

Company registration number: 496082  
Charity registration number: 206391

**THE SCOTT BADER  
COMMONWEALTH LIMITED  
FINANCIAL STATEMENTS**  
For the year ended  
**31 DECEMBER 2023**

# THE SCOTT BADER COMMONWEALTH LIMITED

## COMPANY INFORMATION

For the year ended 31 December 2023

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Company registration number: 496082  
Charity registered number: 206391

Registered office: Wollaston Hall  
Wollaston  
Wellingborough  
Northamptonshire  
NN29 7RL

Board of Trustees: Agne Bengtsson  
Benjamin Penney  
David Black  
Gillian Shapiro  
Harry Manning  
Juliette Delprat  
Paul Smith  
Richard Tapp

Company Secretary: Hayley Sutherland

Solicitors HCR Hewitsons  
Lancaster House  
Nunn Mills Road,  
Northampton,  
Northamptonshire  
NN1 5GE

Shoosmiths  
The Lakes  
Northampton  
NN4 7SH

Bankers Unity Trust Bank Plc  
4 Brindley Place, Brunswick Street  
Birmingham  
B1 2JF

CAF Bank Limited  
25 Kings Hill Avenue  
Kings Hill  
West Malling  
Kent  
ME19 4JQ

Scottish Widows  
PO Box 883  
Leeds LS1 9TY

**THE SCOTT BADER COMMONWEALTH LIMITED**

**COMPANY INFORMATION**

For the year ended 31 December 2023

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Auditor

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

**THE SCOTT BADER COMMONWEALTH LIMITED**

**CONTENTS**

For the year ended 31 December 2023

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	<b>PAGE</b>
Report of the Trustees	2-21
Trustees' responsibilities statement	24
Independent auditor's report	25-27
Group and Charity statements of financial activities	28
Group and Charity balance sheets	29
Group statement of cash flows	30
Notes to the financial statements	31-65

# REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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The Trustees who are also the Directors of the charity present their Annual Report and the Group and Charity Accounts of The Scott Bader Commonwealth Limited (the **Charity**), for the year ended 31 December 2023. The annual report serves the purpose of both a Trustees' report, and a directors' report and a strategic report under Company Law.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (January 2019).

## STRUCTURE, GOVERNANCE and MANAGEMENT

Scott Bader Company Limited (SBCL) was founded in the 1920s by Ernest Bader as a chemicals business. In 1951, Ernest Bader and others transferred the ownership of the shares in SBCL to Scott Bader Commonwealth Limited (SBCW), which is a company limited by guarantee, a registered charity and a membership organisation. The holding of the shares of SBCL is now known as a programme related investment. The reason behind this transfer was to create a company whose well-being is entrusted to those who work in it, with democratic involvement.

When colleagues join SBCL they are Associate Members of the Commonwealth and following the successful completion of a year's service they are invited to apply to become a full Commonwealth Member. This means that they become a member, holding in common with other members, the shares of SBCL.

SBCW is unique in that it has no external shareholders, and instead, the wealth is held in common by Commonwealth Members. It's important to understand the relationship between SBCW and SBCL and its subsidiaries when reading these accounts. Everyone who works for the company is responsible for ensuring that it continues to exist in the long term for current and future generations. While profitability is important to ensure that SBCL can continue to operate, adherence to the Guiding Principles and how that profit is achieved is paramount. Additionally, the Scott Bader Constitution which is a combination of the Articles of Association of SBCW, SBCL and the Global Members Board includes a provision to ensure that the Company is not run solely for the benefit of its colleagues. An amount equal to the amount payable as Group Staff Bonus or 1% of the Scott Bader Group Staff Salary Cost, whichever is greater, shall be paid by way of donation or otherwise to SBCW for charitable purposes.

The Objects of SBCW are:

- (a) The promotion of ethical principles in industry with a view to ensuring the discharge by persons engaged in industry of their social obligations for the welfare of the communities within which they operate; and
- (b) the promotion of “**sustainable development**” for the benefit of the public by the preservation, conservation and the protection of the environment and the prudent use of natural resources and the promotion of sustainable means of achieving economic growth and regeneration and for the purposes of this sub-clause "sustainable development" shall mean development that meets the needs of the present without compromising the abilities of future generations to meet their own needs.

The democratic governance structure enables the achievement of the above objectives in two ways:

1. Commonwealth Members can stand for election to the governance groups listed below and
2. By providing grants to charities and other not-for-profit organisations locally, nationally, and internationally.

## Governance

SBCW is governed by the Commonwealth Board ('CWB'). It comprises of three internally elected Trustees and five externally appointed Guardian Trustees (Guardians of the Constitution who have special voting rights). The Company Member (Paul Smith – SBCW Trustee), who is also the Chair of the SBCL Board, is also part of the CWB. The CWB is responsible for safeguarding the core values and Guiding Principles of SBCW Group. It ensures that the business is conducted in line with these principles and promotes the long-term sustainable success of SBCL. Additionally, the CWB ensures that the Charity is run in accordance with Charity law.

The CWB does not get involved in the day-to-day running of the business but is consulted on topics such as future business strategies, acquisitions, and the distribution of profits. The CWB also monitors the development of industrial democracy within the SBCL group to ensure it is:

- Governed effectively and operates in accordance with the Guiding Principles

# REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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- that the members are actively involved in the success of the business and that the community is strong and healthy and
- Supports SBCW in fulfilling the charitable objectives.

The Board of Directors of SBCL is responsible for directing the affairs of SBCL in line with its values, using a clear strategy, strong stewardship, and effective controls, to meet the expectations and interests of its shareholders and key stakeholders. The SBCL Board consists of 9 Directors, 3 Executive Directors of SBCL (including the SBCL CEO, Kevin Matthews); 3 Non-Executive Directors; and 3 Member Directors. The CEO, Kevin Matthews, CFO, Neil Miller and the wider Group Leadership Team have responsibility for the management of the SBCL Group.

The Global Members' Board (GMB) – This is the international democratic body that represents all Commonwealth Members, comprised of 12-14 elected representatives, the Chair of SBCL and its own full time Chair. The purpose of the GMB is to lead our international and industrial democracy, give voice to the SBCW Membership and hold the Subsidiary Boards to account for the development and execution of their Strategies according to the Guiding Principles. The GMB aims to be a diverse and inclusive body that fairly represents the interests of all SBCW Members.

Each of these governance groups has its respective role to play as defined in their articles or associated rules. Each share information to support the strategic direction of the business. In addition, the Guardian Trustees attend the SBCL and GMB meetings as observers, which enables them to monitor, on behalf of the CWB, that the business is managed in accordance with the Guiding Principles as set out in the Constitution. This is a major contributing factor to Scott Bader achieving its charitable objectives.

Details of the Trustees who served throughout the year and to the date these accounts are approved are included below:

Andrew Bell (resigned 30 November 2023)  
Agne Bengtsson  
Benjamin Penney (appointed 1 April 2023)  
David Black  
David Harris (resigned 6 October 2023)  
Gillian Shapiro (appointed 1 May 2023)  
Hansi Manning (resigned 31 December 2023)  
Harry Manning (appointed 12 February 2024)  
Jessica Clark (resigned 31 March 2023)  
Juliette Delprat (appointed 7 October 2023)  
Paul Smith  
Richard Tapp  
Robert Gibson (resigned 31 March 2023)

## **Management**

The Commonwealth Office is responsible for the day-to-day activities of SBCW and will take external advice when required. Additionally, there is a Charity Sub-Committee that decides which charities to support and authorises the payment of grants. This Sub-Committee is required to report to the CWB on a quarterly basis regarding the decisions taken.

Other sub-committees are formed on a needs basis to deal with issues that may arise.

## **Method of recruitment and appointment or election of Trustees**

The External Guardian Trustees are selected by a Joint Nomination Committee (JNC), which is comprised of members from the CWB, GMB, and SBCL Board. One of the Guardian Trustees is nominated by the Bader family. If the Bader family is unable or unwilling to nominate its Trustee, the current family nominee shall remain in post by invitation of the CWB. All candidates are provided with an explanation of the aims and objectives of the role and the time commitment involved in being a Guardian Trustee. The JNC is responsible for identifying and nominating candidates to fill the Guardian Trustee role. Appointments and removals are made by resolutions of both the SBCL Board and the CWB and are subject to approval by the GMB. Upon appointment, they are confirmed as a Commonwealth Member.

In relation to Internally Elected Trustees, nominations for these positions are sought from the SBCW membership and vacancies are filled by election administered by the Commonwealth Office. Each Internally Elected Director shall serve for a term of three years and, at the end of such term, shall be eligible for re-election for one further term of three years. Each Guardian Trustee shall serve for a term of three years and, at the end of such term, shall be eligible for re-nomination for two further terms of three years.

# REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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## **Policies and procedures adopted for the induction and training of Trustees**

All Trustees, (appointed or elected) are provided with a handbook which contains information relating to their duties as a charity Trustee, charity policies, financial reports, previous meeting minutes, and the articles of association for SBCW, SBCL and the rules of the GMB. In addition to this a specific induction plan is designed to meet the needs of the individual to give them a more detailed understanding of how the Charity operates; the businesses and strategy of SBCL and how the governance works.

Periodic formal training on the responsibilities of being a Trustee is provided and was previously provided by the Employee Ownership Association in January 2022. Trustees are also encouraged to identify any specific training needs they require.

## **Arrangements for setting pay and remuneration of key management personnel**

Although the three internally Elected Directors are employed by SBCL, or one of its subsidiaries, none of the Trustees receive any remuneration for their work for as a Trustee of the Charity.

Key management personnel remuneration is set by the SBCL remuneration committee, for colleagues employed by SBCL only and is paid in line with best practice. An external Executive Salary Benchmark Review, conducted by Willis Towers Watson was completed prior to the 2022 Salary review.

## **Members' liability**

The liability of the SBCW Members is limited. Every SBCW Member undertakes to contribute to the assets of SBCW in the event of the same being wound up during the time that they are a member, or within one year afterwards, for payment of the debts and liabilities of SBCW contracted before the time when they ceased to be a member, and of the costs, charges and expenses of winding up the same, and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding five pence.

## **Trustees' indemnities**

The Trustees (who are the directors of The Scott Bader Commonwealth Limited) are insured against the costs of successfully defending any actions brought for negligence in the performance of their duties as Directors.

## **Public benefit**

To check that the charities we support meet the public benefit requirement, the Trustees decided it would be prudent to include a section within the online application form requesting applicants to provide a short summary of how they meet this requirement.

To ensure ongoing awareness of the Charity Commission's guidance on public benefit all Trustees are provided with information about this in their handbook.

Having regard to this guidance the Trustees consider Public Benefit at two levels 1) in relation to the shareholding in SBCL and 2) the activities of the Charity.

## **Engagement with employees, suppliers, customers and others in a business relationship with the charity**

Ernest Bader established Scott Bader Commonwealth Limited to be a force for good in society. We are driven to make a difference and create social impact, using the skills and resources within the group to support where help is needed. We support our communities via a number of ways as highlighted throughout this report with the ambition to improve the lives of those most vulnerable and enabling our colleagues the opportunity to make a difference locally.

Our core values remain at the heart of the Group to ensure we work co-operatively and collaboratively with our colleagues and customers to deliver excellence, and to conduct ourselves in a fair, honest and ethical way.

SBCW is mindful of its broader commitments to stakeholders. Internally this includes consulting with colleagues on significant decisions, the employment of disabled persons, offering equal opportunities to all, as well as ensuring we work co-operatively and collaboratively. Externally this commitment covers broader corporate responsibility, the conduct of business with honesty, integrity, and fairness at all times, and also our impact on the environment.

# REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

Industrial democratic practice is a major part of colleague engagement, and all those who work in the Company 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.

## **Related parties, Connected Charities and co-operation with other organisations**

### **1. Related Parties:**

Scott Bader Commonwealth Limited maintains transparent and ethical relationships with related parties. These may include charities, subsidiaries, associates, joint ventures, and other entities connected to their operations.

### **2. Connected Charities:**

Scott Bader Commonwealth Limited's unique ownership structure, where all shares are held by a charitable trust (the Commonwealth), inherently aligns with charitable objectives. The company actively collaborates with connected charities, supporting causes related to education, social welfare, and community development. Their contributions extend beyond profit-making, emphasising a broader societal impact.

### **3. Cooperation with Other Organisations:**

Scott Bader Commonwealth Limited recognises the power of collaboration. They actively engage with other organisations, both within and outside their industry. Whether through research partnerships, knowledge sharing, or joint initiatives, Scott Bader seeks to create synergies that benefit all stakeholders. Their cooperative spirit contributes to innovation, sustainability, and positive change.

In summary, Scott Bader Commonwealth Limited's approach to related parties, connected charities, and cooperation exemplifies their commitment to ethical business practices and societal well-being.

## **Environmental Care**

SBCW Group meets the definition of a 'large' consolidated group and therefore should apply the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations"). However, as a stand-alone company, SBCW does not meet the relevant criteria as it falls below the 40,000kWh threshold. As the SBCL Group qualify at a group level, the information disclosed below is for SBCL Group only.

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 being opened 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 EU sites initially.

**2023**

ENERGY CONSUMPTION	SBCL GROUP	
	LOCATION BASED	MARKET BASED
Non-Renewable (GJ)	177,510	130,861
Renewable (GJ)	4,157	38,426
Total (GJ)	181,667	

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE  
SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

GREENHOUSE GAS EMISSIONS		SBCL GROUP	
Scope 1 (TeCO <sub>2</sub> e)		7,436	7,436
Scope 2 (TeCO <sub>2</sub> e)		3,640	504
Scope 1 and Scope 2 (TeCO <sub>2</sub> e)		11,076	7,940
INTENSITY FACTOR		SBCL GROUP	
Energy Intensity	MJ/Te of product	1,454	
	GJ/full time employee	218	
	MJ/£000's revenue	663	
Carbon Intensity (market based)	kgCO <sub>2</sub> e/Te of product	63.6	
	TeCO <sub>2</sub> e/full time employee	9.5	
	kgCO <sub>2</sub> e/£000's revenue	29.0	

2022

ENERGY CONSUMPTION		SBCL GROUP	
		LOCATION BASED	MARKET BASED
Non-Renewable (GJ)		177,842	128,628
Renewable (GJ)		3,683	41,230
Total (GJ)		181,525	
GREENHOUSE GAS EMISSIONS		SBCL GROUP	
Scope 1 (TeCO <sub>2</sub> e)		7,166	7,166
Scope 2 (TeCO <sub>2</sub> e)		3,839	577
Scope 1 and Scope 2 (TeCO <sub>2</sub> e)		11,005	7,743
INTENSITY FACTOR		SBCL GROUP	
Energy Intensity	MJ/Te of product	1,438	
	GJ/full time employee	225	
	MJ/£000's revenue	595	
Carbon Intensity (market based)	kgCO <sub>2</sub> e/Te of product	61	
	TeCO <sub>2</sub> e/full time employee	10	
	kgCO <sub>2</sub> e/£000's revenue	25	

**Diversity and inclusion**

Diversity, inclusion and mutual respect was added to our Guiding Principles during the recent Constitution review where Scott Bader aims to provide an inclusive, diverse and mutually respectful culture and environment where everyone is treated equally and given equal opportunities regardless of their race, age, gender, sexuality, disability, culture or individual differences through all stages of the colleague lifecycle from recruitment, through onboarding, training and development. To help achieve and monitor this, the business gained certification to ISO 30415 in 2023.

As part of this process a Diversity & Inclusion Council has been formed, made up of colleagues from around the group to help define, review and continually improve our policies, practices and behaviours in this field going forward.

A Diversity & Inclusion Policy and Framework has been shared with all the governance groups, which have all approved and committed to fully support our implementation of a fully diverse and inclusive environment for all.

# REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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## **Employee, Environment, Social & Governance Committee (EESG Committee)**

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) & 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 2-3 years will enable the organisation to move forward and ultimately meet the 2036 vision.

## **Engagement with employees (including disabled persons)**

Industrial democratic practice is a major part of colleague engagement, and all those who work within the SBCL 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 SBCL.

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.

Scott Bader remains committed to offering equal opportunities to all and secured an ISO accreditation in Diversity and Inclusion in 2023. 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.

## **Involvement of Commonwealth Members**

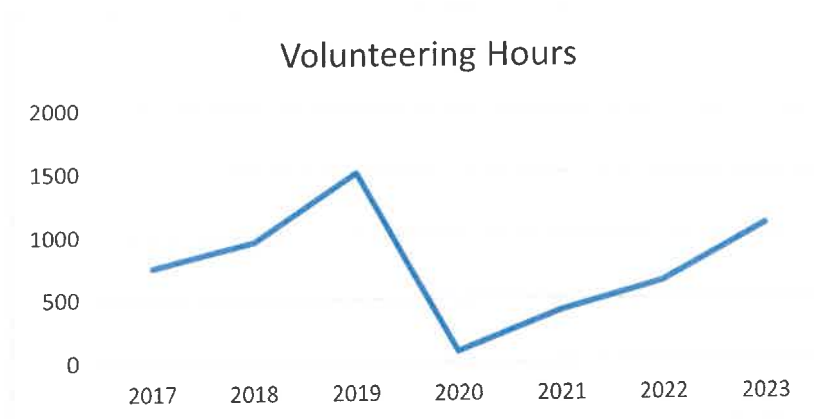
- **The Matched Funding Scheme** In 2023, the Matched Funding Scheme provided by SBCL and administered by the Commonwealth Office reached approximately £15k. Over 22 charities received double the amount they would have received due to SBCL matching the amounts raised £1 for £1. This marks a slight decrease compared to 2022 where £19.5k was raised. It's worth noting that more companies outside of the UK are now participating in this scheme. There are plans to promote this scheme globally to encourage more colleagues to participate.
- **Volunteering** – SBCL supports its local communities, through a volunteering scheme. All colleagues are granted an additional day's paid leave to volunteer for a not for profit/charitable organisation. The scheme enables colleagues to build relationships and connect with their local communities in support of its wider social purpose.

In 2023, our HR Oracle platform recorded 536 volunteering hours. Additionally, 546 hours were recorded for colleagues who continued to support a local charity based within Keep House in their own time, which is led by the Commonwealth

# REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

Office. This marks an increase of over 70% compared to the previous year. We plan to continue this upward trend so that 90% of all colleagues are using their volunteering days for 2024.



Some of the activities undertaken by our colleagues are shown below.

#### Ecology:

- Recycling activities (UK)
- Litter picking (UK)

#### Business:

- Attending careers events at Schools and Colleges providing careers advice and guidance (UK)
- Supporting individuals with CV and interview skills (UK)

#### Humanity:

- Sewing knitted blankets together to be delivered to local care homes (UK)
- Took part in local running event to raise awareness and funds for cancer treatment (Croatia)

The Trustees are of the opinion that the self-governing representative structure of Scott Bader is of public benefit because wherever it operates colleagues know that the company must:

- a. Contribute to the stability and economic growth locally, nationally, and internationally.
- b. Take steps to minimise the effects of the business on the environment.
- c. Support its local communities via charitable giving and volunteering.
- d. Be an exemplar of an alternative way to run a business.

## STRATEGIC REPORT

### Objectives, Strategies and Activities of SBCW (the Charity)

As mentioned above the objects of the Charity are:

- 1) The promotion of ethical principles in industry with a view to ensuring the discharge by persons engaged in industry of their social obligations for the welfare of the communities within which they operate.
- 2) The promotion of sustainable development for the benefit of the public by the preservation, conservation and the protection of the environment by the prudent use of natural resources and the promotion of sustainable means of achieving economic growth and regeneration.

### Achievements and Performance against the Objectives set - Grant-making

The Scott Bader Commonwealth Limited (SBCW) receives its income through a donation of profits from the individuals employed by the Scott Bader Group. This income is used to make grants to charitable organisations around the world whose purposes are in line with the Charitable objects. The Trustees annually approve the grant-giving policy and budget.

The SBCW's main source of income is by payment of a donation from SBCL. There is a provision in the Articles of Association of SBCL to ensure that there is a minimum amount paid to the Charity each year (staff bonus or 1% of the annual staff salary cost of the Scott Bader Group, whichever is greater). This would not be considered a major risk to SBCW

## REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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unless the performance of the Company becomes so precarious that payment of the donation might threaten the very existence of the Scott Bader Group.

The Charity Committee oversees the grant-giving on behalf of the Commonwealth Board (CWB). The Committee meets every three months to select the charities to support and the funding amount for each charity. The Committee reports its decisions to the CWB quarterly.

Charities can learn about funding opportunities from SBCW through networking, referrals from previous recipients, and information on the Scott Bader website.

SBCW does not generally fund requests that support animals, individuals in need, travel and adventure schemes, art projects, sports clubs, general appeals, or building construction in the UK.

Prospective applicants must submit their funding applications through a grant management tool called OPTIMY. This tool helps simplify and streamline the grant-making process.

In 2023, SBCW had four application cycles for its grants and received about 290 applications during the year, similar to about 300 in 2022.

After assessing the applications, SBCW made grants totalling £321k in 2023 compared to £382k in 2022.

SBCW aims to ensure that grants are used effectively and for the intended charitable purposes. We keep formal reporting requirements simple and proportionate and share the information received with the Charity Committee. We also meet with grantees and potential grantees occasionally to strengthen networking and to help the Charity learn more about the specific subject areas or reflect on its own practice and priorities.

SBCW is also a member of the Association of Charitable Foundations (ACF) and National Council for Voluntary Organisations (NCVO). Both organisations provide training courses and helpful information on good practice.

At 31 December 2023, SBCW had net assets of £1,925k (2022: £1,937k).

The grant programme areas run during 2023 are summarised below. A breakdown of the amount spent under each of these programme areas is provided in note 9.

### **Glocal Funds**

A budget is set for all the companies in the Scott Bader Group. The allocation is currently determined as a set figure per site with an additional sum proportionate to the number of Commonwealth Members at each location. Each location can determine how they wish to utilise their allocation provided it complies with the Charity Policy and is approved by the Charity Committee of the Commonwealth Board.

To help prospective applicants, we guide them to apply for funding for projects that enable them to support social and environmental issues important to where they are situated. Some locations choose to run a Nomination Scheme whereby each Commonwealth Member has an allocation to nominate to a charity (or charities) of their choice. The areas of intervention can vary for this but tend to cover the following Youth Well-being, Disability, Education, Disadvantage, and Health.

### **The Centenary Fund**

This fund was launched in 2022 and was in celebration of the Company's 100th anniversary in 2021. This fund was to support four large community-based projects with £25,000 each. The projects submitted had to meet the following criteria.

- To help people to help themselves and give them a sense of dignity and self-respect.
- To respond to the needs of people who are most underprivileged/disadvantaged and
- Enabled us to support local communities to whom we have a special responsibility as a neighbour and employer.

The review process for this fund was completed in 2022 and six projects were selected for our members to vote on their preferred four projects. The voting process took place in Q1 of 2023 and the four successful charities that were awarded the grants were:

- The Mud House Children's Foundation – This project was to improve the health, welfare, and education chances of Maasai children and their families in Northern Tanzania by building a bore hole and water well.

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

- Hands Off Foundation - Based in Melbourne, Australia. This project was to provide “new start in life” care packs to support disadvantaged individuals with a new life.
- Careers Worldwide – This project was to address the social, mental, physical, and economic needs of the family carers across India, Nepal, and Bangladesh. Carers Worldwide will establish a sustainable income-generating training and support programme for unpaid family carers in the Bagalkot District of India.
- Karen Hilltribes Trust - This project was to transform the community health of two marginalised and isolated Karen villages, in Northern Thailand by improving water and sanitation systems which will reduce disease, water poverty, and protect human dignity.

**Godric Bader Fund**

A budget is set annually.

This fund is used to support charities chosen by the Bader family. Three charities received grants, totalling £8,000 in 2023 and £7,500 in 2022.

**Research Grants & Other donations**

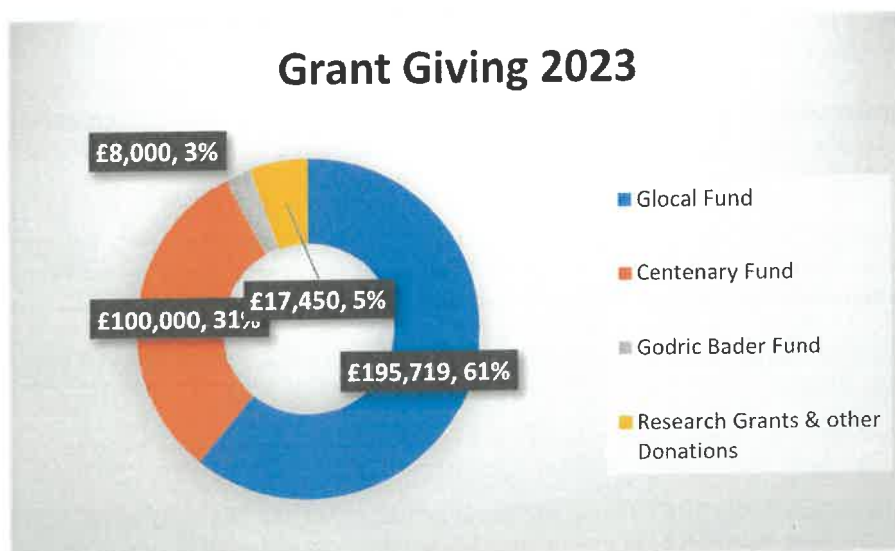
Research grants and other donations were provided to the following:

1. Employee Ownership Association - To provide the evidence that EO organisations make a difference compared to other types of business ownership.
2. DEC Turkey – Syria Earthquake Appeal
3. Northamptonshire Community Foundation – Corporate Giving Network and the sponsorship of the annual awards evening.

**A breakdown of the 2023 grant expenditure is detailed below.**

Grant Expenditure	£'000 2023	£'000 2022
Glocal Fund	196	322
Centenary Fund	100	-
Community Hardship Fund	-	37
Godric Bader Fund	8	-
Presidents Fund	-	8
Research & Other Grants	17	15
	<b>321</b>	<b>382</b>

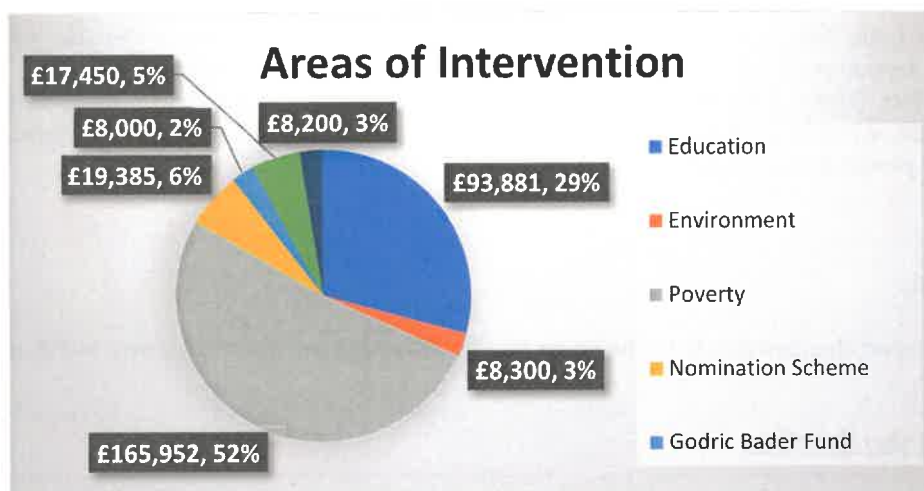
**Breakdown of Expenditure by fund**



# REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

The grants awarded supported projects within three specific areas of intervention, Environmental, Poverty and Education. A breakdown of these intervention areas and the amount spent is detailed below.



The Trustees still believe that allocating the charity's income in the way described above continues to enable the charity to support a diverse range of activities with a relatively small amount of money. However, this is dependent on the profitability of the company, but mechanisms exist to ensure that the charity's income will increase in line with increased profitability.

## **Achievements and Performance SBCL Group**

The principal activity of the SBCL Group which sits beneath the Charity continued to be that of the production and distribution of chemicals and related products.

## **Fundraising**

The charity relies on surpluses generated by wholly owned trading subsidiary companies to be able to carry out grant-making to meet the charitable objectives and does not undertake any fundraising activities with the public. No professional fundraisers have been engaged and no fund raising has been undertaken on behalf of the Charity. No complaints have been received in relation to fundraising activities.

## **Investment policy and performance**

The charity has an asset in the form of a property known as Keep House, 124 High Street, Wollaston NN29 7RJ. This is a Grade II listed stone-built farmhouse and is situated on the Wollaston site. The refurbishment of the property was completed in February 2020 and full occupancy of this building by local charities was achieved. By providing this facility the SBCW is meeting its objective of enabling these charities to continue the excellent work they do in the local community. It is also intended that the building will be self-funding on finalisation of the asset plan. To support this, the Trustees agreed in 2023 to allocate £20k to Keep House to be used towards the asset plan to cover future renovations.

In 2023, Keep House generated £34k in income, compared to £36k in 2022. This slight decrease was due to a vacant room becoming available during the year. The income generated from Keep House is used for the general refurbishment of the building and to source and progress local project and partnership opportunities.

An open market appraisal in November 2021, by an independent valuer with a recognised and relevant professional qualification, gave a value of £495k for this property and the Trustees do not believe that there has been a material change in value since the valuation. Another valuation is due to be completed during the Summer of 2024.

As the main investment of the charity is the SBCL group, its performance is monitored on a regular basis as reported under the financial review section below.

## **Financial Review**

The majority of the Group relates to the SBCL Group and this is considered on the following pages. The charity's (SBCW) income is limited to the donation from SBCL and rental income and the expenditure of the charity has been considered on page 9.

# REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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## **Financial Review of SBCL Group**

Whilst the CWB does not get involved in the day-to-day management of SBCL it receives updates at every Commonwealth Board meeting from the CEO Kevin Matthews, and the CFO Neil Miller on the performance of the group. In addition, members of the Group Leadership are invited to attend a CWB meeting on an annual basis to provide an update on their business areas.

During 2023, the CWB met with Julie Thorburn, the Group HR Director, Neil Miller, Group Chief Financial Officer, Kevin Matthews, Group Chief Executive Officer, Andrew Cottrell, Group Operations Director and Mike Findlay-Wilson, Group Chief Information Officer. The Commonwealth Board is also informed of any key issues from the Company Member of the Board.

Having discussed and reviewed the business performance for 2023, the Trustees noted the following:

Annual sales volumes increased by 0.9% to 110k tonnes (2022: 109k tonnes), despite this, SBCL 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 SBCL 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) (note 14).

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 SBCL 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 SBCL 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 SBCL Group's debt facilities.

The SBCL 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.

## REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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The SBCL 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 SBCL 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 SBCL 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 1 year which would fall payable in 2025 subject to performance conditions being met.

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.

### **Key Performance Indicators**

In 2023, the Trustees introduced a set of non-financial metrics to assess members' engagement levels and evaluate SBCL's adherence to the Guiding Principles. Our focus is on gathering data for areas that remain unexplored as we progress through 2024.

Additionally, specific KPIs have been established to monitor the financial performance of the SBCL group during 2024. These metrics will be diligently tracked and reported to the Commonwealth Board (CWB) on a quarterly basis:

- **Cash:** Tracking the available cash reserves.
- **Financial performance against budget and prior year (PY):** Comparing actual financial results with planned budgets and previous year's performance.
- **Working capital:** Evaluating the company's liquidity and operational efficiency.
- **Capital expenditure:** (Capex) spending and CAPEX/depreciation ratio: Assessing investment in fixed assets relative to depreciation.

These KPIs serve as essential benchmarks, for SBCW to monitor the performance of SBCL's strategic decisions and ensuring transparency in its financial and operational health.

### **Cash**

Currently the Charity holds a modest amount in deposit accounts, which are reviewed annually to ensure best return.

### **Financial Controls**

The Financial Controls Policy, which includes the delegation of authority and segregation of duties, is reviewed annually to ensure that it is up-to-date and effective. The review process involves a thorough examination of the procedures and systems in place to ensure that they are robust and followed diligently by all parties concerned. The Trustees consider that the procedures and systems in place are effective in maintaining the integrity of the financial controls and ensuring compliance with the relevant regulations.

### **Financial and risk management objectives and policies**

The Trustees have developed a more robust approach to managing the risks to which the charity is exposed to ensure that appropriate controls are in place to provide reasonable assurance against the risks identified. The Trustees undertake a quarterly review of the risk register, which assigns the management of the risks to specific individuals and recommends actions to be taken, where necessary, to manage their likelihood or impact. Risks are added to the register as they arise and are reported and discussed at the quarterly board meetings.

The SBCL 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 SBCL Group's operations and working capital requirements. The existence of these financial instruments exposes the SBCL

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE  
SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

Group to a number of financial risks. The main risks are; currency risk, receivables recoverability and liquidity and cash flow.

Currency risk

The SBCL Group is an international chemical company. In the international chemical business, many of the raw materials used by the SBCL Group are priced in US Dollars or Euros, as are many sales made outside of the UK. Consequently, the SBCL Group is exposed to exchange rates. The SBCL Group does not make extensive use of hedging instruments or derivatives as there is a natural balance of purchases and sales across the various currencies. Customer pricing may be adapted to deal with step changes in exchange rates as needed. The currency risk is closely monitored, and appropriate actions taken when needed.

Trade and other receivables

All operating companies have credit policies, that are approved at the appropriate level using the delegation of authority matrix and monitor their credit exposure on an ongoing basis. Trade receivables are stated net of allowances for doubtful receivables, estimated by local management based on prior experience of customers and assessment of their current economic environment and in line with group policy. Due to the geographical spread of the operating companies, the credit risk varies from site to site and is influenced by the normal credit practices of that country as well as the prevailing macro-economic climate of each geographic region and where appropriate the SBCL Group uses debt factoring facilities.

Liquidity and cash flow

The SBCL 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 SBCL 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 SBCL Group had headroom which the Directors considered to be adequate for current business demands.

**Principal risks and uncertainties**

The SBCW's key risks are summarised below:

<b><u>Risk / Uncertainty</u></b>	<b><u>Mitigation</u></b>
1. There is a risk to the charity to continue operating due to lack of funding, therefore unable to achieve charitable objectives & constitutional requirements	There is a formula in place to donate a minimum of 1% of the group's salary cost or 5% of the eligible PBT (whichever is the greater). However, SBCL should budget for minimum payment required to be paid to the Charity. Financial information is reported on a quarterly basis to the Commonwealth Board on the performance of SBCL so it would be reported if the operating company is at risk.  There is a second income stream generated from Keep House and there is a view to explore other similar projects in other global locations as well as other income options such as endowments.
2. There is a risk of a skills gap for Trustees on the Commonwealth Board resulting in the non-compliance with Charity and Company Law.	All Board Members are provided with the relevant Guidance from the Charity Commission on their duties and responsibilities. A skills analysis has been introduced and we refer to this when recruiting new Guardian Trustees. In addition, induction folders are provided upon appointment, which includes a copy of the Constitution, financial reports, minutes, agendas and policies and yearly training is also provided for the Trustees.
3. There is a potential risk of loss of funds for the Charity, leading to reputational risk	The following Internal controls in place to mitigate against this.  Detailed quarterly reports are prepared comparing expenditure vs budget. All cheques/bank transfers are authorised by two people, one of which needs to be a Trustee. Bank accounts are reconciled monthly.

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

	Policies are reviewed on a yearly basis by the Charity Committee, prior to submission to the full Commonwealth Board for approval.
4. There is a risk of potential miscommunications and (cyber security) risk of interception of shared sensitive business information.	All sensitive data is stored and shared via Diligent Boards which is a board management software and is part of the Diligent Governance Cloud.
5. There is a risk of under occupancy of Keep House / not achieving objectives to utilise the Keep House space, using SBCW cash to fund the building & utility costs	This is monitored regularly at the ongoing Keep House committee meetings. Keep House is currently 80% occupied.

The SBCL's key risks are summarised below:

Strategic Risks: Strategic risks are risks, both internal and external, associated with the business model, corporate strategy and long-term planning		
<u>Risk / Uncertainty</u>	<u>Mitigation</u>	<u>Year-on-year change</u>
<p><u>Geopolitical uncertainty and macroeconomic change</u></p> <p>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.</p>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>Further development of ability to manufacture key products at multiple sites and contract manufacturing partners to improve resilience and business continuity planning,</li> </ul>	<p>→ No change overall.</p> <p>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.</p>
<p><u>Intellectual Property management</u></p> <p>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 knowhow could be lost from the organisation.</p>	<ul style="list-style-type: none"> <li>Key mitigations that have been implemented or are work in progress include:</li> <li>Appointment of an external patent agency to support the developments of a more active patent strategy.</li> <li>Improved cybercrime resilience to prevent theft of intellectual property.</li> <li>Increasing use of legal contracts with appropriate clauses to protect intellectual property.</li> <li>Audit of the Group's major elements of intellectual property and an active development of a repository of key elements of intellectual property</li> </ul>	<p>New Risk.</p> <p>The expansion of the business into more specialty markets with increasing differentiation built on intellectual property represents an increasing risk for the group</p>

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

<p><u>Project management</u></p> <p>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</p>	<ul style="list-style-type: none"> <li>• In addition to the mitigations reported last year the following actions have been implemented.</li> <li>• Further improvement of the major project approval process and governance oversight with the formation of a Capital Projects Committee.</li> <li>• Formalised integration processes have been strengthened as a result of post investment reviews of completed projects.</li> </ul>	<p>→ No change overall.</p> <p>The continued number of major projects and the level of investment and complexity continues to represent a significant risk.</p>
<p>Operational Risks: Operational risks are risks derived from Scott Bader's core business practices, which rely on systems, equipment and processes</p>		
<p><u>Risk / Uncertainty</u></p>	<p><u>Mitigation</u></p>	<p><u>Year-on-year change</u></p>
<p><u>Supply chain management</u></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• In addition to the mitigations highlighted last year:</li> <li>• Initiatives continue to improve Group wide S&amp;OP system.</li> <li>• The formation of regional supply chain structures with a greater oversight of supply chain performance connecting supply points into one network.</li> <li>• Upgrading of Group operation technical resource to accelerate the development of dual site manufacturing for key products.</li> </ul>	<p>→ No change overall.</p> <p>The Group sees opportunities for productivity improvements through an effective supply chain management system.</p>
<p><u>Health &amp; Safety</u></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Formal Health &amp; Safety strategy, framework and refreshed policies in place with clear KPIs and audits. Launch of life saving rules</li> <li>• Investment in Health &amp; Safety resourcing (appointment of Group Occupational Health Manager).</li> <li>• Improvements at site levels to ensure closing off of HSE actions. Increase in number of safety opportunities reported across the Group.</li> <li>• Significant number of the Groups assets now have an updated HAZOP (hazard and operability study) with mitigations</li> </ul>	<p>→ No change.</p> <p>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.</p>
<p><u>Security and resilience of plant process control systems</u></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• No significant initiatives in 2023 pending investments into new assets.</li> <li>• Upgraded systems and procedures to counter cybercrime.</li> <li>• Cloud based disaster recovery system.</li> <li>• Aligned ownership across different facets of the risk across dedicated functions (Operations and IT) and improved standardisation of processes"</li> </ul>	<p>→ No change.</p> <p>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.</p>

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

<p><u>Cyber and information security</u></p> <p>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.</p>	<ul style="list-style-type: none"> <li>Continued improvement and updating of our IT systems, including investment in cloud-based disaster recovery and clear investment plans to mitigate potential for obsolescence</li> <li>Ongoing assessment of data loss prevention enablers and tooling</li> <li>Ongoing penetration testing exercises to ensure the effectiveness of existing IT controls</li> </ul>	<p>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.</p>
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Financial risks: Financial risks are risks associated with an organisation's ability to raise capital, maintain access to capital and deliver profitable growth

<u>Risk / Uncertainty</u>	<u>Mitigation</u>	<u>Year-on-year change</u>
<p><u>Volatility of demand and market uncertainty</u></p> <p>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.</p>	<ul style="list-style-type: none"> <li>We aim to embed our product / service into the client product cycle to provide a differentiated offering.</li> <li>Proactively manage raw materials to optimise the balance between price and security of supply with sourcing from a broad and diverse supplier base.</li> <li>Improve supply chain connectivity to ensure we respond rapidly to a slowdown or acceleration in market demand,</li> <li>Financial performance closely monitored against operating plans with variances investigated. Clear focus on cash generation</li> <li>Contingency and cost reduction plans implemented in an economic downturn.</li> </ul>	<p>↑ Increased risk.</p> <p>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.</p>
<p><u>Liquidity management and foreign currency exposures</u></p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>Significant improvement in Treasury function and cash pooling to enable liquidity support between entities.</li> <li>Continued close supervision of cash management activities and forecasting.</li> <li>Active project to improve foreign exchange management.</li> </ul>	<p>→ No change:</p> <p>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.</p>

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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

<u>Risk / Uncertainty</u>	<u>Mitigation</u>	<u>Year-on-year change</u>
<p><u>Attraction and retention of talent</u></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Scott Bader offers competitive compensation and benefits packages, and we have recently carried out a salary benchmarking exercise</li> <li>• Regular performance reviews and appraisals</li> <li>• Development of an employee value proposition has been an active project through 2023</li> </ul>	<p>No Change:</p> <p>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</p>
<p><u>Succession planning</u></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Succession plans and retention strategies are in place for Group leadership and other key positions</li> <li>• Ongoing talent reviews and succession planning programmes</li> <li>• Talent management programme continue including overseas secondment to build experience</li> </ul>	<p>No Change:</p> <p>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.</p>

Regulatory & Compliance risks: Regulatory and compliance risks are risks associated with compliance to laws and regulations, industry standards, contract requirements and internal policies

<u>Risk / Uncertainty</u>	<u>Mitigation</u>	<u>Year-on-year change</u>
<p><u>Changing regulatory environment</u></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Experienced legal counsel, company secretary, tax manager and head of product regulatory affairs are further supported by external legal and professional advisors</li> <li>• Risk, compliance, and governance report is reviewed by the Board, Audit Committee, and Internal Audit at each meeting</li> <li>• Ongoing support from third party advisors to enhance the Governance, Risk and Compliance Frameworks and to supplement our internal knowledge of regulatory change</li> <li>• Established delegation of authority between Group leadership and local leadership teams in owning local risks and complying with local laws</li> </ul> <p>Ongoing monitoring of sanctions and reporting around high risk countries</p>	<p>No Change:</p> <p>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.</p>

**Reserves policy**

Reserves are held to provide financial protection for Scott Bader Commonwealth Limited (SBCW) as a going concern, to protect its operations from being adversely affected by unanticipated events. Unanticipated events are identified in the

# REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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SBCW risk register. However, given that the primary source of income is from the donation received from Scott Bader Company Limited (SBCL) this does create a risk for SBCW.

The Trustees reviewed the Charity's Reserves Policy in April 2024 and agreed that reserves will be held for the following purposes:

- Unrestricted Funds - The Trustees have agreed to retain £180k in a range equivalent to approximately three to six months' forward expenditure. These are to be held to protect SBCW against income fluctuations .
- Designated Funds – The Trustees have agreed to retain a designated fund equal in value to the valuation uplift on Keep House. At the year end, this fund totalled £487k (2022: £487k).

The Trustees consider this approach to be reasonable in the light of the need for the money to be readily available for expenditure against the budget and in the unlikely event that no donation is received from SBCL, grants will only be awarded to charities upon receipt of funds from SBCL.

At 31 December 2023, the Charity held total funds of £1,925k (2022: £1,937k) including unrestricted funds (free reserves) of £1,438k (2022: £1,450k). There are earmarked funds set aside to meet essential future spending. £180k is set aside to protect SBCW's operations from being adversely affected by unanticipated events. £566.5k is budgeted to be spent throughout 2024, and £72.5k is held for future renovations on Keep House. The balance remaining will be held and used in the unlikely event that no donation is received from SBCL.

The group reserves held at 31 December 2023 were £108,847k (2022: £114,093k). These are held to provide working capital for the group.

## **Conflicts of Interest**

SBCW has a set of processes to manage conflicts of interest. These include maintaining a complete and up-to-date register of interests, which is used for the day-to-day management and governance of the Charity. The register contains information about the interests of all parties involved with the Charity, the information on the register is used to identify and manage potential conflicts of interest that may arise in the course of the Charity's operations. These procedures ensure that the Charity's interests are protected and that any potential conflicts of interest are identified and managed appropriately.

## **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 Group and SBCL Board and demonstrates how the Group and SBCL Board should make decisions for the long-term success of the Group 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 Group and SBCL Board has carried out its responsibility to promote the success of the Group, 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 Group and SBCL Board has considered and engaged with stakeholders.

When making decisions, the Group and SBCL 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 SBCL Chair's responsibility to ensure that the Group and SBCL Board considers Section 172 when making its decisions.

This process includes the SBCL 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.

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

Throughout the year, the SBCL 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 SBCL Board must make decisions based on competing priorities. The SBCL Board regularly assesses the outcomes of its decisions and is available to talk to stakeholders when needed. This engagement helps the SBCL Board better understand what matters most to our stakeholders and supports discussion on relevant issues. It also helps the SBCL Board choose the course of action that best leads to high standards of business conduct and success for Scott Bader in the long term.

Stakeholder engagement in 2023

Stakeholder groups	How the SBCL Board engaged in 2023	
<p><b>Customers</b></p> <p>We work with customers worldwide, providing the products they need to address technical and sustainability challenges in their own manufacturing processes.</p>	<ul style="list-style-type: none"> <li>The SBCL Executive Committee provided customer related intelligence and feedback, including from a customer survey.</li> <li>The SBCL Board approved a refreshed strategy that focuses on getting closer to our customers and on growing in attractive end markets.</li> </ul>	<ul style="list-style-type: none"> <li>Given that some areas of our business have seen weakened demand, the SBCL Board kept up to date with operational issues, including plant capacity and shift planning to match production to demand and reduce costs.</li> </ul>
<p><b>Employees</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>SBCL ensured that colleagues were properly considered as part of the SBCL reorganisation in line with the strategy refresh.</li> <li>The SBCL Board supported the application for D&amp;I ISO certification.</li> </ul>	<ul style="list-style-type: none"> <li>The SBCL Board received and considered two reports on follow-up actions from the results of the Best Companies employee survey.</li> </ul>
<p><b>Suppliers</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>The SBCL 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.</li> </ul>	<ul style="list-style-type: none"> <li>European energy security and cost was a key topic for the SBCL Board throughout 2023. Management kept the SBCL Board informed on how it was engaging with utility suppliers and site hosts as it worked to reduce operational risks.</li> </ul>
<p><b>Shareholders</b></p> <p>As an Employee Owned business, with a defined Constitution, we have a responsibility to deliver value for our shareholders (also referred to as colleagues).</p>	<ul style="list-style-type: none"> <li>The Chair, CEO and CFO provide the Group Board with updates from their meetings with the GMB and Commonwealth Board at Company Board meetings.</li> <li>GMB Chair shares feedback and thoughts with the SBCL Board as a standing item on the SBCL Board agenda.</li> </ul>	<ul style="list-style-type: none"> <li>The Member Directors are encouraged to be the voice of the shareholders (colleagues) at the SBCL Board and contribute to the SBCL Board on that basis.</li> </ul>

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

# REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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After two years of on-line 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 Zoom 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.

## Principal decisions in 2023

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

### *Approving a refreshed strategy*

In 2023, the SBCL 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 SBCL Board made its decision*

As the SBCL 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 pursuing a focus on either commodity or speciality chemicals and on the value potential for shareholders (colleagues). The SBCL 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 SBCL Board asked management to update business plans and forecasts and to review the banking facilities in the light of those plans.

#### *How the SBCL Board made its decision*

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

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

The SBCL 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 SBCL Board, balancing the interests of shareholders (colleagues) and other stakeholders. Our Guiding Principles (as set out in the Constitution) focused us in protecting value in the business and providing a robust financial structure that aligned with the strategic needs of the business.

## Future Plans

A review of the Constitution was carried out during 2020/21. The changes proposed were formally accepted by the Commonwealth Members at the AGM in May 2022 and are still being implemented. This exercise has enabled us to emerge stronger and with renewed confidence and vigour. It was agreed at the same time that a two-year review of this would also happen. This is starting in 2024, any significant amendments will be shared with the members for their approval.

# REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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As a result of this review of the Constitution the Trustees have identified that improvements were required in the way the board itself operates and it identified that improvements were required in the following areas.

- **Charity** – we will bolster and reconfigure charitable activities in order to deliver our charitable aims and responsibilities. Funding ratios for charitable donations will remain as present and we wish to widen the meaning of charitable giving including encouraging and re-energising the volunteering undertaken by colleagues. We aim to replicate globally the Keep House model at Wollaston. This will provide local opportunities for good practice and outreach around selected locations around the group.

In addition, there are plans for the future to implement a Social Return on Investment (SROI) framework. This will help us to measure and communicate the social value and impact of our grant-giving activities. SROI is a principles-based approach that involves identifying, measuring, and valuing the outcomes that matter to our stakeholders. By using SROI, we hope to improve our accountability, transparency; and learning.

- **Income** – Presently, the Commonwealth Office engages in annual budget negotiations with the Group Board, who approve it. In a proactive move to safeguard future funding, we are exploring modifications to the financing structure for the Commonwealth Office and its democratic endeavours.

In 2023, a dedicated project team devised a funding strategy aimed at empowering the Commonwealth and Global Members' Board with enhanced control and financial segregation. This strategic plan received approval in Q4 2023 and is scheduled for implementation in 2024

- **Engagement** – We have implemented a refreshed way in which colleagues learn about the features and responsibilities of democracy in Scott Bader. This includes both the induction, orientation, and 'onboarding' for new recruits along with the ongoing refreshment necessary to keep everyone committed and engaged. We will continue to improve and monitor this development throughout 2024.
- SBCL will focus on building upon and integrating the recent investments in the USA and India. The impact of Brexit has been felt across the business with increased work required to ensure ongoing compliance. These additional administrative requirements continue to be a cost for SBCL, however the impact of this has been limited through proactive planning.
- SBCL continues to experience raw material supply shortages due to disrupted supply chains; the response has included expanding the range of suppliers, increasing stock levels where needed and increasing production flexibility.
- SBCL remains in a strong financial position, with a number of opportunities offering strong potential for growth. The Group Leadership Team is focused on the key projects that will unlock this growth and deliver the changes required to achieve 2036 vision. The future plans for SBCL are:

## 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 two key regions of Europe & Africa and Asia & 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.

These plans will help the continued success of the business and thus provide stability for charitable purposes and for the people that work at Scott Bader.

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT) TO THE MEMBERS OF THE  
SCOTT BADER COMMONWEALTH LIMITED

For the year ended 31 December 2023

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**Going Concern**

When assessing the going concern principle for the Commonwealth, considerations of the Trustees include, but are not limited to the following in relation to SBCL; the Financial position of the SBCL 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 SBCL 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 SBCL Group continues to trade profitably and have a number of opportunities for growth. The SBCL 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.

During this challenging period, the Group Leadership Team (GLT) has generated forecasts to December 2025 under a variety of scenarios, including the application of prudent, worst case assumptions. On the basis of these forecasts, the Trustees remain confident that the Group will be sufficiently well capitalised for the foreseeable future.

Having considered the financial forecasts, the Trustees are confident that the SBCL Group, and therefore the Commonwealth Group, remains a going concern, and that the results within this document represent a true and fair view of the position of the Group.

The accounts are prepared on the going concern basis.

**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.

**Statement as to disclosure of information to auditors**

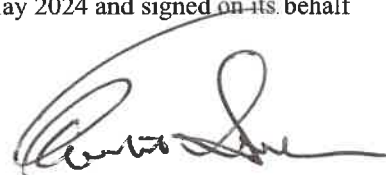
In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The Trustees 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.

The Report of the Trustees is approved by order of the board of Trustees and the Strategic Report (included therein) is approved by the board of Trustees in their capacity as the directors at a meeting on 3 May 2024 and signed on its behalf by:



Richard Tapp  
Trustee



Paul Smith  
Trustee

## TRUSTEES' RESPONSIBILITIES STATEMENT

For the year ended 31 December 2023

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### **Trustees' responsibilities statement**

The Trustees who are also the directors of the Scott Bader Commonwealth Limited (for the purpose of company law) are responsible for preparing the Report of the Trustees including the Strategic Report and the Director's Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

The Trustees' powers and responsibilities are defined in the Articles of Association of SBCW in furtherance of which SBCW has and may exercise the power to exercise oversight of the Scott Bader Group to ensure appropriate governance risk and compliance processes are in place to ensure the long-term success of the business.

Under company and charity law the Trustees 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 charitable company and of the incoming resources and application of resources, including the income and expenditure, of the group and the charitable company for that period.

In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice (SORP);
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the charitable 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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## **Opinion**

We have audited the financial statements of The Scott Bader Commonwealth Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Group and Charity Statements of Financial Activities (incorporating an income and expenditure account), Group and Charity Balance Sheets, Group Statement of Cash Flows 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 the parent charitable company's affairs as at 31 December 2023 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 charitable 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 Trustees' 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 parent charitable 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 Trustees 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 Report of the Trustees other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the Report of the Trustees. 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 Report of the Trustees, which includes the Directors' Report and the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

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- the Directors' Report and the Strategic Report included within the Report of the Trustees 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 charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report or the Strategic Report included within the Report of the Trustees.

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

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

### **Responsibilities of trustees**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 24, the Trustees (who are also the directors of the charitable company for the purposes of company law) 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 Trustees 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 Trustees are responsible for assessing the group's and parent charitable 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 Trustees either intend to liquidate the group or parent charitable 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:

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

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the group and parent charitable company operate in and how the group and parent charitable 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, Charities SORP (FRS 102), Companies Act 2006, Charities Act 2011, the parent charitable company's governing document and tax legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustees' Report, remaining alert to new or unusual transactions which may not be in accordance with the governing documents, inspecting correspondence with local tax authorities and evaluating advice received from internal and external 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 laws and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, review of accounting policies in relation to revenue recognition and sample testing revenue.

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

A further description of our responsibilities for the audit of the financial statements is provided 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 charitable 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 charitable 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 charitable company and the charitable 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

7 May 2024

**THE SCOTT BADER COMMONWEALTH LIMITED**

**GROUP AND CHARITY STATEMENTS OF FINANCIAL ACTIVITIES (incorporating an income and expenditure account)**

For the year ended 31 December 2023

	Notes	Group		Charity	
		2023 Unrestricted* £'000	2022 Unrestricted* £'000	2023 Unrestricted* £'000	2022 Unrestricted* £'000
<b>Income from:</b>					
Donations		-	-	316	305
Other trading activities:					
Commercial trading operations		273,301	304,520	-	-
		<u>273,301</u>	<u>304,520</u>	<u>316</u>	<u>305</u>
Investment income	5	1,253	363	51	42
<b>Total income</b>	4	<u>274,554</u>	<u>304,883</u>	<u>367</u>	<u>347</u>
<b>Expenditure on:</b>					
Raising funds:					
Commercial trading operations		(273,702)	(302,469)	-	-
Charitable activities	9	(335)	(387)	(379)	(444)
<b>Total expenditure</b>	6	<u>(274,037)</u>	<u>(302,856)</u>	<u>(379)</u>	<u>(444)</u>
<b>Net income/(expenditure) excluding joint venture income</b>		<b>517</b>	<b>2,027</b>	<b>(12)</b>	<b>(97)</b>
Share of net income from joint ventures	15	221	197	-	-
<b>Net income/(expenditure) before tax for the financial year</b>		<b>738</b>	<b>2,224</b>	<b>(12)</b>	<b>(97)</b>
Tax payable	10	(875)	(237)	-	-
<b>Net (expenditure)/income</b>		<u><b>(137)</b></u>	<u>1,987</u>	<u><b>(12)</b></u>	<u><b>(97)</b></u>
Attributable to the owner		(168)	1,966	-	-
Attributable to Non-Controlling Interest		31	21	-	-
<b>Net (expenditure)/ income</b>		<u><b>(137)</b></u>	<u>1,987</u>	<u><b>(12)</b></u>	<u><b>(97)</b></u>
<b>Other recognised gains / (losses):</b>					
Actuarial loss on defined benefit pension	23	(4,061)	(10,054)	-	-
Change in value of hedging instrument	17	(13)	90	-	-
Currency translation differences		(2,050)	4,692	-	-
Deferred tax on other recognised gains and losses	10	1,015	2,513	-	-
<b>Net movement in funds</b>		<u><b>(5,246)</b></u>	<u><b>(772)</b></u>	<u><b>(12)</b></u>	<u><b>(97)</b></u>
Attributable to the owner		(5,277)	(793)	-	-
Attributable to the NCI		31	21	-	-
<b>Net movement in funds</b>		<u><b>(5,246)</b></u>	<u><b>(772)</b></u>	<u><b>(12)</b></u>	<u><b>(97)</b></u>
Total funds brought forward	25	114,093	114,865	1,937	2,034
<b>Total funds carried forward</b>	25	<u><b>108,847</b></u>	<u>114,093</u>	<u><b>1,925</b></u>	<u>1,937</u>

\*Unrestricted funds include designated funds and movement on these funds can be seen in note 25.

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

**THE SCOTT BADER COMMONWEALTH LIMITED**  
**GROUP AND CHARITY BALANCE SHEETS**  
At 31 December 2023

	Notes	Group		Charity	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
<b>Fixed assets</b>					
Intangible fixed assets	12	10,139	7,768	-	-
Tangible fixed assets	13	62,904	58,143	-	-
Investment property	15	495	495	495	495
Investments in subsidiaries	14	-	-	-	-
Interests in joint ventures	14/15	392	414	-	-
		<u>73,930</u>	<u>66,820</u>	<u>495</u>	<u>495</u>
<b>Current assets</b>					
Stocks	16	35,675	38,279	-	-
Debtors	17	44,649	51,398	316	1,089
Debtors greater than one year	18	2,058	2,499	-	-
Cash at bank and in hand		16,866	21,611	1,163	405
		<u>99,248</u>	<u>113,787</u>	<u>1,479</u>	<u>1,494</u>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	19	58,618	65,129	49	52
<b>Net current assets</b>		<u>40,630</u>	<u>48,658</u>	<u>1,430</u>	<u>1,442</u>
<b>Total assets less current liabilities</b>		<u>114,560</u>	<u>115,478</u>	<u>1,925</u>	<u>1,937</u>
Creditors: amounts falling due after more than one year	20	3,531	1,372	-	-
Provisions	22	6,472	7,521	-	-
		<u>10,003</u>	<u>8,893</u>	<u>-</u>	<u>-</u>
<b>Net assets excluding pension asset</b>		<u>104,557</u>	<u>106,585</u>	<u>1,925</u>	<u>1,937</u>
Pension asset	23	4,290	7,508	-	-
<b>Net assets</b>		<u>108,847</u>	<u>114,093</u>	<u>1,925</u>	<u>1,937</u>
<b>Reserves:</b>					
<b>General reserve funds</b>					
Unrestricted income funds	25	108,277	113,554	1,438	1,450
<b>Designated funds</b>					
Fair Value Reserve	25	487	487	487	487
<b>Total charity funds</b>		<u>108,764</u>	<u>114,041</u>	<u>1,925</u>	<u>1,937</u>
<b>Non-Controlling interest</b>					
Non – Controlling interest	25	83	52	-	-
		<u>108,847</u>	<u>114,093</u>	<u>1,925</u>	<u>1,937</u>

The financial statements on pages 28 to 65 were approved by the board of Trustees on 3 May 2024 and signed on their behalf by



Richard Tapp  
Trustee



Paul Smith  
Trustee

**Company number: 496082**

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

**THE SCOTT BADER COMMONWEALTH LIMITED**

**GROUP STATEMENT OF CASH FLOWS**

For the year ended 31 December 2023

	Notes	2023		2022	
		£'000	£'000	£'000	£'000
<b>Net cash provided by/(used in) operating activities</b>	26		<b>12,404</b>		(1,224)
<b>Taxation received/(paid)</b>			<b>696</b>		<b>(3,105)</b>
<b>Net cash generated from/(used) in operating activities</b>			<b>13,100</b>		<b>(4,329)</b>
<b>Cash flows from investing activities</b>					
Purchase of tangible assets		(12,072)		(13,297)	
Purchase of intangible assets		(925)		(8,092)	
Proceeds from disposals of tangible assets		322		105	
Dividends received from joint ventures		222		368	
Rental income received		34		36	
Interest received		376		50	
<b>Net cash used in investing activities</b>			<b>(12,043)</b>		<b>(20,830)</b>
<b>Cash flows from financing activities</b>					
Repayment of bank loans		(417)		-	
New bank loans		-		7,802	
Interest paid		(1,455)		(328)	
<b>Net cash (used in)/generated from financing activities</b>			<b>(1,872)</b>		<b>7,474</b>
<b>Net decrease in cash and cash equivalents</b>			<b>(815)</b>		<b>(17,685)</b>
Effect of exchange rates on cash and cash equivalents			(409)		1,916
Cash and cash equivalents at the beginning of the year			<b>10,243</b>		<b>26,012</b>
<b>Cash and cash equivalents at the end of the year</b>			<b>9,019</b>		<b>10,243</b>
<b>Cash and cash equivalents consist of:</b>					
Cash at bank and in hand			<b>16,866</b>		21,611
Bank overdrafts			<b>(7,847)</b>		<b>(11,368)</b>
<b>Cash and cash equivalents at the end of the year</b>			<b>9,019</b>		<b>10,243</b>

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

Within cash and cash equivalents there is a balance of £464k (2022: £459k) that is held in an escrow account. This escrow account has been established in agreement with the defined benefit pension scheme and the group have been making agreed payments into the account. Further information is included in note 23.

# THE SCOTT BADER COMMONWEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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### 1. STATEMENT OF COMPLIANCE

The Scott Bader Commonwealth Limited is a private company, limited by guarantee, incorporated in England and Wales and domiciled in England. The company number is 496082 and the registered office is Wollaston Hall, Wollaston, Wellingborough, Northamptonshire, NN29 7RL.

The financial statements have been prepared in compliance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Principal activities are noted in the Report of the Trustees.

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

The charitable company constitutes a public benefit entity as defined by FRS102.

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 3.

#### Reduced disclosures

In accordance with FRS 102, the Charity has taken advantage of the exemptions from the following disclosure requirements:

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

#### Going Concern

When assessing the going concern principle for the Commonwealth, considerations of the Trustees include, but are not limited to the following in relation to SBCL; the Financial position of the SBCL 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 SBCL 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 SBCL Group is forecast to trade profitably and have a number of opportunities for growth. The SBCL 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.

During this challenging period, the Group Leadership Team (GLT) has generated forecasts to December 2025 under a variety of scenarios, including the application of prudent, worst case assumptions. On the basis of these forecasts, the Trustees remain confident that the Group will be sufficiently well capitalised for the foreseeable future.

Having considered the financial forecasts, the Trustees are confident that the SBCL Group, and therefore the Commonwealth Group, remains a going concern, and that the results within this document represent a true and fair view of the position of the Group.

The accounts are prepared on the going concern basis.

## THE SCOTT BADER COMMONWEALTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### Group financial statements and basis of consolidation

These financial statements consolidate the results of the Charity and all its subsidiary undertakings 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 venturers under a contractual arrangement are treated as joint ventures.

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

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

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

##### Foreign currency

###### (i) Functional and presentation currency

The Group financial statements are presented in pound sterling and rounded to thousands. The Charity'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 statement of financial activities.

###### (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 assets and from the translation of the profits or losses at average rates are included in other recognised gains and losses.

##### Income recognition

Income recognition includes income recognised in the Group's trading activities.

Income 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 income 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 income can be measured reliably; (d) it is probable that future economic benefits will flow to the entity.

###### (i) Sale of goods

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

###### (ii) Interest income

Interest income is recognised using the effective interest rate method.

###### (iii) Rental income

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

# THE SCOTT BADER COMMONWEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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### 2. ACCOUNTING POLICIES (CONTINUED)

#### Income recognition (continued)

##### (iv) Donation income

Donation income including donations, gifts and grants that provide core funding or of a general nature are recognised where there is entitlement, receipt is probable and the amount can be measured with sufficient reliability.

#### Employee benefits

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

##### (i) Short term benefits

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

##### (ii) Defined contribution pension plans

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

##### (iii) Defined benefit pension plan

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

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

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

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

The retirement benefit obligation recognised represents the deficit or surplus in the defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions from the plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other recognised gains and losses. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Actuarial (loss)/gain on defined benefit pension'.

The cost of the defined benefit plan, recognised in profit or loss 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. 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.

## THE SCOTT BADER COMMONWEALTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### (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 statement of financial activities, except to the extent that it relates to items in other recognised gains and losses. In this case, tax is also included in other recognised gains and losses.

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 net 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.

##### (iii) Deferred tax in business combinations

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

##### (iv) Offsetting deferred tax assets and liabilities

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

##### Business combinations and goodwill

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

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

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

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

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised up to 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 statement of financial activities.

## THE SCOTT BADER COMMONWEALTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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## 2. ACCOUNTING POLICIES (CONTINUED)

### Intangible assets

Intangible assets are stated at cost or fair value at acquisition date less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, of up to 10 years, in line with the Directors' assessment of the beneficial period.

Goodwill	0 – 10 years
Technology	0 – 10 years
Customer Lists	0 – 10 years

### Tangible fixed assets and depreciation

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

#### (i) Land & buildings

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

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

Freehold 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.

### Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

Any impairment loss recognised for goodwill is not reversed. For fixed assets other than goodwill, recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

### 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.

## THE SCOTT BADER COMMONWEALTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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## 2. ACCOUNTING POLICIES (CONTINUED)

### Leased assets (continued)

#### (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.

#### (i) Finance leased assets (continued)

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

#### (ii) Operating leased assets

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

#### (iii) Lease incentives

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

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

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

### Investments

Charity 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 group statement of financial activities.

### 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 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, stock is 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 statement of financial activities. 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 statement of financial activities.

# THE SCOTT BADER COMMONWEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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### 2. ACCOUNTING POLICIES (CONTINUED)

#### 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 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

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 likelihood 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 debtors, amounts owed by group undertakings, cash and bank balances and listed investments 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 creditors, bank loans, amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

## THE SCOTT BADER COMMONWEALTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### (ii) Financial liabilities (continued)

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.

##### **Research and development costs**

Expenditure on research and development is written off as incurred.

##### **Fund accounting**

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. If applicable, the aim and use of each designated fund is set out in the notes to the financial statements.

All funds are general except for the fair value reserve which is a designated fund.

##### **Expenditure**

Expenditure is recognised when a liability is incurred. Contractual arrangements are recognised as goods or services are supplied. Other payments are recognised when a constructive obligation arises that results in the payment being unavoidable.

- Costs of raising funds are those costs incurred in commercial trading activities.
- Charitable activities include expenditure associated with the Commonwealth.
- Governance costs include those incurred in the governance of the Charity and its assets and are primarily associated with constitutional and statutory requirements.
- Charitable donations and grants are accounted for in the year of payment or when approved and the recipient has been informed in writing that the donation is to be made unconditionally, albeit that payment may be in a following accounting period. Where it has been agreed to make such unconditional donations or grants to charity in future years, this is included in the accounts as a liability.

##### **Investment property**

Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure. Investment properties are carried at fair value with changes in fair value being recognised in the statement of financial activities. The cumulative fair value movement is presented in a Fair Value Reserve (designated fund).

# THE SCOTT BADER COMMONWEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

#### Critical accounting estimates and assumptions

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

##### (i) Impairment of debtors (note 17)

The Group 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 22)

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. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

##### (iii) Defined benefit pension scheme (note 23)

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 19)

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 12)

The group fair values contingent consideration based on latest available information as detailed in note 12.

### 4. ANALYSIS OF TOTAL INCOME

	Group		Charity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
External turnover of Scott Bader Company Limited and its subsidiaries	273,301	304,520	-	-
Investment income	1,253	363	51	42
Donation from Scott Bader Company Limited	-	-	316	305
	<u>274,554</u>	<u>304,883</u>	<u>367</u>	<u>347</u>

External turnover of Scott Bader Company Limited and its subsidiaries by geographical market is analysed below:

	2023	2022
	£'000	£'000
UK and Eire	41,896	51,706
Continental Europe	100,468	135,202
Rest of World	130,937	117,612
	<u>273,301</u>	<u>304,520</u>

**THE SCOTT BADER COMMONWEALTH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**5. INVESTMENT INCOME**

	Group		Charity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Rental income	34	7	34	36
Interest receivable and similar income	1,219	356	17	6
	<b>1,253</b>	<b>363</b>	<b>51</b>	<b>42</b>

**6. ANALYSIS OF TOTAL EXPENDITURE**

	Group		Charity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Raising funds:				
Staff costs (including related costs) (note 11)	46,171	40,885	-	-
Other trading costs	227,531	261,584	-	-
Total expenditure on commercial trading operations	<b>273,702</b>	<b>302,469</b>	<b>-</b>	<b>-</b>
Charitable activities (note 9)	335	387	379	444
Total expenditure	<b>274,037</b>	<b>302,856</b>	<b>379</b>	<b>444</b>

**7. NET INCOME/(EXPENDITURE)**

	Group		Charity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Net income/(expenditure) is stated after charging / (crediting) the following items:				
Research and development	3,354	4,376	-	-
Depreciation and amortisation	6,621	5,959	-	-
Net interest on DB Pension Scheme	(383)	(306)	-	-
Loss on disposal of tangible assets	8	33	-	-
Impairment of trade debtors	(99)	185	-	-
Impairment of stocks	(154)	722	-	-
Operating lease charges	1,706	2,753	-	-
Foreign exchange loss	1,172	510	-	-
Auditor's remuneration:				
Fees payable to the Charity's auditors:				
- for the audit of the Charity's financial statements	23	22	23	22
- for the audit of the Charity's subsidiaries	373	274	-	-
Other non-audit fees	156	79	9	-

The audit fees of the Charity itself are paid by Scott Bader Company Limited.

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	Group	
	2023 £'000	2022 £'000
Interest expense on bank loans and overdrafts	1,370	307
Interest expense on other loans	85	21
Total interest payable and similar charges	<b>1,455</b>	<b>328</b>

## THE SCOTT BADER COMMONWEALTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 9. EXPENDITURE ON CHARITABLE ACTIVITIES

The Scott Bader Commonwealth Limited has a policy of making grants to organisations and not individuals. Information about the charitable donations (grants) made by The Scott Bader Commonwealth Limited is given below. As advised earlier in the report, funds are made available to all the companies in the Scott Bader Group (proportionate to the number of people employed at each location). Via small Charity committees (if they choose) they then submit applications via the grant management tool OPTIMY, which was introduced to simplify and streamline the grant making process.

The Trustees are aware that some locations prefer to support the same charities year on year, but consider it is acceptable to form long term relationships with the charities that they consider are looking after the welfare of those less fortunate in the communities where they operate.

#### Commonwealth Community Hardship Fund

	<b>2023</b> <b>£'000</b>
None	-
	<u>-</u>

In the prior year, the charity made 9 grants to charitable institutions totalling £37k under the Commonwealth Community Hardship Fund.

#### UK Fund (Glocal Fund)

Charity Name	<b>2023</b> <b>£'000</b>
UK Nomination Scheme	14.9
Small donations to support small local charities with their fund-raising activities	1.2
Acorn Early Years Foundation (Ed)	7.6
Action for Children (P)	4.0
Independent Provider of Special Education Advice (IPSEA) (Ed)	2.8
Charnwood 20:20 (Love for Life) (Ed)	3.1
Sal's Shoes (P)	5.0
Spencer Contact (P)	5.4
The Lewis Foundation (P)	8.4
The Lowdown (Ed)	5.0
The Running Charity (P)	5.0
We Mind & Kelly Matters (Ed)	5.0
	<u><b>67.4</b></u>

In the prior year, the charity made 25 grants to charitable institutions totalling £120k under the UK Fund.

#### Ireland (Glocal Fund)

Charity Name	<b>2023</b> <b>£'000</b>
Barnardo's (Ed)	2.1
Extern Ireland (Ed)	2.2
	<u><b>4.3</b></u>

In the prior year, the charity made one grant to a charitable institution in Ireland totalling £1k.

**THE SCOTT BADER COMMONWEALTH LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**9. EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)****France (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
Small donations	4.5
La Bonne Casse (P)	3.0
Federation Somme Secours Populaire (P)	3.6
CRE2ADO (Ed)	4.0
Les Terrasses Des Bords De Somme (En)	4.3
UDAF (P)	4.2
SOUC (Ed)	1.0
	<u>24.6</u>

In the prior year, the charity made 11 grants to charitable institutions in France totalling £46k.

**Croatia (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
Mali Zmaj (P)	8.5
Centar Za Rehabilitaciju Stancic (Ed)	8.5
MS Pilates (Ed)	2.0
	<u>19.0</u>

In the prior year, the charity made 6 grants to charitable institutions in Croatia totalling £31k.

**South Africa (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
African Wanderers Football Club Academy (Ed)	1.5
Hammarsdale Cato Ridge Development Association (P)	1.5
Hammarsdale Athletics Club (P)	1.5
Inqophamlando Service Center for the Aged (P)	1.5
Lulama Trust (En)	1.5
Okhule Edu-Care Centre (Ed)	1.5
Sakhisizwe Creche and Pre-School (Ed)	1.5
Bongimpilo Creche and Pre-School (Ed)	1.5
Thingo Youth Development Centre (P)	1.5
Tholulwazi Creche and Pre-School (Ed)	1.5
	<u>15.0</u>

In the prior year, the charity made 12 grants to charitable institutions in South Africa totalling £28k.

**Dubai (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
MAAN Education & Health Development Organisation (Ed)	7.5
Royal Commonwealth Society for the Blind (Ed)	2.5
Ruchika Social Service Organisation (P)	2.5
SOS Children's Village Philippines (Ed)	2.5
The Rainbow Centre Sri Lanka (Ed)	2.6
Trust for the Rehabilitation for the Paralysed (Ed)	2.5
Marharshi Karve Stree Shikshan Samstha (Ed)	2.6
	<u>22.7</u>

In the prior year, the charity made 11 grants to charitable institutions in Dubai totalling £39k.

**THE SCOTT BADER COMMONWEALTH LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**9. EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)****Germany (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
Artze Ohne Grenzen (P)	2.8
	<u>2.8</u>

In the prior year, the charity made one grant to a charitable institution in Germany totalling £3k.

**China (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
Shanghai Charity Foundation (Ed)	5.0
	<u>5.0</u>

In the prior year, the charity made one grant to a charitable institution in China totalling £7k.

**USA (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
Nomination Scheme	4.5
Small donations	2.5
	<u>7.0</u>

In the prior year, the charity made two grants to charitable institutions in USA totalling £11k.

**Spain (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
Fundacio Privada Catalana Comtal (Ed)	3.0
	<u>3.0</u>

In the prior year, the charity made one grant to a charitable institution in Spain totalling £4k.

**Czech Republic (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
Czech Blind United (Ed)	1.6
Helpes Centrum (Ed)	0.9
Nadace Jedlickova Ustavu (P)	1.3
	<u>3.8</u>

In the prior year, the charity made three grants to charitable institutions in Czech Republic totalling £5k.

**THE SCOTT BADER COMMONWEALTH LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**9. EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)****Canada (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
Centre d'ecoute et de Prevention Suicide Drummond (Ed)	2.1
Comptoir Alimentaire Drummond (P)	2.1
Fondation Rene Verrier (P)	2.1
La Tablee Populaire (P)	2.1
	<u>8.4</u>

In the prior year, the charity made six grants to charitable institutions in Canada totalling £14k.

**Australia (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
Zero2Hero (Ed)	4.0
	<u>4.0</u>

In the prior year, the charity made two grants to charitable institutions in Australia totalling £5k.

**Japan (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
None	-
	<u>-</u>

In the prior year, the charity made one grants to a charitable institution in Japan totalling £3k.

**Sweden (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
BarncancerFonden (Ed)	1.0
Nene Valley Care Trust (Ed)	2.5
	<u>3.5</u>

In the prior year, the charity made two grants to charitable institutions in Sweden totalling £5k.

**India (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
Frank Water (En)	2.5
	<u>2.5</u>

In the prior year, the charity made no grants to charitable institutions in India.

**THE SCOTT BADER COMMONWEALTH LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**9. EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)****Italy (Glocal Fund)**

<b>Charity Name</b>	<b>2023 £'000</b>
Children in Crisis Italy (Ed)	2.8
	<u>2.8</u>

In the prior year, the charity made no grants to charitable institutions in Italy.

**President's Fund**

<b>Charity Name</b>	<b>2023 £'000</b>
None	-
	<u>-</u>

In the prior year, the charity made 10 grants to charitable institutions totalling £8k under the President's Fund.

**Research Grants**

<b>Charity Name</b>	<b>2023 £'000</b>
EOA Knowledge Programme	11.8
	<u>11.8</u>

In the prior year, the charity made 2 research grants to charitable institutions totalling £15k.

**Centenary Fund**

<b>Charity Name</b>	<b>2023 £'000</b>
Carers Worldwide (P)	25.0
Hands Off Foundation (P)	25.0
The Karen Hilltribes Trust (P)	25.0
The Mud House Children's Foundation (P)	25.0
	<u>100.0</u>

In the prior year, the charity made no grants to charitable institutions under the Centenary Fund.

**Godric Bader Fund**

<b>Charity Name</b>	<b>2023 £'000</b>
Quaker United Nations Office (QUNO)	7.5
Other small grants	0.5
	<u>8.0</u>

In the prior year, the charity made no grants to charitable institutions under the Godric Bader Fund.

**THE SCOTT BADER COMMONWEALTH LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**9. EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)****Other grants**

<b>Charity Name</b>	<b>2023 £'000</b>
DEC Turkey-Syria Earthquake Appeal	2.0
Northamptonshire Community Foundation	3.7
	<u>5.7</u>

In the prior year, the charity made no other grants to charitable institutions.

	<b>2023 £'000</b>	<b>2022 £'000</b>
<b>Total direct charitable expenditure (grants payable)</b>	<u>321</u>	<u>382</u>
<b>Support costs:</b>		
Governance costs	14	5
<b>Total charitable expenditure (Group)</b>	<u>335</u>	<u>387</u>
<b>Add: Group cost recharges</b>	44	57
<b>Total charitable expenditure (Charity only)</b>	<u>379</u>	<u>444</u>

**THE SCOTT BADER COMMONWEALTH LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

**10. TAXATION**

The Commonwealth is registered as a Charity and as such is exempt from Corporation Tax. However tax is payable by Scott Bader Company Limited and its subsidiaries. The below notes relate specifically to the SBCL Group tax position.

<b>a) Tax expense included in profit or loss</b>	<b>2023</b>	2022
	<b>£'000</b>	£'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 and total current tax	<u>2,301</u>	<u>(931)</u>
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	<u>(1,426)</u>	<u>1,168</u>
Group current tax	2,301	(931)
Group deferred tax	(1,426)	1,168
<b>Group tax on profit on ordinary activities</b>	<u>875</u>	<u>237</u>
<b>b) Tax expense included in other comprehensive income</b>	<b>2023</b>	2022
	<b>£'000</b>	£'000
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	<u>1,015</u>	<u>2,513</u>

**THE SCOTT BADER COMMONWEALTH LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**10. TAXATION (CONTINUED)****(c) Reconciliation of tax charge**

	<b>2023</b>	2022
	<b>£'000</b>	£'000
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:		
Total net income before tax for the financial year	<u>738</u>	<u>2,224</u>
Profit on ordinary activities at standard rate of corporation taxation in the UK: 23.5% (2022: 19%)	173	423
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 deductible for tax purposes	317	(275)
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
<b>Group tax on profit on ordinary activities</b>	<u><b>875</b></u>	<u>237</u>

The Effective Tax Rate (ETR) of the Group (excluding adjustments in respect of prior periods) increased by 57.5% to 64.9% (2022: 7.4%).

Due to the decrease in the SBCL 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.

**THE SCOTT BADER COMMONWEALTH LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**11. ANALYSIS OF STAFF COSTS**

The charity employs 3 employees (2022: 2). £41k of staff costs were recharged to SBCW from SBCL in the year (2022: £46k). The following are disclosures for the Group.

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

Expenses reimbursed to the Trustees in the year were £3.8k (2022: £4.1k), relating to travel and subsistence for 5 Trustees (2022: 5).

In accordance with normal commercial practice, the Group has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on charity business. It is not possible to quantify the cost of this insurance as it is part of a combined policy. The Trustees of the Charity do not receive remuneration in their role as Trustees of the Charity. Employee elected Trustees (Benjamin Penney, David Black and Juliette Delprat) receive remuneration for their operational roles in the SBCL Group that they are employed, with the amount received noted below for their period as Trustee:

	<b>2023</b>	2022
	<b>£'000</b>	£'000
Basic Salary	<b>186</b>	134
Pension contributions and other benefits	<b>10</b>	-
Bonuses	<b>9</b>	26
	<b>205</b>	160

The remuneration of key management personnel of the Group was £2,157k (2022: £1,963k). This includes Trustees' 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. There are no Trustees to whom retirement benefits are accruing.

**THE SCOTT BADER COMMONWEALTH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**11. ANALYSIS OF STAFF COSTS (CONTINUED)**

The number of employees whose total employee benefits (excluding employer pension costs) exceeded £60,000 during the year for the charitable group was:

	<b>2023</b>	2022
	<b>Number</b>	Number
£60,001 - £70,000	44	33
£70,001 - £80,000	29	22
£80,001 - £90,000	13	17
£90,001 - £100,000	20	14
£100,001 - £110,000	9	7
£110,001 - £120,000	10	2
£120,001 - £130,000	4	2
£130,001 - £140,000	3	4
£140,001 - £150,000	5	1
£150,001 - £160,000	5	1
£160,001 - £170,000	1	2
£170,001 - £180,000	2	1
£180,001 - £190,000	-	1
£190,001 - £200,000	-	1
£200,001 - £210,000	1	-
£250,001 - £260,000	1	-
£270,001 - £280,000	1	-
£330,001 - £340,000	1	-
£370,001 - £380,000	-	2
	<u>149</u>	<u>110</u>

The average number of persons employed during the period by geographical area was as follows:

	<b>2023</b>	2022
	<b>Number</b>	Number
UK and Eire	334	328
Continental Europe	221	219
Rest of World	279	220
	<u>834</u>	<u>767</u>

The average number of persons employed by the Group by activity was as follows:

	<b>2023</b>	2022
	<b>Number</b>	Number
Administration	141	109
Research & Development	52	53
Manufacturing & Distribution	524	453
Sales & Marketing	117	152
	<u>834</u>	<u>767</u>

**THE SCOTT BADER COMMONWEALTH LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

**12. INTANGIBLE FIXED ASSETS**

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

Assets in the course of construction and on which amortisation has yet to commence are included in the cost of Technology to the value of £2,753k (2022: £1,906k).

Amortisation has been included within expenditure on commercial trading operations.

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 3 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 is 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.

**THE SCOTT BADER COMMONWEALTH LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

**13. TANGIBLE FIXED ASSETS**

Group	Land and Buildings		Plant and equipment £'000	Motor vehicles £'000	Total £'000
	Freehold £'000	Short leasehold £'000			
<b>Cost or valuation:</b>					
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)
<b>At 31 December 2023</b>	<b>42,428</b>	<b>5,167</b>	<b>109,414</b>	<b>528</b>	<b>157,537</b>
<b>Accumulated Depreciation:</b>					
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)
<b>At 31 December 2023</b>	<b>20,521</b>	<b>3,295</b>	<b>70,509</b>	<b>308</b>	<b>94,633</b>
Net book value					
<b>At 31 December 2023</b>	<b>21,907</b>	<b>1,872</b>	<b>38,905</b>	<b>220</b>	<b>62,904</b>
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 & Equipment to the value of £17,111k (2022: £12,010k). Freehold land of £5,092k (2022: £5,347k) is not depreciated.

**14. SUBSIDIARY UNDERTAKINGS**

The Commonwealth is the registered holder of the whole of the share capital of Scott Bader Company Limited's 100,000 shares of 50p each. Of these, the Commonwealth holds 10,000 shares on behalf of the Guardian Trustees who have additional responsibilities to their role as Charity Trustees as set out in the Report of the Trustees.

These 10,000 shares are referred to in the Articles of The Scott Bader Commonwealth Limited as Guardian Trustee Shares. Special voting rights in relation to these shares are exercised under Articles 27 and 68 of the Articles of Association of The Scott Bader Commonwealth Limited. These relate to any resolution to alter the Articles of Association of either The Scott Bader Commonwealth Limited or Scott Bader Company Limited or to dispose of or direct the disposal of any shares in Scott Bader Company Limited.

The shares were given to the Commonwealth in 1951 and 1963 by Ernest Bader and his family in order to place Scott Bader Company Limited in common ownership where it would be directed and managed not only for the benefit of those working in the Company but also for the wider community and for future generations.

Under Article 14 of the Scott Bader Commonwealth Limited articles, the SBCW Board shall have no power to dispose of any Shares in SBCL or any other Subsidiary or to exercise or direct the exercise of the votes or carry out any other responsibilities attached to any such Shares. The SBCW Members and the Guardian Trustees shall exercise such powers and any such other responsibilities in accordance with these Articles.

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 over 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. This transaction is expected to complete in Q2 2024.

**THE SCOTT BADER COMMONWEALTH LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

**14. SUBSIDIARY UNDERTAKINGS (CONTINUED)**

**Subsidiary undertakings**

The Group holds 100% of the issued shares of all subsidiaries in the below table and, except where noted, these are held by SBCL. 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	Company Registration Number	Nature of Business	Registered Office
Scott Bader Company Limited <sup>4</sup>	Great Britain	00189141	Corporate Head office	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL
Scott Bader UK Limited	Great Britain	4562724	Manufacturer of resins	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL
Scott Bader SAS	France	631 720 497	Manufacturer of resins	65 Rue Sully, 80000 Amiens
Scott Bader Middle East Ltd (Incorporated in Jersey) <sup>1</sup>	United Arab Emirates	States of Jersey: Registration No.: 55367 JAFZA: Registration No.: 173909	Manufacture of resins	One The Esplanade, St Helier, Jersey, JE 3QA, Channel Islands
Scott Bader d.o.o. <sup>2</sup>	Croatia	80008643	Manufacture of resins	Radnička cesta 173 i, 10000 Zagreb
Scott Bader (Pty) Ltd <sup>1</sup>	South Africa	1993 000 466 07	Manufacture of resins	1 Lubex Road, PO Box 1539, Hillcrest 3650, Hammarsdale, Kwazulu Natal, South Africa
Scott Bader ATC Inc.	Canada	1168859909	Manufacturer of adhesives	2400, Canadien Street #303, Drummondville (Qc), J2C 7W3, Canada
Scott Bader Scandinavia AB <sup>1</sup>	Sweden	556399-5322	Distributor of resins	BOX 202, 31123 Falkenberg
Scott Bader Eastern Europe <sup>1</sup>	Czech Republic	250 45 580	Distributor of resins	Evropska 2588/33a, Dejvice, 160 00 Praha 6
Scott Bader Iberica SL <sup>1</sup>	Spain	ESB 62948450. Tomo 34949/Folio 0202	Distributor of resins	Avda. Corts Catalanes, 8, 08173 Sant Cugat del Valles-Barcelona
Scott Bader Inc <sup>3</sup>	USA	2310546	Distributor of resins	Registered Agent Solutions, Inc., 9E. Loockerman Street, Suite 311, Dover, DE 19901
Scott Bader (Shanghai) Trading Company Ltd	China	91310000664387 9063	Distributor of resins	Room2402, Hitch Plaza 488 Wuning Road (South) Shanghai China
Scott Bader Japan KK	Japan	3020001128001	Distributor of resins	Nisso Bldg#18, Export Office#708, 3-7-18, Shin-Yokohama, Kohoku-ku, Yokohama, Kaagawa, Japan
Synthetic Resins Limited	Great Britain	00282663	Intermediate holding company	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL
Boldhelp Limited	Great Britain	03793984	Intermediate holding company	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL
Scott Bader Brazil Limited	Great Britain	08549866	Intermediate holding company	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL

**THE SCOTT BADER COMMONWEALTH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**14. SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Company	Country of incorporation and principal country of operation	Company Registration Number	Nature of Business	Registered Office
Scott Bader North America Inc <sup>1</sup>	USA	2310544	Intermediate holding company	Registered Agent Solutions, Inc., 9E. Loockerman Street, Suite 311, Dover, DE 19901
Scott Bader Community Fund Trustee Limited	Great Britain	01282834	Corporate Trustee	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL
Scott Bader Ireland Ltd	Ireland	694646	Distributor of resins	7a Dunboyne Industrial Est, Dunboyne. Co. Meath, Ireland
Scott Bader Australia Pty Ltd <sup>1</sup>	Australia	640312170	Distributor of resins	P.O. Box 1124 Bibra Lake, Western Australia 6965 Australia
Scott Bader Private Limited	India	U24290MH2022 PTC383674	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	U24100MH2022 PTC388973	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	202209091H	Intermediate holding company	600 North Bridge Road 323-01 Parkview Square 188788 Singapore

<sup>1</sup> held by Synthetic Resins Limited, <sup>2</sup> held by Boldhelp Limited, <sup>3</sup> held by Scott Bader North America Inc, <sup>4</sup> held by Scott Bader Commonwealth Limited

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

Company	Country of incorporation and principal country of operation	Company Registration Number	Nature of Business	Registered Office
Polymer Mimetics Limited	Great Britain	12598928	Research	Wollaston Hall, Wollaston, Wellingborough, Northants, NN29 7RL

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

**THE SCOTT BADER COMMONWEALTH LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

**14. SUBSIDIARY UNDERTAKINGS (CONTINUED)**

**Joint Ventures**

Company	Country of incorporation and principal country of operation	Registered Office
Novascott Especialidades Quimicas Ttda (JV) <sup>1</sup>	Brazil	Rodovia Governador Mario Covas, no 600, sala 48, Lote Tabajara, Serra do Anil, CEP 29.147-030, City of Cariacisa/ES, Brazil
Satyen Scott Bader LLP (JV) previously Satyen Scott Bader Private Limited	India	307, A-Z Industrial Premises G K Marg, Lower Parel Mumbai Mumbai City MH 400013 IN

<sup>1</sup> shares held by Scott Bader Brazil Limited

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

**Subsidiary results**

A summary of the results of the SBCL Group is shown below:

	2023 £'000	2022 £'000
Turnover	273,344	303,976
Other operating income	461	597
Direct and indirect overheads	(272,563)	(302,476)
Group operating profit	<u>1,242</u>	<u>2,097</u>
Share of operating profit in joint ventures	221	197
Total operating profit: group and share of joint ventures	<u>1,463</u>	<u>2,294</u>
Interest receivable and similar income	741	356
Interest payable and similar charges	(1,455)	(328)
Profit before taxation on ordinary activities	749	2,322
Taxation on profit on ordinary activities	(875)	(237)
(Loss)/profit for the financial year	<u>(126)</u>	<u>2,085</u>

A summary of the financial position of the SBCL Group is shown below:

	2023 £'000	2022 £'000
Fixed assets	73,435	66,325
Current assets	98,131	113,382
Current liabilities	(58,931)	(66,165)
Long term liabilities	(3,531)	(1,372)
Provisions for liabilities	(6,472)	(7,521)
Pension asset	4,290	7,508
Net assets	<u>106,922</u>	<u>112,157</u>
Capital and reserves	<u>106,922</u>	<u>112,157</u>

**THE SCOTT BADER COMMONWEALTH LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

**15. INVESTMENTS**

	<b>Group Joint Ventures</b>		<b>Group and Charity Investment Property</b>	
	<b>2023 £'000</b>	<b>2022 £'000</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
Balance at 1 January	414	591	495	495
Share of profits retained	221	197	-	-
Dividend received	(222)	(368)	-	-
Difference on foreign exchange	(21)	(6)	-	-
<b>Balance at 31 December</b>	<b>392</b>	<b>414</b>	<b>495</b>	<b>495</b>

**Investment property historical cost:**  
The investment property is owned by the charity:

	<b>2023 £'000</b>	<b>2022 £'000</b>
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Cost at 1 January and at 31 December	<u>8</u>	<u>8</u>
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The investment property was valued by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued, Harwoods Chartered Surveyors & Estate Agents, in November 2021, on the basis of open market value. The valuation was arrived at by reference to the estimated amount for which the asset would be expected to exchange between two independent parties on an arms-length basis using available market evidence and local market knowledge. The Trustees believe that this valuation represents the open market value at 31 December 2023. An independent valuation is planned to be performed in the year ended 31 December 2024.

**16. GROUP STOCKS**

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

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

**17. DEBTORS**

	<b>Group</b>		<b>Charity</b>	
	<b>2023 £'000</b>	<b>2022 £'000</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
Trade debtors	32,014	42,572	-	-
Amounts owed by group undertakings	-	-	316	1,089
Corporation tax recoverable	217	3,096	-	-
Deferred tax asset	2,207	712	-	-
Other taxation recoverable	817	535	-	-
Other debtors	1,827	1,342	-	-
Prepayments and accrued income	7,567	3,141	-	-
	<u>44,649</u>	<u>51,398</u>	<u>316</u>	<u>1,089</u>

Trade debtors are stated after provisions for impairment of £305k (2022: £483k). Recorded within other debtors is derivative financial instrument with the value of £101k (2022: £32k). Movement in the year was loss of £13k (2022: gain of £90k). Note 24 provides additional detail.

**THE SCOTT BADER COMMONWEALTH LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

**18. DEBTORS GREATER THAN ONE YEAR**

	<b>Group</b>		<b>Charity</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred tax asset	<b>2,058</b>	2,499	-	-
	<b>2,058</b>	2,499	-	-

**19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Charity</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	<b>16,028</b>	19,633	-	-
Trade creditors	<b>34,234</b>	37,081	-	-
Amounts owed to group undertakings	-	-	<b>49</b>	52
Bills of exchange payable	-	51	-	-
Corporation tax	<b>162</b>	269	-	-
Other taxation and social security	<b>2,140</b>	2,770	-	-
Other creditors	<b>1,674</b>	1,674	-	-
Accruals and deferred income	<b>4,380</b>	3,651	-	-
	<b>58,618</b>	65,129	<b>49</b>	52

**20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

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

**THE SCOTT BADER COMMONWEALTH LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

**21. LOANS AND OTHER BORROWINGS**

Loans repayable, included within creditors, are analysed as follows:

	<b>Group</b>	
	<b>2023</b>	2022
	<b>£'000</b>	£'000
<b>Due within one year or on demand</b>		
Bank loans and overdrafts	<b>16,028</b>	19,633
<b>Due after more than one year</b>		
Bank loans and overdrafts	<b>603</b>	1,372
<b>Total borrowings</b>	<b><u>16,631</u></b>	<u>21,005</u>
<b>Maturity of financial liabilities:</b>		
In one year or less, or on demand	<b>16,028</b>	19,633
In more than one year, but not more than two years	<b>326</b>	471
In more than two years, but not more than five years	<b>277</b>	901
	<b><u>16,631</u></b>	<u>21,005</u>

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

The Group's liabilities relating to Bank loans and overdrafts 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 20).

**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 €4,000k 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.

The Charity previously provided a loan of £552k to the Group. The loan was unsecured, carried a variable interest rate of 1.25% above SONIA per annum and was payable in 5 instalments with the final payment made in August 2023. The terms of the loan were documented in accordance with the advice of the Commonwealth's solicitors.

**THE SCOTT BADER COMMONWEALTH LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

**22. GROUP PROVISIONS FOR LIABILITIES**

**Group**

	Environmental £'000	Leaving Provisions £'000	Retirement Benefits £'000	Deferred Tax £'000	£'000
At 1 January 2023	1,443	2,353	1,735	1,990	<b>7,521</b>
Foreign exchange impact	(4)	257	3	-	<b>256</b>
Amounts charged to the profit and loss account	332	331	(58)	253	<b>858</b>
Amounts used during the year	-	(113)	(60)	(1,990)	<b>(2,163)</b>
At 31 December 2023	<b>1,771</b>	<b>2,828</b>	<b>1,620</b>	<b>253</b>	<b>6,472</b>

The provision for deferred taxation is disclosed as a Debtor falling due in 2 to 5 years (Note 18) £2,058k (2022: £2,499k) and Debtor falling due in under 1 year (Note 17) £2,207k (2022: £712k) and a provision for liabilities and charges of £253k (2022: £1,990k).

The net deferred tax as disclosed in notes 17, 18 and 22 consists of the following assets/(liabilities):

	2023 £'000	2022 £'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
	<b>4,012</b>	<b>1,221</b>

**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.

# THE SCOTT BADER COMMONWEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 23. GROUP 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 £460k p.a. (£38,333.33 per month).

Contributions:

- Potential £460k pa in respect of 1 January 2023 to 31 December 2028
- The proceeds of the Escrow account, which amounted to £464k as at 30 December 2023, have been 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 2023. This update was done by an independent qualified actuary, using the following major assumptions:

	<b>2023</b>	<b>2022</b>
	<b>n/a</b>	<b>n/a</b>
Rates of increase in salaries		
Rate of increase in 5% LPI pensions in payment	<b>3.10%</b>	3.20%
Rate of increase in 5% LPI pensions with 3.5% underpin in payment	<b>3.90%</b>	3.80%
Rate of increase in pensions in deferment	<b>2.20%</b>	2.20%
Discount rate	<b>4.50%</b>	4.90%
Inflation assumption	<b>3.20%</b>	3.20%
Assumed life expectancies on retirement at age 60:	<b>2023</b>	<b>2022</b>
	<b>Years</b>	<b>Years</b>
Retiring today	Males <b>26.0</b>	26.4
	Females <b>28.8</b>	29.1
Retiring in 10 years	Males <b>26.6</b>	27.0
	Females <b>29.6</b>	29.8

**THE SCOTT BADER COMMONWEALTH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**23. GROUP POST EMPLOYMENT BENEFITS (CONTINUED)**

Reconciliation of scheme assets and liabilities:	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2023	<b>96,398</b>	<b>(88,890)</b>	<b>7,508</b>
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	<u>211</u>	<u>(4,272)</u>	<u>(4,061)</u>
Benefits paid	(6,135)	6,135	-
Employer contributions	460	-	460
Interest income/(expense)	4,585	(4,202)	383
<b>At 31 December 2023</b>	<b><u>95,519</u></b>	<b><u>(91,229)</u></b>	<b><u>4,290</u></b>

The actual return on plan assets was £4,796k.

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

**(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).

	<b>Group</b>	
The amount recognised as an expense for these defined contribution schemes was:	<b>2023</b>	2022
	<b>£000</b>	£000
Current period contributions	<b><u>1,707</u></b>	<u>1,913</u>

# THE SCOTT BADER COMMONWEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 24. FINANCIAL INSTRUMENTS

	Notes	Group	
		2023 £000	2022 £000
<b>Financial assets measured at fair value through profit or loss:</b>			
Derivative financial instruments	17 & 19	<u>101</u>	<u>32</u>

#### 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 3,500k 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: £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, SBCL 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 statement of financial activities.

### 25. ANALYSIS OF MOVEMENT IN FUNDS

GROUP	Fair Value Reserve (Designated Fund) £000	Unrestricted income funds £000	Non – Controlling interest £000	Total £000
At 1 January 2022	487	114,347	31	114,865
Income	-	304,883	-	304,883
Expenditure	-	(302,856)	-	(302,856)
Share of net income from joint ventures	-	176	21	197
Tax payable	-	(237)	-	(237)
Gains/(losses)	-	(2,759)	-	(2,759)
At 1 January 2023	487	113,554	52	114,093
Income	-	274,554	-	274,554
Expenditure	-	(274,037)	-	(274,037)
Share of net income from joint ventures	-	190	31	221
Tax payable	-	(875)	-	(875)
Gains/(losses)	-	(5,109)	-	(5,109)
<b>At 31 December 2023</b>	<b>487</b>	<b>108,277</b>	<b>83</b>	<b>108,847</b>

#### Fair Value Reserve (Designated Fund)

The Fair Value Reserve is a designated fund relating to the fair value movements on the investment property meaning that the fund cannot be distributed unless the properties are sold or the Directors are first assured that the investment property maintains at least its previous market value.

**THE SCOTT BADER COMMONWEALTH LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

**25. ANALYSIS OF MOVEMENT IN FUNDS (CONTINUED)**

<b>CHARITY</b>	<b>Fair Value Reserve (Designated fund) £000</b>	<b>Unrestricted income funds £000</b>	<b>Non – Controlling interest £000</b>	<b>Total £000</b>
At 1 January 2022	487	1,547	-	2,034
Income	-	347	-	347
Expenditure	-	(444)	-	(444)
At 1 January 2023	487	1,450	-	1,937
Income	-	367	-	367
Expenditure	-	(379)	-	(379)
<b>At 31 December 2023</b>	<b>487</b>	<b>1,438</b>	<b>-</b>	<b>1,925</b>

<b>GROUP</b> <b>For the year ended 31 December 2023</b>	<b>Fair Value Reserve (Designated fund) £000</b>	<b>Unrestricted income funds £000</b>	<b>Non – Controlling interest £000</b>	<b>Total £000</b>
Intangible fixed assets	-	10,139	-	10,139
Tangible fixed assets	-	62,904	-	62,904
Investments	487	400	-	887
Net current assets	-	40,547	83	40,630
Long term liabilities	-	(3,531)	-	(3,531)
Provisions	-	(6,472)	-	(6,472)
Pension asset	-	4,290	-	4,290
	<b>487</b>	<b>108,277</b>	<b>83</b>	<b>108,847</b>

<b>CHARITY</b> <b>For the year ended 31 December 2023</b>	<b>Fair Value Reserve (Designated fund) £000</b>	<b>Unrestricted income funds £000</b>	<b>Non – Controlling interest £000</b>	<b>Total £000</b>
Investments	487	8	-	495
Net current assets	-	1,430	-	1,430
	<b>487</b>	<b>1,438</b>	<b>-</b>	<b>1,925</b>

<b>GROUP</b> <b>For the year ended 31 December 2022</b>	<b>Fair Value Reserve (Designated fund) £000</b>	<b>Unrestricted income funds £000</b>	<b>Non – Controlling interest £000</b>	<b>Total £000</b>
Intangible fixed assets	-	7,768	-	7,768
Tangible fixed assets	-	58,143	-	58,143
Investments	487	422	-	909
Net current assets	-	48,606	52	48,658
Long term liabilities	-	(1,372)	-	(1,372)
Provisions	-	(7,521)	-	(7,521)
Pension asset	-	7,508	-	7,508
	<b>487</b>	<b>113,554</b>	<b>52</b>	<b>114,093</b>

**THE SCOTT BADER COMMONWEALTH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**25. ANALYSIS OF MOVEMENT IN FUNDS (CONTINUED)**

<b>CHARITY</b> <b>For the year ended 31 December 2022</b>	<b>Fair Value Reserve (Designated fund) £000</b>	<b>Unrestricted income funds £000</b>	<b>Non – Controlling interest £000</b>	<b>Total £000</b>
Investments	487	8	-	495
Net current assets	-	1,442	-	1,442
	<u>487</u>	<u>1,450</u>	<u>-</u>	<u>1,937</u>

**26. NOTES TO THE STATEMENT OF CASH FLOWS**

a) Reconciliation of net (expenditure)/income to net cash provided by/(used in) operating activities

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
<b>Net (expenditure)/income for the reporting period (as per the statement of financial activities)</b>	<b>(137)</b>	<b>1,987</b>
<b>Adjustments for:</b>		
Interest payable	1,455	328
Interest receivable	(760)	(356)
Rental income received	(34)	(36)
Taxation	875	237
Share of operating profit in joint ventures	(221)	(197)
Profit on disposal of fixed assets	(8)	(33)
Depreciation and amortisation	6,621	5,962
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	6,093	1,836
Decrease in creditors	(3,332)	(6,554)
Increase in provisions	244	88
<b>Net cash provided by/(used in) operating activities</b>	<b><u>12,404</u></b>	<b><u>(1,224)</u></b>

b) Analysis of changes in net debt

<b>Group</b>	<b>At 1 January 2023</b> <b>£'000</b>	<b>Cash flows</b> <b>£'000</b>	<b>Non-cash flows</b> <b>£'000</b>	<b>Exchange rate movement</b> <b>£'000</b>	<b>At 31 December 2023</b> <b>£'000</b>
<b>Cash and cash equivalents:</b>					
Cash	21,611	(4,745)	-	-	16,866
Overdraft	(11,368)	3,521	-	-	(7,847)
	<u>10,243</u>	<u>(1,224)</u>	<u>-</u>	<u>-</u>	<u>9,019</u>
<b>Borrowings:</b>					
Borrowings - repayable within one year	(8,265)	444	(769)	409	(8,181)
Borrowings - repayable after one year	(1,372)	-	769	-	(603)
	<u>(9,637)</u>	<u>444</u>	<u>-</u>	<u>409</u>	<u>(8,784)</u>
<b>Net funds</b>	<u>606</u>	<u>(780)</u>	<u>-</u>	<u>409</u>	<u>235</u>

## THE SCOTT BADER COMMONWEALTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 27. GROUP CONTINGENT LIABILITIES

##### Group:

Pension Scheme Funding: 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.

#### 28. GROUP CAPITAL AND OTHER COMMITMENTS

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

The Charity has no capital or operating lease commitments at 31 December 2023 (2022: Nil).

#### 29. RELATED PARTIES

##### Group

The Group 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.

The Group 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.

Revenue in relation to the share of profit in joint ventures of £221k (2022: £197k) has been recognised in the statement of financial activities of the Group.

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

##### Charity

The Commonwealth received a donation from SBCL in the amount of £316k (2022: £305k). In addition, the Commonwealth reimbursed SBCL, at cost, for management services provided in the year of £41k (2022: £46k). The net year-end balance of money owed by Scott Bader Company Limited to The Scott Bader Commonwealth Limited was £275k (2022: £1,037k).

During the year, a loan of £552k from Scott Bader Commonwealth to SBCL was fully repaid.

#### 30. LEGAL STATUS OF THE SCOTT BADER COMMONWEALTH LIMITED

The Scott Bader Commonwealth Limited is a company limited by guarantee without shares and a registered Charity. The liability of each member in the event of winding up is limited to 5p.

#### 31. POST BALANCE SHEET EVENTS

On Wednesday 13 September 2023, the SBCL 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.