Reconciliation of scheme assets and liabilities:	Assets	Liabilities	Total
	£'000	**£'000**	£'000
At 1 January 2023	96,398	(88,890)	7,508
Remeasurement gains / (losses)			
- Experience (losses) on liabilities	-	(1,992)	(1,992)
- Changes to demographic assumptions	-	2,259	2,259
- Actuarial loss	-	(4,539)	(4,539)
- Return on plan assets excluding interest income	211	-	211
Net remeasurement gains	211	(4,272)	(4,061)
Benefits paid	(6,135)	6,135	-
Employer contributions	460	-	460
Interest income/(expense)	4,585	(4,202)	383
At 31 December 2023	**95,519**	**(91,229)**	**4,290**

No amounts (2022: Nil) were included in the cost of assets. The actual return on plan assets was £4,796k.

NOTES TO THE FINANCIAL STATEMENTS

22. POST EMPLOYMENT BENEFITS (CONTINUED)

The fair values of the plan assets were:	2023	2022
	£'000	£'000
Equities	**5,936**	5,136
Gilts and LDI funds	**67,180**	61,489
Corporate Bonds	**18,007**	24,377
Cash and net current assets	**4,396**	5,396
	95,519	**96,398**

(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 2023 were £203k (2022: £197k).

The amount recognised as an expense for these defined contribution schemes was:	GROUP		COMPANY	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Current period contributions	**1,707**	1,913	**773**	**434**

23. FINANCIAL INSTRUMENTS

	Notes	GROUP		COMPANY	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Financial assets / (liabilities) measured at fair value through profit or loss:					
- Derivative financial instruments	18/19	**101**	32	**82**	-

Group:
Derivative financial instruments – Interest rate swaps

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

The instruments are used to hedge the Group's exposure to interest rate movements on the two bank loans. The fair value of the interest rate swaps is £19k (2022: asset of £32k).

Cash flows on both the loan and the interest rate swaps are paid quarterly until 2026/2027. During the financial year a hedging loss of £13k (2022: gain of £90k) was recognised in other comprehensive income for changes in the fair value of the interest rate swap.

Forward Foreign Exchange contract

In October 2023 the Company entered into foreign exchange contract non-deliverable forward (NDF) was taken out in with a settlement date of February 2024 to purchase foreign currency. The transaction did not meet the criteria for hedge accounting. The fair value is £82k and £82k was recognised as a fair value gain through the income statement

NOTES TO THE FINANCIAL STATEMENTS

24. SHARE CAPITAL RESERVES

	GROUP AND COMPANY	
	2023	**2022**
Share Capital:	**£'000**	£'000
Authorised, allotted, and fully paid		
10,000 (2022: 10,000) Trustee shares of 50p each	**5**	5
90,000 (2022: 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: £106,789k
(2022: £112,055k)

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

25. NOTES TO THE CASH FLOW STATEMENT

	2023	**2022**
(a) Reconciliation of operating profit to net cash inflow from operating activities	**£'000**	£'000
Profit for the financial year	**(126)**	2,085
Adjustments for:		
Tax on profit on ordinary activities	**875**	237
Net interest expense / (income)	**714**	(28)
Share of profit in joint ventures	**(221)**	(197)
Operating profit	**1,242**	2,097
Depreciation and amortisation	**6,621**	5,962
Profit on disposal of tangible assets	**(8)**	(33)
Exchange difference	**(536)**	1,355
Contributions to UK defined benefit pension scheme	**(460)**	(460)
Decrease/ (Increase) in stocks	**2,604**	(5,381)
Decrease in debtors	**5,320**	1,836
Decrease in creditors	**(3,329)**	(6,822)
Increase in provisions	**244**	88
Net cash inflow / (outflow) from operating activities	**11,698**	(1,358)

NOTES TO THE FINANCIAL STATEMENTS

25. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of changes in net debt	GROUP			
	At 1 January 2023	Cash flows	Foreign exchange movement	At 31 December 2023
Cash and Equivalents:		£'000		**£'000**
Cash	21,206	(5,503)	-	**15,703**
Overdraft	(11,368)	3,521	-	**(7,847)**
	9,838	(1,982)	-	**7,856**
Borrowings:				
Borrowings - repayable within one year	(8,265)	(325)	409	**(8,181)**
Borrowings - repayable after one year	(1,372)	769	-	**(603)**
	(9,637)	444	409	**(8,784)**
Net Cash	201	(1,538)	409	**(928)**

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	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
(a) Contracts for future capital expenditure not provided in the financial statements – Property, plant, and equipment				
No expenditure has been incurred although contracts have been placed	**1,238**	522	**5**	-
(b) Future minimum lease payments under non-cancellable operating leases for each of the following periods				
Not later than one year	**1,566**	1,711	**100**	53
Later than one year and not later than five years	**3,501**	2,779	**123**	44
Later than five years	**1,270**	1,757	**-**	-
	6,337	6,247	**223**	97

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES

Company and Group

The Company received dividends from Novascott Especialidades Quimicas Ttda of £nil (2022: £368k), one of the Group's joint ventures, during the year. At the year-end £Nil (2022: £nil) was outstanding.

The Company received dividends from Satyen Scott Bader LLP of £222k (2022: £nil), one of the Group's joint ventures, during the year. At the year-end £Nil (2022: £nil) was outstanding.

Revenue in relation to the share of profit in joint ventures of £221k (2022: £197k) has been recognised in the profit and loss account.

The Company has charged £316k (2022: £305k) in the 2023 financial statements as a donation to The Scott Bader Commonwealth Limited.

In addition, the Company charged The Commonwealth £41k for management services (2022: £46k). The net balance of money owed by Scott Bader Company Limited to The Scott Bader Commonwealth Limited was £275k (2022: £232k).

The Company has provided a capital contribution to Polymer Mimetics Limited of £1,857k (2022: £1,343k).

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 2023.

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

Subsidiary undertakings

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

COMPANY	COUNTRY OF INCORPORATION AND PRINCIPAL COUNTRY OF OPERATION	NATURE OF BUSINESS	REGISTERED OFFICE
Scott Bader UK Limited	Great Britain	Manufacturer of resins	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL
Scott Bader SAS	France	Manufacturer of resins	65 Rue Sully, 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 were noted above these shares are held directly by the Company.

NOTES TO THE FINANCIAL STATEMENTS

32. STATEMENT OF GUARANTEE

For the year ended 31 December 2023, 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

32. POST BALANCE SHEET EVENTS

On Wednesday 13th September 2023 the Group signed a Quota Purchase and Sale Agreement and Other Covenants (QPA) to effectively acquire 100% control of its Brazilian Joint Venture Nova Scott and associated manufacturing assets from the JV partner Anderpol and its direct subsidiaries.

This acquisition is subject to certain regulatory approvals for manufacturing and marketing licenses being transferred to Nova Scott which are anticipated to take 120 working days from the signing of the QPA. It is therefore likely that the deal will close in the second quarter of 2024.

It is anticipated that the acquisition will be accounted for using the Purchase Method.

SCOTT BADER GROUP COMPANIES

Head Office
Scott Bader Company Limited
Wollaston, England
Tel: +44 (0) 1933 663100
Email: enquiries@scottbader.com

Scott Bader France
Amiens, France
Tel: +33 3 22 66 27 66
Email: enquiries@scottbader.com

Scott Bader Spain
Barcelona, Spain
Tel: +34 93 583 17 68
Email: enquiries@scottbader.com

Scott Bader Germany
Weiden, Germany
Tel: +49 961 401 84474
Email: enquiries@scottbader.com

Scott Bader Ireland
Dublin, Ireland
Tel: +353 1801 5656
Email: enquiries@scottbader.com

Scott Bader Scandinavia
Falkenberg, Sweden
Tel: +46 346 10100
Email: enquiries@scottbader.com

Scott Bader Eastern Europe s.r.o.
Praha 6, Czech Republic
Tel: +420 (0) 485 111 253
Email: enquiries@scottbader.com

Scott Bader Croatia
Zagreb, Croatia
Tel: +385 1 240 6440
Email: enquiries@scottbader.com

Scott Bader North America
Mocksville, NC, USA
Email: info@scottbader-na.com

Scott Bader ATC
Drummondville, Canada
Tel: +1 (819) 477 1752
Email: enquiries@scottbader.com

Scott Bader South Africa
Hammarsdale, South Africa
Tel: +27 31 736 8500
Email: enquiries@scottbader.com

Scott Bader Middle East
Dubai, United Arab Emirates
Tel: +971 481 50 222
Email: enquiries@scottbader.com

Scott Bader Asia Pacific
Shanghai, China
Tel: +86 (21) 5298 7778
Email: enquiries@scottbader.com

Scott Bader Japan KK
Yokohama, Japan
Tel: +81 (0) 45 620 3745
Email: Otoiawase@scottbader.com

Scott Bader Australia
Perth, Australia
Tel: +61 (08) 9418 4555
Email: enquiries@scottbader.com

Scott Bader India
Scott Bader Pvt. Ltd, Mumbai, India
Tel: +91 22 4220 1555
Email: enquiries@scottbader.com

NovaScott Especialidades Químicas Ltda
Civit II, Serra, ES 29165-973, Brazil
Tel: +55 27 3298 1100
Email: enquiries@scottbader.com

Scott Bader Italy
Emilia Romagna, Italy
Tel: +39 3454534391
Email: enquiries@scottbader.com

Scott Bader Turkey
Istanbul, Turkey
Tel: +90 542 207 01 86
Email: enquiries@scottbader.com

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

INVESTORS IN PEOPLE®
We invest in people Gold

Issue 1 - May 2024

SCOTTBADER.COM

Registered office address: Scott Bader Company Limited, Wollaston Hall, Wollaston, Wellingborough, Northamptonshire, NN29 7RL. Registered in England No. 00189141.
Y4947/V10524