CRODA

Innovation through our people

Annual Report and Accounts 2015

We are the name behind the high performance ingredients and technologies in some of the biggest, most successful brands in the world; creating, making and selling speciality chemicals that are relied on by industries and consumers everywhere.

In this year's report

2015

A strong performance

+8.2%

Adjusted pre-tax profit up 8.2% to £254.7m

Sales
£1,081.7m
2014: £1,046.6m +3.4%

Underlying sales growth in constant currency
3.7%
2014: 2.9%

Adjusted operating profit*
£264.2m
2014: £248.4m +6.4%

NPP sales as % of Group sales
26.1%
2014: 23.4%

Adjusted earnings per share*
135.0p
2014: 125.2p +7.8%

Energy from non-fossil fuel sources
24.2%
2014: 25.5%

Ordinary and special dividend declared
169.0p per share
2014: 65.5p (ordinary) +158.0%

Reduction in waste to landfill since 2010
56.8%
2014: 45.2%

* Before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition

» Read more in the Financial Statements on **p86**

Our strategy

Growth
Delivering consistent top and bottom line growth

Innovation
Accelerating innovation and increasing the proportion of sales that are protected

Sustainability
Investing in sustainability

» Read more in Our Strategy on **p08** and in the Chief Executive's Report on **p10**

How we deliver value

Across all four of our market sectors we work in partnership with our customers to design ingredients that enhance everyday products. We manufacture globally and sell directly to our customers.

Engage
Create
Make
Sell

» Read more about Our Business Model on **p14**

Global market sectors

4

Personal Care

Personal Care focuses on ingredients for skin, hair, sun and colour cosmetic products.

Sales

£377.3m p16

Life Sciences

Life Sciences comprises two complementary businesses, Health Care and Crop Care.

Sales

£231.3m p18

Performance Technologies

Performance Technologies delivers innovative ingredients to a wide range of niche, mostly industrial, markets.

Sales

£354.8m p20

Industrial Chemicals

Industrial Chemicals is a small, diverse sector based on selling co-streams, developing novel niche applications and undertaking toll processing.

Sales

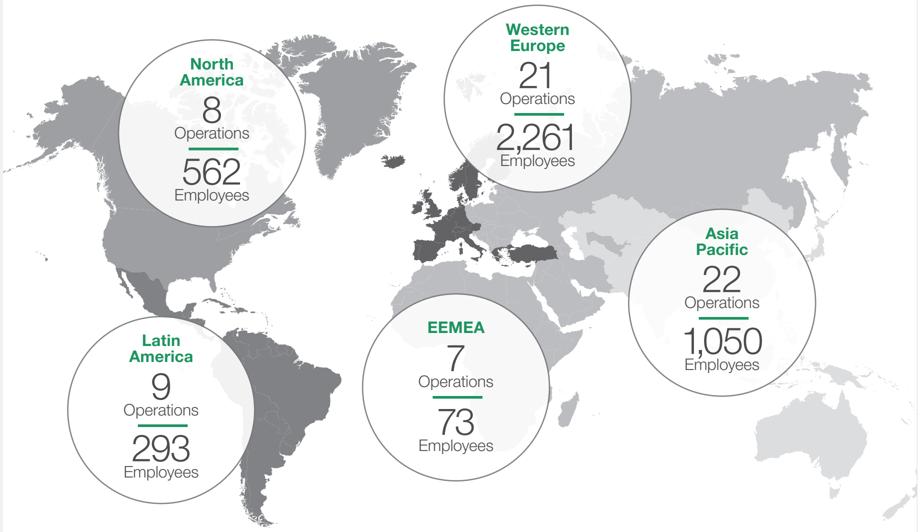
£118.3m p22

Where we operate

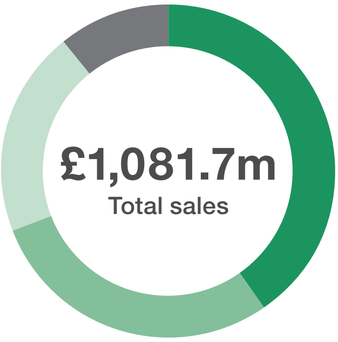
36
Countries across the world

4,239
Employees

Every day our global team works together, inspiring and influencing each other and our customers.



Sales by region



■ Europe, Middle East & Africa	£437.0m
■ North America	£311.3m
■ Asia Pacific	£218.7m
■ Latin America	£114.7m

Sustainability

Embedded in our strategic thinking, sustainability adds value to our Business and helps secure a better future.

Our people

p03

58.7% global membership in our share schemes

Our products

p23

99% of our palm derived products come from RSPO certified manufacturing sites

Our operations

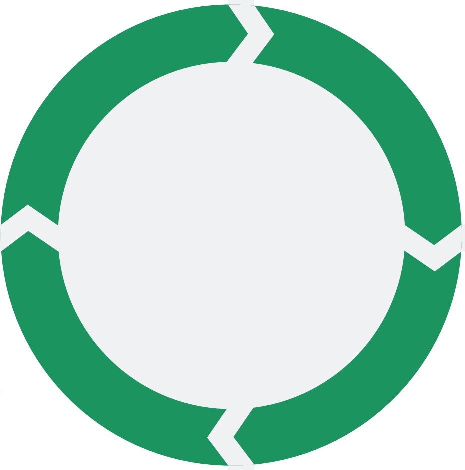
p30

5.5% reduction in water use since 2010

Our Investment Case

Strength and delivery

We are a speciality chemical manufacturer who, through the imaginative and practical use of science, creates ingredients and technologies that improve people's lives by enhancing everyday products.



Global product innovation in collaboration with customers…

- Differentiated market leading technologies
- Innovation embedded in the Business
- Technical teams focused on bigger and better innovation
- Investment in R&D delivering fast growth
- Local innovation centres driving increased customer collaboration
- Products increasingly delivering sustainable solutions

26.1%

NPP sales as % of Group sales

…with local sales and technical delivery…

- Operating in fast growing sectors
- Customer intimacy and collaboration
- Committed to sustainable local manufacturing globally
- Global marketing expertise and sales reach delivered locally
- Operating in fragmented markets

59.7%

Sales outside Europe

135.0p

Adjusted EPS

…that drives superior financial performance…

- Unrivalled profit margin
- Capital light model
- Continued focus on top line growth whilst protecting margins
- Strong cost control

21.4%

Adjusted return on invested capital
(excluding Incotec acquisition)

…and generates strong returns to shareholders

- Excellent returns on capital
- Supporting investment to grow
- Consistent regular dividend payments
- Disciplined approach to acquisitions that are technology driven
- Excess capital returned to shareholders

Sustainability

Our people

Our Business is only as good as our people, who are responsible for delivering every stage of our business model and strategy.

Whether engaging with our customers, creating innovative solutions, making high performance ingredients or selling directly to our customers, we must ensure that we have the right people with the right skills in the right locations to continue to support successful growth. We work as one global team to deliver sustainable, innovative products for a better future.

We develop and invest in talent through global training schemes

91.2% of our employees received training in 2015

We are a knowledge based company

Many of our employees developed knowledge sharing skills in 2015

We remain a fun and lively place to work

21.1% of our employees took part in community volunteering work in 2015

We encourage retention through competitive compensation and benefits schemes

58.7% global membership in our share schemes in 2015

We embrace the differences of a multi-ethnic, multi-geographic and multi-skillset company

Board Directors (2014: 7/1)

6 2

Executive Committee Members (2014: 11/1)

9 1

Regional and Business Board Members and Senior Functional Heads (2014: 91/21)

89 20

Across the Group (2014: 2,455/1,155)

2,855 1,384

By recognising the huge importance that people have on the future of our Business, four of our sustainability programme's 10 Material Areas have a particular focus on issues relating directly to our workforce and our surrounding communities. We set ourselves stretching targets to encourage continuous improvement and our priorities are to:

- → **Create an environment where people can thrive**
- → **Embrace and empower all individuals**
- → **Safeguard our knowledge and expertise**
- → **Support our communities through education**

» **To find out more, read our 2015 Sustainability Report www.croda.com/sustainability**

Key Material Areas

Our People

Knowledge Management

Diversity & Inclusion

Community Education & Involvement

We continue to comply with the ILO Declaration on Fundamental Principles and Rights at Work. Key policies can be found at www.croda.com/companypolicy

"I started my journey in the Business as a Plant Engineer in 1995 and moved through various roles in operations and supply chain. I subsequently got the opportunity to head the business in India and now have a regional operations and supply chain role. I have learned the importance of focusing on the customer, innovation and operating to high standards. When I look back, I am reminded of the learning, the freedom, the support and the fantastic team that continues to make my journey with the Business so enjoyable. I am also reminded of the importance of a good work culture, as well as motivated and committed people who will continue to be at the heart of efforts for adding value to our customers and for creating a successful business."

Rupark Sarswat
Managing Director
Regional Operations
(Shiga, Cikarang
and Thane)

Chairman's Statement

A year of strong progress

> I have been impressed by the way that innovation runs through the Business, embedded within Croda's DNA. I would like to take this opportunity, on behalf of the Board, to thank all our people for their commitment in 2015."
>
> **Anita Frew**
> Chairman

I am pleased to report, in my first statement as Chairman, that Croda has made strong progress in 2015. Against a backdrop of challenging market conditions, we have grown sales, increased profit and generated a strong cash flow. Our focus on innovation has been at the forefront of this success. The reorganisation to a global market sector-led structure in 2014 has bedded in and is contributing to both our top and bottom line growth.

Record reported sales and pre-tax profit performance

Sales for the year increased to £1,081.7m representing constant currency growth of 4.2% over 2014 and capping six successive quarters of underlying sales growth. The improvement in adjusted pre-tax profit was even stronger up 8.8% in constant currency terms. Adjusted pre-tax profit was £254.7m (2014: £235.4m) and IFRS pre-tax profit was £252.3m (2014: £229.4m). Our performance reflected underlying sales growth in all four sectors and from all four regional geographies. Momentum continued in Personal Care, and Life Sciences delivered excellent sales and profit growth. Although impacted by a weaker market in Geo Technologies, Performance Technologies grew sales in all its other markets and Industrial Chemicals improved its profitability.

Our people

The results we have delivered are a testament to the quality, dedication and creativity of our people, many of whom I have met during site visits since my appointment to the Board last March. I have been impressed by the way that innovation runs through the Business and is firmly embedded within Croda's DNA. Our people help to meet the diverse and complex needs of our customers, giving us an unrivalled ability to provide the right products for each local market.

I would like to take this opportunity, on behalf of the Board, to thank all our people for their tremendous work and commitment in 2015.

Continuing to deliver our strategy

I have joined Croda at an exciting stage in its development. Innovation in 2015 reached a record level with over a quarter of our sales coming from New and Protected Products (NPP). This has increased our product differentiation and improved the quality of our Business. We continue to lead our sector; a speciality chemical business developing distinctive ingredients for attractive niche markets.

Our strategy of investing in fast growth markets has continued to pay dividends. We have seen our performance in Asia go from strength to strength, with the region now representing over 20% of total sales. In addition we saw a steady recovery in European markets. We have growth potential and innovation opportunities across all our market sectors.

Croda is proud of its industry leadership in sustainability. We have reaffirmed our commitment to using naturally derived raw materials from sustainable sources wherever possible and we are well placed to help customers deliver their consumer promises. Our pioneering investment in a new North American plant to manufacture non-ionic bio-surfactants is evidence of our confidence in the growth potential of 'green' products, whilst our investments in green energy and water saving technology are delivering environmental benefits.

We are committed to our strategy and have had the confidence in 2015 to invest nearly £200m to drive future growth, both organically through increased capital expenditure and inorganically by acquisition.

In December 2015, Croda completed the acquisition of Incotec Group BV, an innovative seed enhancement business, for an overall consideration of €155m. This acquisition will broaden our technology and market capability in Crop Care and allow us to develop a world leading position in one of the fastest growing niche segments of this market.

Leadership

In September 2015, my predecessor as Chairman, Martin Flower, stepped down after 10 years with the Company. Martin brought wide ranging experience of both corporate leadership and governance. During his tenure, Croda delivered a total shareholder return (TSR) of 721%, four times that achieved by the FTSE 250. This was in no small way due to Martin's leadership and direction. On behalf of us all, I would like to thank him for the contribution he made and wish him the very best for the future.

The Board and Nomination Committee completed a careful search for a new Chairman and I was delighted to be appointed to this important role. I will continue to encourage the openness and frankness that Martin fostered, as well as ensuring that the Board allocates sufficient time to focus on critical strategic issues.

Your Board is committed to high standards of corporate governance and to instilling the right culture, behaviours and approach to how we do business. In 2014, our external board evaluation recorded that we had a "mature and collaborative Board, focusing on governance, strategy, innovation, global growth, restructuring and people." In 2015, we have made good progress in implementing further positive changes to the way that we work. The Board has spent time discussing and implementing the new UK Corporate Governance Code and this year's Report includes more analysis on risk, control and long term viability.

I would also like to thank Kevin Gallagher who has retired from the Executive Committee in December after over 40 years of outstanding service to Croda, most recently leading Personal Care. From January 2016, Sandra Breene has become President of our Personal Care sector and Keith Layden has combined the role of President of the Life Sciences sector with his existing role as Chief Technology Officer. Maarten Heybroek continues as President of Performance Technologies and Industrial Chemicals.

Dividend and special return

In 2014, the Board set out a clear capital allocation policy, whereby profit and cash generated would be invested in growing the Business organically and by acquisition, paying a regular dividend to shareholders and returning any surplus capital to shareholders through one-off returns. We are continuing to deliver on our strategy, with good sales growth, strong innovation and well invested assets. The Board has proposed a full year ordinary dividend increase of 5.3% to 69.0p (2014: 65.5p), covered 2.0 times (2014: 1.9x) by adjusted earnings per share (EPS). Following the payment of an interim dividend of 31p in September 2015, shareholders will receive a final dividend of 38p, subject to approval at the forthcoming AGM.

We have deployed some of the Group's debt capacity to acquire Incotec. However, our balance sheet leverage remains below the Board's policy of targeting a ratio of 1 to 1.5 times net debt to capital EBITDA. In light of this, and given our ongoing strong cash generation, the Board is also proposing to return £136m to shareholders by way of a special dividend of 100p per share combined with a share consolidation. This will bring our leverage to around the mid-point of the Board's target range.

Outlook

Looking ahead, whilst we expect market conditions to remain challenging, our strong innovation pipeline and the benefits of our customer-led investment in capacity, mean that we are confident of delivering continued progress in 2016.

Anita Frew
Chairman

Acquisition of Incotec

In December 2015, we acquired Incotec Group BV, an innovative seed enhancement business that uses sustainable technologies to increase the farming yields of both vegetable and field crops, which will help feed the world's growing population.

Seed enhancement has been identified as a key market opportunity for our Crop Care business and Incotec is a rare asset in a niche, high value, fast growing sector. Through this acquisition, a broader, more innovative portfolio of products will be available to customers and the combination with our own Crop Care business creates a strong and unique platform for future growth. We believe that our combined innovation strengths, together with our global sales reach, will enable us to be even more responsive in meeting the unmet needs of our customers today and tomorrow.

Market Opportunities

Maximising opportunities for growth

We must continuously evolve our operations, products and supply chain to meet our customers' and their consumers' needs in an ever changing world in order to future proof our Business. We have identified three global drivers of change and from these distilled three consumer driven mega trends that inform our strategy.

Global drivers of change

Our business environment is affected by global drivers, which are changing consumer behaviour in the markets we serve.

Changing demographics

There is unprecedented change in the world demographic. We are seeing accelerated growth in population, greatly influenced by the expanding elderly population. Polarisation in wealth, health and urban and rural living is increasing, particularly in the developing world.

By 2050, the world population is forecast to reach

9bn

What this means for us:

→ Growing need for everyday products that use our ingredients

→ Requirement for us to work in close partnership with our customers to develop speciality products

→ Investment and growth opportunities to meet growing demand for consumer products across established markets as well as in new markets in Asia and Latin America

→ Potential to support the challenges of feeding a growing population by improving vegetable and field crop yields with our Crop Care products

Fragile world

As rising temperatures compromise habitats and resources, carbon reduction is an increasing priority. Along with already stretched food, water, fuel and other natural resources, a new approach to consumption and re-use is required.

To maintain safe levels of carbon emissions, it's estimated that by 2040 the world needs to reduce its emissions by

50%

What this means for us:

→ Unique position in the use of natural, renewable raw materials that sets us apart. Our focus on developing ingredients with sustainability benefits will always be a priority

→ Ongoing significant investments to minimise environmental and social impacts and improve efficiency of our operations

→ Collaboration throughout our supply chain to ensure that our products have a positive impact on the environment throughout their life cycle

Changing expectations and behaviours

Consumers increasingly expect businesses to take greater responsibility for the impact of their products, whilst legislators demand ever higher standards of quality, safety and environmental and social protection. As a result businesses need to operate in an accountable and transparent way, and this impacts on what they produce and how they produce it.

The percentage of consumers that are influenced to buy products made by companies they trust is

62%

What this means for us:

→ Communicating and continuing to strengthen our reputation as a high quality ingredient supplier, which comes from going 'above and beyond' the minimum in response to regulatory requirements and from our robust quality assurance, operational risk assessment and sustainability programmes

→ Scope to improve the sustainability credentials of our customers' products to meet consumer demands and future regulatory requirements, based on our innovative ingredients and our robust approach to validating performance claims

Mega trends

With the knowledge of the global drivers of change, and our understanding of the unmet needs of our customers, we have identified three consumer driven mega trends that we believe will create new areas for us to innovate and grow in the years ahead. These mega trends may evolve as the world changes, but they will always drive our market sectors and our strategic priorities around growth, innovation and sustainability, providing focus to our investment and acquisition programmes.

Beauty and ageing

Across the world people want to look and feel good, but increasingly they want to know that the products they use have a minimal impact on our fragile world. This is fuelled by changing demographics characterised by a growing global population, an expanding middle class with increased disposable income, and increasingly discerning and educated consumers with changing expectations and behaviours. This trend is driving our customers to deliver many new niche personal care products to meet the differing needs of consumers, such as sun protection for children and teenagers, collagen boosting products for older consumers and developing anti-ageing ingredients for use in hair care. This is all whilst ensuring that products use the greenest chemistry possible without compromising on performance.

Health and wellbeing

Consumers around the world are becoming more and more aware of the lifestyle choices they can make to improve their health and protect our fragile world. Changing demographics are resulting in the need for increased farming yields to feed the growing population. Additionally an ageing population is leading to more consumers using creams, ointments and tablets to feel healthier. From treatment to prevention, we are seeing a number of exciting new niche opportunities, such as seed enhancement and our active pharmaceutical ingredient technology platforms.

Sustainability

There is growing emphasis from consumers on sustainability. We see it as an unstoppable mega trend driven by all of the global drivers of change. As greater demand is placed on the world's scarce natural resources as a result of population growth, consumers are increasingly looking for more products that improve resource efficiency or performance in a sustainable way. We respond to these demands by supporting our customers' development of products that have a reduced environmental impact during manufacture, use and disposal. Our customers also call for improved performance, purity and cost effective solutions, along with a drive for more renewable raw materials. With around two thirds of our ingredients derived from renewable sources, and our focus on consumer issues such as the sustainability of palm oil, we are able to support this drive and, in doing so, help our customers build valuable brands.

Our Strategy

Being different

We are a global team, working with customers as their partner of choice, providing innovative and differentiated technologies in attractive niche markets in order to deliver shareholder value.

Growth

Delivering consistent top and bottom line growth

We are looking for profitable sales where we can grow ahead of market rates across all our market sectors. Our business model is all about getting closer to customers, big and small, and satisfying their unmet needs with differentiated products.

Innovation

Accelerating innovation and increasing the proportion of sales that are protected

Innovation plays a critical role across our operations; it differentiates us from the competition, protects sales and improves our margin. Creating new intellectual property and know-how, whilst maximising the potential of existing patents globally, is our lifeblood.

Sustainability

Investing in sustainability

Our customers are facing growing demand for more sustainable products. There are many opportunities for us to innovate together and help them succeed. Investing in the development of our key resource, our people, is essential to the long term future of our Business.

Growth

What will we do to achieve this?

- → Ensure that all market sectors are appropriately resourced to capitalise on opportunities to grow with our customers
- → Invest and expand in fast growth markets
- → Expand infrastructure
- → Align with multinational customers
- → Maintain our direct selling model to stay close to customers

What have we done in 2015?

- → Harnessed the global organisational structure, getting closer to our customers
- → Sharpened our strategy for each market sector
- → Selectively invested in resources to grow
- → Expanded capacity in skin actives, high purity excipients and plant stem cells
- → Achieved strong growth in sales of plant cell culture based products from our IRB acquisition in 2012
- → Strengthened our infrastructure in Asia with sales, laboratory and production expansion in China, India, Indonesia and Singapore

KPIs

Return on sales (p24)

% Group sales outside Europe (p24)

Risks

Revenue generation in established and emerging markets (p32)

Identification and integration of acquisition targets (p32)

Innovation

What will we do to achieve this?

- → Ensure that we have talented chemists, biochemists and engineers in place
- → Accelerate the capture of new technologies by escalating our internal innovation projects and external acquisitions
- → Maximise the potential for new patents across our global selling network
- → Partner with our customers, world leading academic institutions and developers of emerging technologies from small and medium enterprises
- → Engage with our customers throughout the creative process, to ensure that our activities are aligned with their current and future needs

What have we done in 2015?

- → Accelerated open innovation projects which have increased fivefold over the past four years
- → Completed technology led acquisition of Incotec, moving us into the fast growing space of seed treatment
- → Increased R&D focus on market sectors
- → Expanded R&D in China, Indonesia and Japan
- → Unlocked the potential of the Acrylic Polymers plant
- → Increased the pipeline of future products

KPIs

NPP sales as % of Group sales (p24)

NPP sales growth compared with overall sales growth (p24)

Risks

Product and technology innovation (p32)

Protect new intellectual property (p32)

Sustainability

What will we do to achieve this?

- → Focus on keeping our manufacturing sites safe, sourcing renewable raw materials, minimising the impact of our manufacturing processes, producing innovative ingredients with sustainable benefits and looking after our people and the communities in which we operate
- → Set targets and track our performance as our sustainability programme evolves to address the global drivers and the needs of our stakeholders

What have we done in 2015?

- → Invested in our pioneering non-ionic bio-surfactants plant in North America
- → Reduced our impact on water, land and climate change through manufacturing efficiencies
- → Worked closely with our major customers to deliver differentiation through certification (RSPO and Halal)
- → Invested in sites targeting reductions in VOC emissions
- → Invested in anaerobic digestion of a production co-stream to produce bio-fuel

KPIs

Non-fossil fuel energy % (p25)

Lost time injury (LTI) rate (p25)

Risks

Employee recruitment, retention and succession planning (p33)

Product liability claims (p33)

Major safety or environmental incident (p33)

Global raw material shortage (p34)

Chief Executive's Report

We are delivering

Performance highlights

- → Constant currency sales up by 4.2%
- → NPP sales growing at four times overall sales growth
- → Almost £200m spend on organic and inorganic investment

> In many ways 2015 has been a classic year for Croda, with sales volume growth, greater sales value growth and a bigger increase in operating profit."
>
> **Steve Foots**
> Group Chief Executive

Sales growth

+3.4%

NPP sales as % of Group sales

26.1%

Return on sales

24.4%

Innovation driving continued growth

2015 has been a year of strong progress for Croda. A relentless focus on innovation has improved the quality of the Business, increased sales by 4.2% and adjusted pre-tax profit by 8.8% (both at constant currency). NPP sales have increased at four times the rate of underlying sales to a record 26.1% of Group sales (2014: 23.4%). We are delivering our strategy: driving consistent top and bottom line growth; increasing the proportion of sales from innovation; and leveraging our sustainability credentials.

This performance was achieved in another challenging year for the chemical industry. A slowdown in developed and emerging regions, the falling oil price and deflationary effects in many countries progressively impacted markets as the year unfolded. The rate of underlying sales growth slowed during the year, from 5.2% in the first half of the year to 2.0% in the second half year (excluding the impact of acquisitions). However, an improving business mix driven by strong innovation and coupled with good pricing discipline, saw profitability increase, with second half year return on sales 1.1 percentage points higher than the prior year period.

This growth is a testament to our Business model, a clear strategy and, above all, strong and capable global teams. Croda is a knowledge based business and the heartbeat of the organisation continues to be our creative and productive innovation driven culture. Combined with a sales model where we are close to customers, we are well positioned to continue to grow the business.

Strong margin management driving improved profit

2015 sales increased to £1,081.7m (2014: £1,046.6m). Excluding the benefit of the Incotec acquisition, this reflected improved underlying sales growth of 3.7% (2014: 2.9%). It was particularly encouraging that growth was broad-based across all global sectors and geographic regions. Strong margin management, and improved product mix and targeted investment in additional resources resulted in adjusted operating profit rising by 6.8% in constant currency. Adjusted pre-tax profit added

£19.3m to £254.7m and IFRS pre-tax profit increased by 10.0% to £252.3m (2014: £229.4m).

The acceleration of profit growth was reflected in an increase in return on sales to 24.4% (2014: 23.7%), with margin improvement in both the consumer facing sectors.

Growing sales in all sectors

During 2015, we delivered underlying sales growth in all four sectors, reflecting the benefits of the global market reorganisation completed in 2014:

NPP and customer proximity driving sales and profit growth in Personal Care

The recovery of sales in Personal Care since mid-2014 continued in 2015, although markets remained subdued. Underlying sales increased by 1.8%, while adjusted operating profit rose by 7.5% in underlying terms, improving return on sales by 120 basis points to 33.0% and adding almost £9m of profit. This demonstrates our ability to grow the top line whilst delivering a strong margin, through NPP, improved proximity to customers and cost efficiency. Growth with regional and local customers was encouraging, notably in Asia and particularly China. We returned to impressive growth in Europe too, but Latin America weakened progressively as consumer spending was impacted by poor economic conditions. This was particularly evident in Brazil.

Excellent sales and profit growth in Life Sciences, driven by high purity technology

Life Sciences delivered an excellent year of growth, with underlying sales increasing by 10.5% and adjusted operating profit up almost 17% in underlying terms. This was driven by broad-based growth in high purity excipients for Health Care and excellent sales of Omega 3 active pharmaceutical ingredients (APIs). Crop Care outperformed a difficult market through collaboration with multinational customers and success with smaller customers in new geographies. We continue to invest in innovation, in expanding sales and technical capability in Asia and North America, and in broadening the API platform. The end of year acquisition of Incotec takes Croda into an exciting adjacency to our existing crop business.

Recovering sales in Performance Technologies, underpinned by investment outside Europe

Performance Technologies had a mixed year with underlying sales increasing by 1.6% but a disappointing profit performance, with adjusted operating profit down 11% in underlying terms. Sales grew in all businesses except Geo Technologies, which was adversely impacted by the challenging oil market. Sector profit was lower with 85% of the reduction in Geo Technologies. In addition we made further investment in customer application laboratories; increased sales resource and enhanced production sites to support future growth outside Europe. We have begun to improve the business mix, introducing more NPP and de-marketing low value products and we expect the improved product range and market development activity to drive sales and profit growth in the sector over the next few years.

Improved performance in Industrial Chemicals

Profit in Industrial Chemicals recovered after a challenging 2014. Underlying sales grew 3.4% and adjusted operating profit increased by over 150% to £6.7m, reflecting improved pricing and growth at Sipo. Good progress has been made to develop NPP, adding more value to co-stream products through niche applications.

Investment in renewables

In April 2015, we ceremonially broke ground at our Atlas Point manufacturing site in New Castle, Delaware on the first North American plant that will lead to the production of non-ionic bio-surfactants through the use of ethylene oxide derived from bio-ethanol.

Construction has since commenced with the project on schedule to start production in the first half of 2017. When the new plant becomes operational, the surfactants that we offer will enable our customers to meet their goals to deliver 100% renewable, high performance products to their customers. Our heritage and growth strategy have a strong focus on investment in sustainable and innovative technologies; we believe that this project not only represents our commitment to meeting our customers' expectations, but also our long standing dedication to putting sustainability and innovation into action.

> We continue to invest in line with our strategy, getting closer to customers and expanding in markets with the strongest growth prospects."

Delivering our strategy – being different

Croda is a global team, working with customers as their partner of choice, providing innovative and differentiated technologies in attractive niche markets in order to deliver shareholder value. Our strategy to deliver this comprises three components:

1. Delivering consistent top and bottom line growth
2. Accelerating innovation and increasing the proportion of sales that are protected
3. Investing in sustainability, meeting customer and consumer needs for sustainable products.

In 2015 we made good progress delivering these components.

Delivering consistent top and bottom line growth

In many respects, 2015 has been a 'classic' year for Croda. In underlying terms (which excludes the impact of the Incotec acquisition), we delivered sales volume growth of 3.1%, sales value growth of 3.7% and adjusted operating profit growth of 6.4%, reflecting good top and bottom line improvement.

Our strategy seeks to grow sales with customers at all levels. The market sector structure has enabled us to align our approach on a global basis, identifying consumer trends and responding more swiftly to satisfy our customer needs. We are also getting even closer to customers at a regional and country level, developing products for local use in our application labs, leveraging the direct sales force and gaining market insights. An exciting trend in Personal Care is the impact of digitalisation, where consumers bypass traditional retail stores and buy their products online from niche producers. Our business model, with sales, technical and warehousing all locally based, allows us to support smaller customers emerging as a result of this trend.

Our strategy also seeks to expand in fast growth markets. In 2015, we increased our presence outside Europe to almost 60% of sales. Asia was our fastest growing market, with broad-based growth across all sectors. We saw increased customer collaboration, due primarily to our expanded application lab presence across the region. We also expanded local manufacturing capacity, notably in Singapore, Japan, India and Indonesia, with 45% of sales now being met from within the region. China continued to grow well as we increased penetration, particularly in Personal Care.

All of the market sectors grew sales in 2015. Life Sciences had an exceptional year, through sales growth, product mix improvement and building new technology platforms in Health Care. Its high purity excipient market is growing rapidly and we also improved profit by growing premium grades and reducing sales of less differentiated products, such as for nutrition. Building on the launch of pharmaceutical grade Omega 3 in late 2014, we have successfully broadened this platform of APIs, securing sales to three new customers in 2015.

In addition to organic growth, acquisition of adjacent technologies is driving profit. We acquired Incotec, an innovative seed enhancement business. Their products and services help to enhance and improve seed performance, allowing greater efficacy and functionality to be delivered directly by the seed to increase farming yields to feed the world's growing population. With 15% compound annual growth in sales over the last eight years and an R&D focus supported by strong intellectual property, the acquisition will offer a broader, more innovative portfolio of Crop Care products.

To deliver our growth strategy we also need to balance investment with cost. Performance Technologies is targeting a return on sales of 20% in the medium term. It is selectively investing in additional resource to grow the Business in higher margin areas, whilst de-marketing low value added products, for example, in Coatings & Polymers. Costs are also being reduced in regions seeing lower growth. Following the delivery of initiatives to streamline the cost base in Europe in 2014, we are now reducing costs in Latin America to reflect slower sales in difficult macroeconomic conditions. We are also securing productivity benefits across our manufacturing operations.

Record innovation

Innovation has long been the lifeblood of Croda, playing a vital role in driving sales and profit growth, and in differentiating ourselves in a competitive market. In 2015, our Sederma skin actives business was recognised by the personal care industry, winning the '25 Years of Innovation' award for Matrixyl™, as the product having the greatest impact in personal care ingredients globally over that period, a fitting and significant achievement.

2015 continued this successful innovation trend, that has seen NPP sales increase from 20.5% of total sales in 2012 to 26.1% today. NPP sales increased by over 15% in the year and we are building a pipeline of opportunities for delivery in the next three to five years. By innovating and driving more sales in protected products, we create solutions which give customers new benefits whilst building greater differentiation.

NPP growth was broad based across all sectors. 40% of sales in Life Sciences now come from NPP, with notable successes in 2015 including the growth of pharmaceutical grade Omega 3, new pharmaceutical delivery solutions, commissioning of our spray drift testing facility for Crop Care and several multinational customer joint development agreements. In Personal Care, we launched four new skin active products, together with a new 'IRB by Sederma' range of plant cell culture ingredients.

Sun care products are also growing and, as regulatory standards increase, will benefit from our FDA experience in Health Care. In Performance Technologies, we have invested in test equipment that mimics our lubricant customers' applications, enabling more successful innovation.

Our 'open innovation' programme which is an integral part of our innovation strategy gives access to universities and specialist research laboratories. We now have over 100 partnerships, from marine sourced personal care ingredients to cutting edge production of skin care ingredients via fermentation.

A sustainable future

We are passionate about sustainability, because it is the right thing to do and a crucial part of how we add value to customers. In recent years, we have seen an increasing number of customers becoming more aware of sustainability as a differentiator, both in the products they offer to their consumers and in the way they choose and work with their suppliers, for example, over 25% of products launched by the global personal care industry now make a sustainability claim. Sustainability is embedded in our strategic thinking and a crucial part of our future growth.

In 2015, we continued work to supply products from responsibly sourced raw materials, with 11 of our production sites now certified to handle sustainable palm oil derivatives. Construction of our non-ionic bio-surfactant plant is progressing. Expected to commission in mid-2017, this plant will secure the supply chain in North America using natural materials and open up access to 'white-space' opportunities in more sustainable surfactant products, creating new markets across our global sectors. Across Croda, we are creating a more sustainable supply chain, with around two thirds of raw materials we use emanating from renewable sources.

We have also reduced our environmental impact. In the Netherlands, we invested £3.8m in 2015 in plants to create greener energy and reduce water usage. Almost 25% of Group energy usage is now sourced from non-fossil fuels, and water usage and waste to landfill have been cut by 5.5% and 56.8% respectively since 2010.

Future opportunities

We continue to invest in line with our strategy. We invest in getting closer to customers, selectively increasing resource in geographic markets with the strongest growth prospects, including Asia, where we see opportunities across all sectors. In Indonesia, we are transitioning the site from an industrial to a consumer care focus, with a laboratory and expanded sales, marketing and R&D resource, in what promises to be one of the fastest growing global markets. We are also increasing penetration of Life Sciences and Performance Technologies in North America and strengthening direct selling in Asia, the Middle East and Latin America by moving away from distributors.

We have identified fast growth technologies where we will continue to innovate, increasing our NPP pipeline to meet consumer needs. In 2016 we plan to invest approximately £120m in capital expenditure, primarily for capacity expansion in skin actives, high purity pharmaceutical excipients, sun care products and in Crop Care, together with the non-ionic bio-surfactant plant. These projects are targeted at technology rich, high value, fast growing niche segments and should drive significant continued profit improvement.

We remain focused on cash generation and on using this, and the strength of our balance sheet, to invest organically and to secure appropriately valued technology based acquisitions, building on the integration of Incotec. We have proposed an increase in the ordinary full year dividend and announced a special return to shareholders. We will remain disciplined in both capital allocation and in driving returns for shareholders.

Steve Foots
Group Chief Executive

Our strategy

We have a clear and concise strategy, which underpins all of our operations

1

Growth
Delivering consistent top and bottom line growth

2

Innovation
Accelerating innovation and increasing the proportion of sales that are protected

3

Sustainability
Investing in sustainability

»

Read more about
Our Strategy on **page 08**

Our Business Model

Creating value

Our value chain

To maximise our opportunities to grow and innovate, we need to understand all stages of our value chain, from staying up to date with global drivers and mega trends (p06), to understanding our customers' priorities and delivering innovative solutions to build their brands. In doing so, we are helping them to create value and meet their consumers' expectations.

Consumer demand

Influenced by global drivers and mega trends, consumers dictate the unmet needs in the market

Customer need

Our customers seek the solutions that address their consumers' priorities and unmet needs

Croda

Our business model

Our business model is driven by strong customer relationships and a focus on the sustainable production of innovative ingredients.

Our resources

We work as one global team, sharing expertise and knowledge that is invaluable to our customers all over the world

- → Highly skilled people
- → Close customer relationships
- → Valuable green chemistry
- → Intellectual property
- → High quality, sustainable supply chain

Engage

We work in close partnership with customers and develop emerging technologies around the world

Create

We design innovative ingredients that enhance everyday products

Working closely with our customers, we deliver the innovative solutions that build some of the world's biggest brands

Customer manufacture

Adding our high performance products to their formulations, customers manufacture the finished goods

Consumer benefit

Our innovations improve consumers' lives all over the world by addressing their unmet needs

Make

We manufacture to consistently high standards across the world

Sell

We generate revenue by selling ingredients directly to our customers

Creating value

Our agile approach delivers results to all of our stakeholders

→ Innovative, differentiated ingredients for customers

→ Sustainable solutions to meet customer needs

→ Training and career development for our people

→ Sustainable returns for shareholders

→ Care for the environment

Our Sector Performance

Personal Care

Our Personal Care market sector focuses on ingredients for skin, hair, sun protection and colour cosmetic products. Our broad portfolio includes anti-ageing ingredients for skin, conditioning agents for hair care and metal oxides for UV filters.

Sandra Breene
President, Personal Care

Highlights

- → NPP sales reached record levels
- → Strong growth and expansion in Asia
- → Launch of our first global product

Sales

£377.3m **2014: £369.1m**

Adjusted operating profit

£124.5m **2014: £117.3m**

Return on sales

33.0% **2014: 31.8%**

Performance

Personal Care continued the recovery begun in 2014, delivering modest sales growth in difficult markets alongside stronger profitability. Sales rose to £377.3m (2014: £369.1m), an underlying increase of 1.8%. Adjusted operating profit was £124.5m (2014: £117.3m), up 7.5% in underlying terms. Return on sales added 120 basis points to 33.0%.

Sales grew in all regions in the first half of the year with growth more subdued in the second half. This reflected a slowdown in recession hit Latin America and currency pressure on North American export customers. Strong growth continued in Asia, particularly in China, South Korea, Indonesia and India, while Europe saw impressive growth as consumer confidence improved.

Profit grew as higher margin NPP sales reached record levels. We saw a good performance from our Sederma skin active business, particularly in Asia and from our 'IRB by Sederma' plant cell culture range, where sales grew 40%. Our sun care products performed well and will be enhanced in 2016 by new production capability utilising our FDA/pharmaceutical industry experience.

Moving closer to customers

Our programme to get closer to customers continues. This combines a global sector approach with local service and proximity to customers. In 2015 we launched our first global product; Crodazoquat™ for multicultural conditioning and damage repair for a diverse range of hair types. This project benefited from our investment in our global hair care laboratory. In 2016, we will expand our skin care development centre, near Paris, to meet increasing demand. Through these activities the development pipeline with multinational customers is improving.

We are growing well with 'regional dynamos' and local customers. Our local presence enables us to respond quickly to customer needs. We continue to invest in the fastest growing regions, particularly Asia. The Croda model, with country based direct selling, regional application laboratories and local product warehousing, provides an unrivalled service. Many local customers are exploiting the digitalisation trend, marketing their products directly via the internet. New customer application facilities in Indonesia and Singapore are helping find these new customers and create new opportunities. In 2016 we will further expand direct sales operations within Asia, Latin America and the Middle East.

Sustainability is a powerful trend in personal care, driven by a consumer demand for ethical and sustainable raw material sourcing. As an industry leader, Croda is recognised as a supplier of choice. By the end of 2015, all of our relevant manufacturing sites were certified by RSPO to support sustainable palm oil production whilst our pioneering investment in non-ionic bio-surfactants has generated significant interest from existing and new customers.

Crodazoquat

Crodazoquat is a versatile conditioning ingredient suitable for the needs of hair of different ethnicities. It improves the appearance, feel and manageability of hair, regardless of ethnic origin, helping our customers overcome the challenges of formulating conditioners for diverse, multicultural markets.

Laboratory and salon testing has shown that Crodazoquat is especially effective on damaged hair, restores hydrophobicity, improves hair aesthetics and delivers a consumer-perceivable feel improvement on Caucasian, Brazilian, Asian, and African hair.

Majestem™

Majestem is the first active anti-ageing ingredient that delivers visible lifting of the skin on the neck and face to combat sagging caused by sun exposure and air pollution.

100%

First anti-sagging product on the market made from 100% natural raw materials

Derived from the Edelweiss plant, which grows spontaneously on mountain ranges and produces molecules with extraordinary resistance properties

Using plant cell cultures is a highly sustainable solution, with just 1kg of culture cells producing the same amount of active molecules as 5,000 Edelweiss flowers

> The emerging trend of anti-ageing beyond wrinkles is a major opportunity for us, and so I led the research and testing to address this unmet need with our product."
>
> **Caroline Ringenbach** Research Manager

The market need

Environmental factors such as UV radiation and air pollution can have a negative effect on the skin, causing skin sagging as well as wrinkles. Because of this, the need for anti-ageing products that go beyond targeting wrinkles is a major growing trend in beauty. Majestem is the first product developed that is proven to provide consumers with a high performance alternative to aesthetic surgery needed to remedy skin sagging.

The Croda solution

Skin cells need energy to keep rejuvenating and, therefore, looking young. This energy is provided by the part of the cell called the mitochondria. Majestem, an active ingredient obtained from cell cultures of the Edelweiss plant, helps stimulate the mitochondrial matrix, providing skin cells with the energy they need to re-establish lost tension resulting in a visibly more youthful neckline in just three weeks. It's also a highly sustainable solution, with just 1kg of culture cells producing the same amount of active substance as 5,000 Edelweiss flowers.

Life Sciences

Our Life Sciences market sector comprises two complementary businesses, Health Care and Crop Care. Health Care delivers high quality ingredients to pharmaceutical and nutraceutical markets, including dermatology, heart health and animal health. Crop Care provides innovative ingredients to agrochemical companies for products that help farmers achieve superior yields.

Keith Layden
President, Life Sciences

Highlights

- → Exceptional year in Health Care
- → Crop Care outperformed the market
- → Exciting acquisition of Incotec

Sales

£231.3m **2014: £204.5m**

Adjusted operating profit

£76.2m **2014: £64.7m**

Return on sales

32.9% **2014: 31.6%**

Performance

Life Sciences delivered an excellent sales and profit performance, driven by an exceptional year in Health Care, with Crop Care also outperforming its market. Sales rose to £231.3m (2014: £204.5m), an underlying increase of 10.5% and 13.1% higher including Incotec, which was acquired on 4 December 2015. Adjusted operating profit was £76.2m (2014: £64.7m), up 16.8% in underlying terms and 17.8% including the acquisition. Return on sales added 130 basis points to 32.9%.

The excellent Health Care performance reflected two growth areas: high purity excipients and APIs. Our excipients are drug delivery systems that provide stability, potency and improved shelf life across a range of customers and pharmaceutical products. Sales of premium grade excipients grew almost 40% and were particularly strong in Asia and Latin America.

Following its launch in the North American generic heart treatment market in late 2014, our pharmaceutical grade Omega 3 API saw above forecast sales in 2015, partly driven by one-off pharmacy pipeline filling which will not be repeated in 2016. We secured three further API applications with other customers in both development and generic drugs, establishing a broader platform for this chemistry. This growth was part of a strong innovation performance in Health Care that saw NPP sales up almost 45% year-on-year. Together with a reduction in sales of less differentiated nutritional products, this helped drive profitability.

Crop Care sales grew in 2015, outperforming a weaker market. Good progress in Latin America and Asia, despite a poor monsoon, offset a difficult North American market, where corn prices and farm incomes remain depressed and customers have destocked. The recent acquisition of Incotec has been positively received by customers and broadens our capabilities, making Croda Crop Care a major player in the fast growing niche market of seed treatment.

Moving closer to customers

During 2015 we continued to develop the foundations for both Health Care and Crop Care to deliver further growth. In Health Care, we strengthened technical resources in faster growing regions, where we have historically been under-represented and there is a broad base of potential customers. We are also expanding production capacity for high purity excipients. In Crop Care, we are growing well with smaller customers, particularly in India and Latin America, and are building collaborative R&D relationships with multinational groups, with several customer projects now in trial. Open innovation is expanding, building new customer relationships and providing access to specialist analytical capability to generate new performance and claims data.

Glycerophosphoinositol (GPI)

Our naturally derived, active Glycerophosphoinositol (GPI) salts are helping to relieve itching for cats and dogs as well as humans, treating outer ear conditions associated with excessive wax production, and pet smells.

This innovative ingredient is created using IRB's world leading plant cell culture technology which uses natural resources to guarantee an active of the highest purity, quality and efficacy providing performance without side effects.

Atlox™

Atlox aids the successful growth of plants by allowing higher concentrations of micronutrients to be incorporated into crop protection products. This delivers higher crop yields with less energy-intensive manufacturing.

6x

Can deliver up to six times more concentrated levels of micronutrients than the industry norm

Enables more efficient manufacture and higher crop yields

Improves shelf life of formulations

> Working closely with our customers, I was able to identify their performance needs and work with the team to find a solution.”
>
> **Marcia Werner** Research and Technology Manager

> “In the development of this exciting new product, I focused on testing during the laboratory phase to ensure it was ready for global manufacturing and launch.”
>
> **Douglas Porto** Market Applications Specialist

The market need

Micronutrients are essential for successful growth of plants; without their presence, the consequences can range from stunted growth, leaf discoloration and loss of fruiting bodies, all of which lead to reduced crop yields. Atlox is a dispersant that helps suspend higher concentrations of particles – the micronutrients – in liquid formulations, therefore delivering better crop protection products for use in agrochemical manufacturing. As a result our customers manufacturing process is more efficient and less energy intensive, water consumption is reduced and less packaging is required.

The Croda solution

Micronutrient formulations should be highly concentrated, with many particles in a formulation. Producing these formulations can be challenging, as splitting and solidifying is a common occurrence. Additionally, the chemistry of micronutrients tends to be incompatible with products such as herbicides. Using Atlox, customers can: incorporate higher levels of micronutrients within their formulation; more easily combine micronutrient formulations with other plant protective products; and gain the added benefit of improving the shelf life of formulations.

Performance Technologies

Our Performance Technologies market sector delivers innovative ingredients for five key business areas: Lubricants, Coatings & Polymers, Polymer Additives, Geo Technologies and Home Care.

Maarten Heybroek
President, Performance Technologies

Highlights

- Underlying sales increased by 1.6%
- Profit impacted by investment for future growth outside Europe
- Progressive move to higher value added products

Sales

£354.8m **2014: £355.2m**

Adjusted operating profit

£56.8m **2014: £63.8m**

Return on sales

16.0% **2014: 18.0%**

Performance

2015 was a mixed year for Performance Technologies. We achieved sales growth in all markets except Geo Technologies, which was adversely impacted by the steep decline in the global oil price. Sales were broadly flat at £354.8m (2014: £355.2m), but up 1.6% on an underlying basis. Adjusted operating profit was £56.8m (2014: £63.8m), a decrease of 11.4% in underlying terms.

Of the £7.0m reduction in adjusted operating profit, over £6m reflected weak profitability in Geo Technologies with the balance due to investment in sales, technical and production resource for future growth outside the sector's traditional European heartland. Whilst Geo Technologies was affected by market conditions, with lower drilling activity and the lower oil price impacting production, it remains an attractive market in the longer term. Sipo, our business focused on industrial markets in China which we acquired in July 2013, became profitable. Whilst this reflects a positive focus on more value added products, it dilutes the overall sector margin. Regional sales across the sector saw some recovery in Europe, strong growth in Asia on the back of recent investment but lower sales in North and Latin America.

We are balancing the rate of investment in new markets with our target to improve sector return on sales to 20% in the medium term. We are focused on growing in attractive markets, such as Lubricants and Polymer Additives. In the former, we are working with customers on friction modifiers to meet new regulatory requirements in the automotive industry. In the latter we are developing innovative slip additives, such as the recently launched Incroslip™. Overall NPP sales grew by 11%.

In other markets we are improving margins by de-marketing less differentiated products. During the second half of the year, Coatings & Polymers exited low value base production to focus on higher value added derivatives. New investment in plants in every region will continue to drive NPP and cost efficiency to deliver a stronger margin.

Moving closer to customers

In 2015 the breadth of customer engagement has increased significantly, particularly outside Europe, supported by improved technical service and more local manufacturing. We expect this to drive improved performance over the medium term.

Priplast™

Our new patented Priplast ingredient extends the life time of coatings and adhesives used in daily life. When formulated into polyurethanes, Priplast brings unique benefits to end products by balancing good strength and hardness with superior elongation.

Priplast is tailored for coatings and adhesives in demanding environments that need long lasting, sustainable alternatives. It is proven to protect surfaces from scratches and spills in water based wood floor coating formulations. It can be used in high performing adhesives to bond lightweight materials such as plastics and composites, replacing metal parts in cars and aircrafts. Additionally, when formulated into artificial leather coatings for use on seats and handbags, it offers a unique feel by mimicking the real leather experience.

Incroslip™

Incroslip is the newest innovation in slip additive technology used between surfaces of plastic to reduce friction. It provides unique, high, long lasting performance without breaking down, changing colour or giving off odour during exposure.

Newest development in slip additive technology on the market

Unique chemistry delivers both high slip and high stability

3x

When exposed to UV light over time, performs up to three times better than the market leading product

The market need

Slip additives are used in plastics to reduce friction between surfaces. Without them you can't open carrier bags or remove a screw top from a plastic bottle. Standard slip additives can demonstrate poor 'oxidative stability', which means they can lose performance, change colour or give off unpleasant odours and tastes during high temperatures or ozone sterilisation.

The Croda solution

Incroslip is the only slip additive on the market that delivers both high stability and high slip. It provides oxidative stability in applications where taste and odour is critical, such as food packaging, and in automotive applications where high temperatures and UV light can cause other common slip additives to breakdown. It also performs better in 'tighten and release' applications, such as screw caps and can be used to lower friction during, for example, bag production and packaging operations. It also has anti-scratch properties when used in various polymer systems, such as plastics in automotive interiors.

> There are numerous benefits of Incroslip when used in different applications, and it was my responsibility to conduct the testing on development samples and the finished product to prove its unique performance attributes."

Phil McCoy Lead Applications Scientist

> "Incroslip is new and unique chemistry, so I led the work on scaling this up from development samples to full-scale commercialised production at our manufacturing site in Hull, UK."

Matt Jenkins Lead Engineer

Industrial Chemicals

Industrial Chemicals is a small, diverse market sector selling co-streams, developing novel niche industrial applications and undertaking toll processing.

Maarten Heybroek
President, Industrial Chemicals

Highlights

- → Improved profitability
- → Novel niche products for industrial applications launched

Sales

£118.3m 2014: £117.8m

Adjusted operating profit

£6.7m 2014: £2.6m

Return on sales

5.7% 2014: 2.2%

Performance

The sector improved profitability in 2015 driven by a stronger product mix and initial growth from NPP. Sales were broadly flat at £118.3m (2014: £117.8m) but rose 3.4% in underlying terms. Adjusted operating profit more than doubled to £6.7m (2014: £2.6m).

Sales of established product lines and co-streams were robust. In addition, good progress was achieved in developing novel niche products for industrial applications including CrodaTherm™, a bio-based phase change material that helps maintain a consistent temperature in a range of applications such as ensuring medical supplies stay cool in transit or keeping buildings warm.

NPP will provide technically differentiated products, enabling customers in industrial markets to achieve higher levels of performance and sustainability.

CrodaTherm™

CrodaTherm Phase Change Materials (PCMs) are sustainably sourced, biodegradable materials that absorb and release heat to control the temperature of the surrounding environment.

The market need

Heating, cooling or maintaining the ambient temperature of buildings or goods in transport has traditionally relied on fossil fuels to power ventilation systems. CrodaTherm PCMs replace this need. When temperatures rise beyond a certain point, they melt and absorb heat energy to deliver a cooling effect. When temperatures fall, they solidify, releasing the stored heat back into the environment.

The Croda solution

The CrodaTherm range has numerous melting-point temperatures lending to a variety of applications, including: controlling room temperatures when used in building materials; keeping athletes at the optimum temperature when used in textiles; and transporting organs and other temperature-sensitive shipments.

> "Customers recognise the sustainability and performance benefits that CrodaTherm offers and this has given us the opportunity to pioneer our bio-based PCMs in a variety of applications."
>
> **Raymond Goertz**
> Area Sales Manager

Sustainability

Our products

We focus on delivering products that offer performance and value. By balancing our customers' growing demand for sustainable products with a need for high performance solutions to meet their consumers' expectations, we are one of the leading speciality chemical manufacturers in the world.

Fragile world is one of three global drivers informing our strategy, and is particularly applicable to the products we make. We take responsibility for the whole lifecycle of our products, including using the most sustainable raw materials available to us and developing products to the highest safety and quality standards wherever we make them. This enables us to play our part in making the world a better place.

Our scientists are focused on creating greener solutions

11.4 was the average score of our new products against the *12 Principles of Green Chemistry*

Our latest innovations offer sustainable value to the world

82.3% of the new products we produced in 2015 had a sustainable benefit in use

Quality, safety and consistency throughout our Business is paramount

Over **220** industry associations were engaged in dialogue with us in 2015

Using sustainable raw materials is at the heart of our Business

66.1% of the raw materials used in 2015 were from natural, renewable sources

We are industry leaders in sustainable palm oil

11 manufacturing sites representing >99% of the palm oil we handle are certified to RSPO

By responding to customer and consumer demands for sustainable products, we are able to help our customers to make 'greener' choices and build even more valuable brands. This is key to the future growth of our Business. As such, three of our 10 Material Areas within our sustainability programme have a particular focus on issues relating directly to our products. We set ourselves stretching targets to encourage continuous improvement, and our priorities are to:

→ **Ensure that the ingredients we produce contribute positively to the environment and society throughout their lifecycle**

→ **Deliver the most innovative and sustainable ingredients to our customers**

→ **Contribute to, and proactively seek, higher quality standards across product and operational aspects of our business to ensure customer safety**

» **To find out more, read our 2015 Sustainability Report www.croda.com/sustainability**

Key Material Areas

Product Stewardship

Product Design

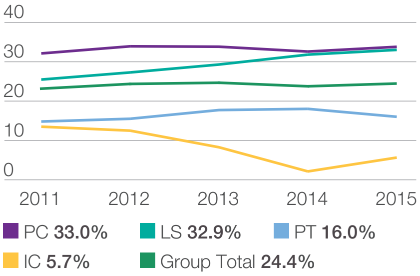
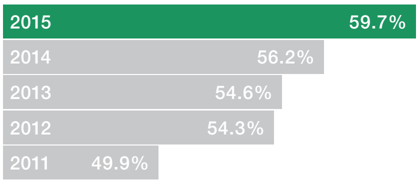
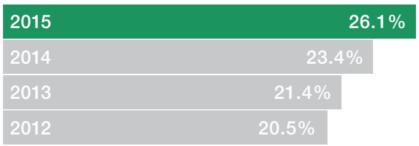
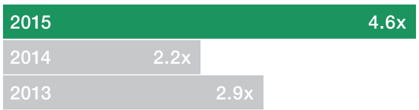
Quality Assurance

"Croda continues to play a key role in driving industry transformation to source and deliver physical certified sustainable palm oil products. Through commitment and engagement with suppliers and clients in 2015, Croda has helped put the complexity into perspective, effectively overcoming many of the obstacles and successfully influencing others in the supply chain to become sustainable. Once again the Roundtable on Sustainable Palm Oil (RSPO) highly commends the efforts made by Croda during this year and the tangible results achieved by the company in their journey towards making Certified Sustainable Palm Oil the norm."

Datuk Darrel Webber
CEO of the RSPO

Key Performance Indicators

How we performed

KPI	Comment	Target	Our performance
On target Return on sales **KPI definition** Operating profit as a percentage of Group sales.	Life Sciences had a very good year with strong sales of its Omega 3 active pharmaceutical ingredients and its high purity excipients. Personal Care continued its recovery with steady progress through the year delivering healthy increases to profit and return on sales. Performance Technologies had a disappointing year with margins affected by the sector's continued investment in resources in the faster growing regions. Industrial Chemicals margins improved following the exit of low value commodity products.	Personal Care (PC) and Life Sciences (LS) maintain 2014 levels. Performance Technologies (PT) grow to 20% in the medium term. Industrial Chemicals (IC) maximise profitability.	**Return on sales %** 
On target % of Group sales outside Europe **KPI definition** The percentage of Group sales into USA, Latin America and Asia.	Our investment in resources in the faster growing markets continues to deliver, in support of our growth strategy. The performance in Asia is especially strong with good performances in Latin America and North America.	Increase the proportion of sales into faster growing markets.	**% of Group sales outside Europe** 
On target NPP sales as a % of Group sales **KPI definition** NPP products are where existing sales are protected by virtue of being either newly launched, protected by intellectual property or by unique quality characteristics.	We focus technically and commercially on increasing the percentage of sales that we define as NPP. The development of the NPP sales has occurred across all market sectors and is a key contributor to the improved Group margins in 2015.	NPP sales to be 30% of Group sales in the medium term.	**NPP sales as a % of Group sales** 
Ahead of target NPP sales growth compared with overall sales growth **KPI definition** NPP sales growth as a ratio of overall sales growth.	Our continued technical and commercial focus on the development of NPP sales and collaboration with our customers delivered strong growth in the year.	2x overall sales growth.	**NPP sales growth compared with overall sales growth** 

Key

Growth

Innovation

Sustainability

KPI | **Comment** | **Target** | **Our performance**

Behind target

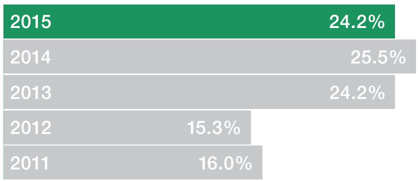
Non-fossil fuel energy %

KPI definition
The proportion of our energy that comes from non-fossil fuel sources.

Having surpassed our target of over 25% of our energy from non-fossil sources in 2014, we did not sustain the performance in 2015. Several one-off factors contributed to this. Over the 2010-15 period the burning of other renewable co-products has diminished as their commercial value exceeded their fuel value. Commissioning of the bio-gas CHP plant at our manufacturing site in the Netherlands in 2016 should re-establish our record of improvement.

>25% by 2015.

Non-fossil fuel energy %



Behind target

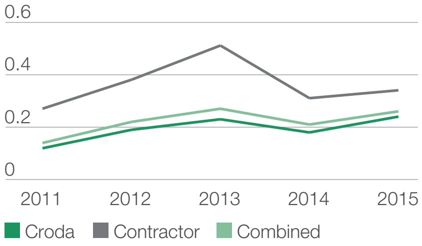
Lost time injury (LTI) rate

KPI definition
Rate of injuries that result in an absence from work of one day or more, divided by total number of hours worked per annum, multiplied by 100,000 hours.

As a response to the modest increase in LTI rate in 2015 to 0.26, from 0.21 in 2014, a new mandatory behaviour based safety programme will be introduced to all our manufacturing sites in 2016.

LTI rate consistently < 0.2 per 100,000 hours worked.

Lost time injury rate (per 100,000 hours worked)



Creating shareholder value

On target

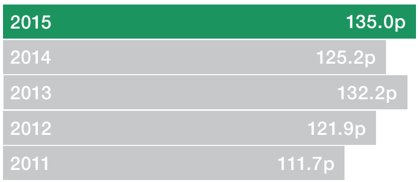
Adjusted earning per share (EPS) growth

KPI definition
Adjusted profit after tax divided by the average number of issued shares.

We are very pleased to report an EPS of 135.0p, representing an increase of 7.8% on last year. This places us well within the target range of 6-12% and reflects the continued belief in our strategy.

6-12% EPS growth per annum.

Adjusted basic earnings per share (p)



On target

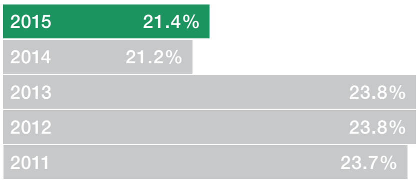
Return on Invested Capital (ROIC)

KPI definition
Adjusted operating profit after tax divided by the average invested capital for the year for the Group. Invested capital represents the net assets of the Group, adjusted for earlier goodwill written off to reserves, net debt, retirement benefit liabilities, provisions and deferred taxes.

Our robust and defensive business model (p14) is capital light and delivers high returns. Our ROIC of 21.4% is more than three times the Group's WACC.

Maintaining ROIC at 2 to 3 times WACC.

Return on invested capital (ROIC)



Finance Report

Strong cash generation

Performance highlights

- → Adjusted pre-tax profit up 8.2%
- → Over £90m invested in capital projects to drive future growth
- → Proposed special capital return of 100p per share

> We are a strong cash generator with a disciplined approach to capital spend, investing in technology and capacity to meet customer demand, whilst also returning cash to shareholders."

Jez Maiden
Group Finance Director

Sales value

£1,081.7m

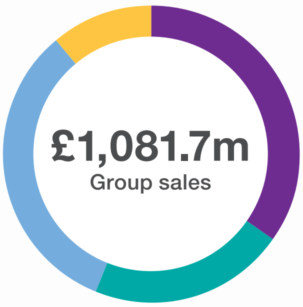
Adjusted pre-tax profit

+8.2%

Free cash flow

£117.5m

Sales by market sector (£m)



🟪 Personal Care	£377.3m
🟩 Life Sciences	£231.3m
🟦 Performance Technologies	£354.8m
🟨 Industrial Chemicals	£118.3m
Group	**£1,081.7m**

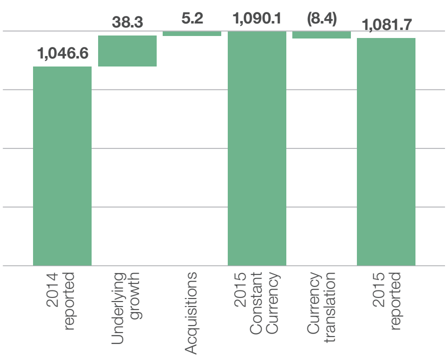
Currency

Currency translation had a limited impact on 2015 results compared with 2014. Sterling averaged US$1.528 (2014: US$1.646) and €1.377 (2014: €1.242) in 2015, resulting in Dollar strength broadly offsetting Euro weakness. Currency translation reduced sales compared with 2014 by £8.4m (0.8%) and adjusted pre-tax profit by £1.4m (0.5%).

Sales

Underlying sales increased by 3.7% in 2015, comprising 3.1% volume growth and 0.6% from improved pricing and mix. On a constant currency basis, sales rose by 4.2%, with the benefit of the acquisition of Incotec. Reported sales were 3.4% higher at £1,081.7m (2014: £1,046.6m).

Sales (£m)



Sales rose strongly in the first half of the year, against a weaker performance in 2014, but slowed in the second half year, against stronger comparatives and some weakening in the global economy. Innovation was again a key driver of our growth. Sales of NPP, which provide greater differentiation, higher margins and stronger barriers to entry, increased by 15% on an underlying basis. Sales of our 'differentiated' products were unchanged as we continued to enhance our product portfolio by replacing less differentiated products with protected products. Our 'tail' products grew by 3% reflecting an increase in tolling volume.

Our global market sector structure is operating effectively and driving good growth. Detail of sector sales performance is set out under the Chief Executive (p10)

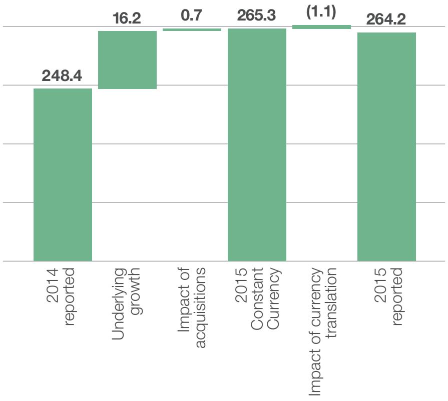
Underlying sales growth	First half %	Second half %	Full year %
Personal Care	2.8	0.7	1.8
Life Sciences	14.7	6.4	10.5
Performance Technologies	3.3	(0.2)	1.6
Industrial Chemicals	2.5	4.4	3.4
Group	5.2	2.0	3.7

and Sector (p16) reports. We saw sales growth in all regional markets. Asia continued to grow rapidly, with underlying sales up 6.4%, supported by our investment in more sales, marketing and technical resource, manufacturing expansion and an increase in the number of application labs. Europe, Middle East and Africa also grew steadily at 2.2%, marking a recovery in Europe after a disappointing two years, with all market sectors performing well. Underlying sales in North America grew 5.4%, driven by strong Health Care sales, partly offset by a weaker Geo Technologies market and some pressure on export customers due to the Dollar's strength. Latin America started the year well but sales declined in the second half year with 2015 up 0.5% overall. This remains a potentially exciting region for growth but the weak macroeconomic conditions have resulted in us limiting further resource investment in the short term.

Adjusted profit

Adjusted operating profit rose 6.4% to £264.2m (2014: £248.4m). On a constant currency basis, adjusted operating profit was up 6.8%.

Adjusted operating profit (£m)



Adjusted operating profit	2015 Reported £m	2015 Constant currency £m	2014 Reported £m
Personal Care	**124.5**	**126.1**	117.3
Life Sciences	**76.2**	**76.3**	64.7
Performance Technologies	**56.8**	**56.5**	63.8
Industrial Chemicals	**6.7**	**6.4**	2.6
Reported	**264.2**	**265.3**	248.4

Summary income statement	2015 £m	2014 £m
Sales	**1,081.7**	1,046.6
Operating costs	**(817.5)**	(798.2)
Adjusted operating profit	**264.2**	248.4
Net interest costs	**(9.5)**	(13.0)
Adjusted pre-tax profit	**254.7**	235.4

Life Sciences and Personal Care performed well, delivering healthy increases to profit and return on sales. Performance Technologies profit reduced, reflecting increased cost investment and a downturn in the geotechnology market. Industrial Chemicals increased profit from co-stream sales and tolling. Incotec, our recently acquired seed treatment business, contributed an adjusted operating profit of £0.7m from its first month of trading within Croda.

Net interest cost decreased to £9.5m (2014: £13.0m) due to lower funding costs, a reduced pension charge and capitalised interest on construction of the non-ionic bio-surfactant plant. Adjusted pre-tax profit increased by 8.2% to £254.7m (2014: £235.4m) and by 8.8% on a constant currency basis.

The effective tax rate on this profit was unchanged at 28.0% (2014: 28.0%) with the increased adjusted profit resulting in a rise in the tax charge of £5.4m to £71.2m. The tax rate is driven by the geographic mix of profit and the exposure to higher tax rates outside the UK, where the statutory rate was 20.25%. There are no other significant adjustments between the Group's expected and reported tax charge based on its accounting profit. The adjusted profit for the year was £183.5m (2014: £169.6m). Adjusted earnings per share (EPS) increased by 7.8% to 135.0p (2014: 125.2p).

IFRS profit

Adjusted profit is stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders in better understanding the performance of the business and is adopted on a consistent basis for each half year and full year results.

The total of exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition totalled £2.4m (2014: £6.0m). Acquisition costs were £2.0m (2014: £0.2m). The amortisation of intangible assets was £0.4m (2014: £0.3m). There were no exceptional items (2014: £5.5m). The profit for the year on an IFRS basis was £181.1m (2014: £165.2m) and basic EPS were 133.3p (2014: 121.9p).

The acquisition of Incotec has provisionally increased intangible assets by £34.6m and goodwill by £58.5m, which will increase the intangible amortisation charge in future years.

IFRS profit

	2015 £m	2014 £m
Adjusted pre-tax profit	**254.7**	235.4
Exceptional items, acquisition costs & intangibles	**(2.4)**	(6.0)
Pre-tax profit	**252.3**	229.4
Tax	**(71.2)**	(64.2)
Profit after tax	**181.1**	165.2

Cash flow

	2015 £m	2014 £m
Adjusted operating profit	**264.2**	248.4
Depreciation and amortisation	**38.1**	36.7
EBITDA	**302.3**	285.1
Working capital	**(1.4)**	(12.3)
Net capital expenditure	**(91.1)**	(64.5)
Additional pension contributions	**(18.5)**	(30.2)
Interest & tax	**(73.8)**	(57.9)
Free cash flow	**117.5**	120.2
Dividends	**(90.9)**	(88.1)
Acquisitions	**(104.0)**	(1.9)
Other	**(1.7)**	(8.2)
Movement in net debt	**(79.1)**	22.0

Cash management

The Group remains a strong cash generator. This cash continues to be used to invest in new technologies, expand existing production capacity to meet growing customer demand and invest in resources in the fastest growing regions.

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) increased to £302.3m (2014: £285.1m). Working capital was broadly unchanged, a strong performance given the improved sales, and represents 20.2% (2014: 20.9%) of sales.

Given our strong margins and return on invested capital (ROIC), we look for opportunities to invest organically to meet customer demand. Our capital investment programme between 2015 and 2017 is set at an increased level to our typical spend of 5% to 6% of sales. This reflects our investment in our non-ionic bio-surfactant plant in North America, which accounted for approximately £30.0m of the total of £91.1m invested in capital projects (2014 total spend: £64.5m). As part of our regular programme, we invested in key assets in Asia and Europe, completing our expansion in Singapore, adding capacity in India, building green energy and water plants in the Netherlands, and expanding in France and at our global Personal Care laboratory in North America. We expect our capital investment programme to revert to more typical levels from 2018. After-tax ROIC in 2015 increased to 21.4% (2014: 21.2%), excluding the impact of the Incotec acquisition (excluded since it was owned for only one month of 2015).

We funded additional pension contributions, primarily to eliminate the UK scheme deficit. This is the last of our scheduled deficit payments, with the next triennial review due at September 2017. Our cash tax paid increased to £66.8m (2014: £49.3m).

Free cash flow was once again strong at £117.5m (2014: £120.2m). Dividend payments increased by 3.2% and we funded a net amount of £104.0m for the acquisition of Incotec, moving Croda into one of the fastest growing niche market segments in the crop industry. As a result, the movement in net debt was an increase of £79.1m (2014: £22.0m reduction).

Net debt increased (after currency impacts) to £259.3m (2014: £180.2m), making leverage (net debt: EBITDA on a bank covenant test basis) 0.8 times (2014: 0.6x). Our balance sheet is robust, with leverage substantially within the maximum covenant level under the Group's debt facilities of three times. Our £400m revolving credit facility matures no earlier than 2020. Together with other credit facilities, at 31 December 2015 the Group had £239.9m (2014: £317.4m) of cash and undrawn committed credit available.

Dividends and capital allocation policy

Croda seeks to deliver high quality earnings (measured through a high ROIC, well in excess of its costs of capital), future earnings growth and strong cash returns. The Board has adopted a clear capital allocation policy:

1. **Reinvestment for growth** – as described above, we are investing in capital projects to grow in our core sectors, through product innovation, global sector development and growth in emerging markets, to deliver a superior ROIC
2. **Regular returns to shareholders** – we pay a regular dividend to shareholders, representing 40% to 50% of adjusted earnings over the business cycle, increasing the proposed full year dividend for 2015 by 5.3%
3. **Acquisition** – we supplement our organic growth by acquiring companies with promising technologies and in markets adjacent to, and consistent with, our current capabilities, adding Incotec to our Crop Care business in 2015
4. **Balance sheet leverage and return of excess capital** – we will maintain an efficient balance sheet, appropriate to our investment requirements. We target a balance sheet leverage of 1 to 1.5 times net debt: EBITDA (excluding deficits on retirement benefit schemes), although we are prepared to move outside this range if circumstances warrant. Below this leverage range, we will return excess capital to shareholders when appropriate. Following the Incotec acquisition, the leverage remains below this policy. In light of this, and the ongoing cash generation of Croda, the Board is proposing to return 100p per share (£136m) to shareholders by way of a special dividend with consolidation. The effect of this return of capital would have been to increase the 2015 year end leverage to around the mid-point of the Board's target range.

Retirement benefits

The after-tax deficit on retirement benefit plans, measured on an accounting valuation basis under IAS 19, reduced further in 2015 to £55.9m (2014: £95.4m), due to a combination of a deficit funding payment, lower inflation expectations and an increase in the discount rate.

It is the various schemes' actuarial valuation reviews, rather than the accounting basis, that determine any cash deficit payments. The Group's largest pension scheme is in the UK, where the results of the last triennial valuation showed that, following the last deficit payment in January 2015, the ongoing actuarial valuation deficit had been eliminated. In addition, during 2015 we consulted our UK scheme members on proposed changes to the scheme, following which, the scheme will change from a final salary scheme to a career average revalued earnings (CARE) defined benefit scheme, annual pensionable earnings will be capped at £65,000 and indexation of pensions in payment will be based on CPI, rather than RPI, for service accrued from April 2016. This is expected to reduce the future cost and risk attached to the scheme.

Jez Maiden
Group Finance Director

Sustainability

Our operations

As an ethical and responsible business, our priority is to contribute towards a safe and sustainable future. As a manufacturer, we must focus on alleviating the pressures on an increasingly fragile world.

Driven by the fragile world global driver, which encompasses climate change and the increasing scarcity of natural resources, we continually seek ways to minimise any negative impacts of our operations. This includes our use of natural resources, our impact on the environment and the potential risks to which our employees and surrounding communities could be exposed.

This is achieved by continuous improvement across all our manufacturing sites and sales offices in the 36 countries in which we operate.

We do this because it is the right thing to do for us, for our customers and for our local communities.

We invest in greener energy, reducing our carbon emissions

24.2% of our energy was generated from non-fossil fuel sources

We continue to reduce our land impact

56.8% reduction in waste to landfill since 2010

We are aware that we must minimise our use of scarce natural resources

5.5% reduction in water use since 2010

We work hard to provide a safe working environment

0.26 was our lost time injury rate per 100,000 hours worked

Process safety is our highest priority

Training in our process safety management system has taken place across all levels of our Business

Our sustainability programme focuses three of its 10 Material Areas on issues relating directly to responsible business conduct and operational excellence. We set ourselves stretching targets to encourage continuous improvement, and our priorities are to:

- → **Minimise the impact of our operations**
- → **Keep our manufacturing sites safe and legally compliant**
- → **Empower employees to have health and safety at the forefront of their thinking**

» **To find out more, read our 2015 Sustainability Report www.croda.com/sustainability**

Key Material Areas

Environmental Impact

Process Safety

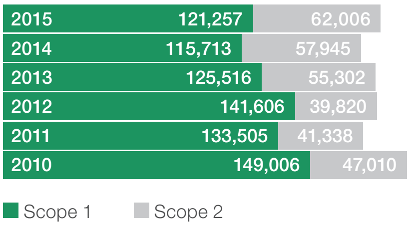
Occupational Health & Safety

Our operations

As an example of our continuing commitment toward carbon reduction, we have invested in multiple energy efficiency and renewable energy projects across our manufacturing and our sales offices, including:

- → Steam feed from municipal incinerator at Chocques, France
- → Wind turbine at Hull, UK
- → Photovoltaic solar panels at Edison and Atlas Point, US
- → Thermal solar panels at Thane, India
- → Ground source heating at our Global Headquarters at Cowick, UK
- → Bio-fuel CHP at Leek, UK
- → Landfill gas CHP at Atlas Point, US
- → Ground source heating at Mevisa, Spain
- → Bio-gas system at Gouda, the Netherlands

Changes in GHG emissions (TeCO$_2$e) relative to 2010 baseline year (revised data)*



* Scope 1 emissions are calculated using the International Energy Agency's published conversion factors for the tonne equivalents of CO$_2$. Scope 2 emissions are determined using the country emission factors for electricity generation published by the International Energy Agency. Emissions from our sales offices and distribution centres are not material in comparison to our manufacturing sites, so they are not included.

Our total Scope 1 and Scope 2 GHG emissions are equated to 605.4 Te CO$_2$e per £1m EBITDA in 2015.

Our Risks

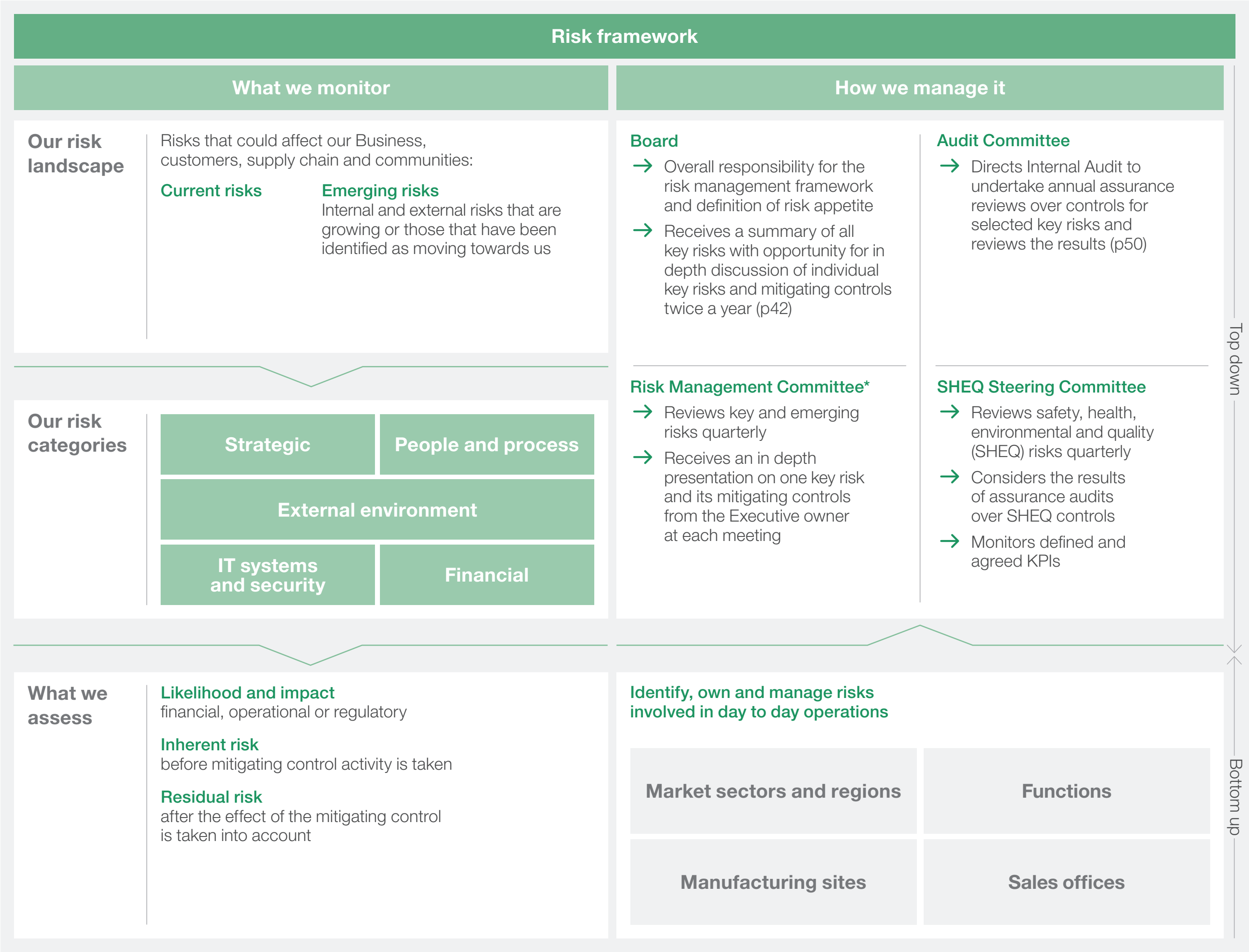
Protecting value

The effective management of our risks and opportunities, both financial and non-financial, helps to achieve our strategic objectives, protects our people, our local communities and our reputation, and demonstrates good corporate governance.

For us a risk is anything that might stop us from meeting our business objectives and delivering our strategy. Through regular review of risks, the Board ensures that our risk exposure is matched to our strategy. Overall responsibility for the risk framework and definition of risk appetite rests with the Board (p46), but the management of risk using our common risk framework is embedded in our manufacturing sites, market sectors, sales offices and functions, with all our employees having an important role to play. This enables us to regularly compare our bottom up and top down risks to ensure that we capture emerging risks arising throughout the Group.

Those risks that pose the greatest threat to our Business, our ‘key risks’, are explained in more detail on pages 32 to 35. We face other risks and uncertainties that are captured and considered through our risk review process, but these are currently assessed as lower risk, and so are not included here, or are beyond the direct influence of the Group.

Our risk management programme can only provide reasonable, not absolute, assurance that key risks are managed at an acceptable level.



Risk framework

What we monitor

Our risk landscape

Risks that could affect our Business, customers, supply chain and communities:

Current risks

Emerging risks
Internal and external risks that are growing or those that have been identified as moving towards us

Our risk categories

- Strategic
- People and process
- External environment
- IT systems and security
- Financial

What we assess

Likelihood and impact
financial, operational or regulatory

Inherent risk
before mitigating control activity is taken

Residual risk
after the effect of the mitigating control is taken into account

How we manage it

Board
- → Overall responsibility for the risk management framework and definition of risk appetite
- → Receives a summary of all key risks with opportunity for in depth discussion of individual key risks and mitigating controls twice a year (p42)

Audit Committee
- → Directs Internal Audit to undertake annual assurance reviews over controls for selected key risks and reviews the results (p50)

Risk Management Committee*
- → Reviews key and emerging risks quarterly
- → Receives an in depth presentation on one key risk and its mitigating controls from the Executive owner at each meeting

SHEQ Steering Committee
- → Reviews safety, health, environmental and quality (SHEQ) risks quarterly
- → Considers the results of assurance audits over SHEQ controls
- → Monitors defined and agreed KPIs

Identify, own and manage risks involved in day to day operations

- Market sectors and regions
- Functions
- Manufacturing sites
- Sales offices

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* Executive Committee

Key risk	Potential impact on our Business	How we respond	What we have done in 2015
Revenue generation in established and emerging markets 📊 ↑	Failure to follow our customers as they move into emerging markets, and increasing competition from mainstream and other chemical companies looking to move into our established markets will adversely impact delivery of our strategic objective to deliver consistent top and bottom line growth.	Organising our sales, marketing and technical teams by global market sector with a shared global strategy enables them to build market-focused knowledge between regions, so that we can better support our customers through local sales and R&D teams.	Global structure supported improved relationships with multinational customers and also enabled more local relationships with regional dynamos. Growth has returned in Europe in 2015.
Identification and integration of acquisition targets 📊 →	The Group has supplemented growth through acquisitions and continues to pursue them to meet its strategic objectives. A failure to identify new business acquisitions to extend our portfolio and to integrate them effectively could impact our ability to grow.	Each global market sector has a plan, which identifies potential new strategic, technology and process acquisition opportunities. These are monitored and challenged by the President of Corporate Development, who works with the market sectors to identify and integrate the acquisitions.	Developed an acquisition process framework which includes clear criteria for acquisitions and the due diligence process. This was presented to the Board. Following the acquisition of Incotec in December 2015 (p05) a team with representation from Croda and Incotec is currently working to integrate the new business.
Product and technology innovation 💡 →	Innovation plays a critical role across our operations; it differentiates us from the competition, protects sales and improves our margins. Failure to drive NPP through innovation will impact directly on growth.	We have a Chief Technology Officer at Board level driving our innovation strategy. As well as building on core technologies, we have identified developing key technology platforms linked to our mega trends that will direct future innovation acquisition and development. Our outstanding technical resources are fully integrated into our global market sector leadership teams to focus innovation on customer requirements. We partner with customers, universities and developers of emerging technologies and invest in external acquisitions to remain at the cutting edge.	Continued to expand our innovation pipeline, supported by higher proportion of open innovation projects. Developed our Omega 3 API platform to deliver improved heart health. Global market sectors encouraged sharing of innovation across manufacturing platforms. Acquired Incotec which will bring a new innovation platform to the Group.
Protect new intellectual property 💡 →	Failure to protect our intellectual property in both existing and new markets could undermine our competitive advantage.	We have a specialist Intellectual Property (IP) team who participate in the technical and business planning and strategy meetings to identify new products and technologies that may require protection. They monitor our IP and challenge infringements where necessary.	Filed patents in a number of areas, including in relation to innovation in polymer additive amides.

Key

📊 Growth	↑ Risk increase
💡 Innovation	→ No change
🍃 Sustainability	↓ Risk decrease

Key risk	Potential impact on our Business	How we respond	What we have done in 2015
Product liability claims 🍃 →	We sell into a number of highly regulated markets. Non-compliance with quality regulations could expose us to liability and reputational damage especially in the light of our commitment to sustainability.	Our sites are certified to demanding quality standards which are highly valued by our customers. Compliance with these is audited both externally and through our audit programme carried out by our specialist Head of Global Quality Assurance. We work proactively with relevant trade associations to shape future regulation.	Carried out quarterly review against quality targets at the SHEQ Committee, see page 56. Developed the Group Quality manual, which defines global standards, controls and KPIs. Compliance assured by specialist audits delivered in house, and sites have also obtained increased levels of external quality certifications.
Major safety or environmental incident 🍃 →	We rely on the continued operation of our manufacturing sites around the world. A major event causing loss of production, or violating safety, health or environmental regulations could limit our operations and expose the Group to liability, cost and reputational damage, especially in the light of our commitment to sustainability and customer service.	Our specialist SHEQ (Safety, Health, Environment and Quality) steering Committee sets stretching targets (above and beyond basic regulatory requirements) and meets quarterly to review progress against these targets, see page 56. Our global network of process safety engineers and SHE specialists located at each site use policies and procedures defined in the Group SHE manual to ensure compliance. Assurance over operation of controls is provided by the dedicated Group SHE internal audit team, whilst external audits assess compliance with OHSAS 18001 and ISO 14001 certifications. We have business continuity plans in place for each site and a Group crisis management plan which is tested at least annually.	Tailored our Group SHE internal audit programme to perform a 'deep dive' into key topic areas identified as requiring improvement. Seven of our employees gained a postgraduate certificate in leading Process Hazard Studies, from the University of Derby.
Employee recruitment, retention and succession planning 🍃 →	The vision and experience of our knowledgeable and specialist employees is critical to maintaining the Group's success. Inability to recruit and retain appropriately skilled people could adversely impact our ability to deliver our strategic priorities. If these individuals were to leave, it would take time to replace them if no succession plans were in place.	Reward programmes, a strong development culture and excellent learning opportunities support the retention and career development of the high quality teams we need. Global graduate and management development programmes include stretching and high profile assignments and nurture internal talent. Annual global talent review process supports review of resources and succession plans for critical roles, with actions monitored by the Executive and the Board.	The Executive has focused on developing a people strategy for each of our market sectors which fully supports and aligns with the business strategy to ensure that our current high retention rates continue. Importantly, delivery of the strategy will ensure that the pipeline of talent will continue to be filled. Succession plan review by the Board in November 2015.

Key risk	Potential impact on our Business	How we respond	What we have done in 2015
Global raw material shortage 🍃 →	An interruption in the supply of key raw materials would significantly affect our operations and financial position. Such a disruption could arise from market shortages or from more rigorous legislation, for example relating to the transport of hazardous goods.	Professional purchasing teams based in our regions monitor supply to identify potential future shortages. We look to develop good relationships with our suppliers and to agree long term contracts. To protect supply, we aim to source from multiple suppliers. Where this is not possible, we build up our own inventories.	Completed a risk assessment of a key single sourced raw material globally and implemented appropriate controls to minimise risk.
Major capital project management 🍃 New	Current major strategic capital expenditure programmes require closely controlled project management to deliver on time.	Specialist project management teams are formed for all major capital expenditure programmes with steering groups chaired by Executive level Directors.	Large strategic capital projects (such as the non-ionic bio-surfactants plant in North America) progressed according to plan during 2015.
Chemical regulatory compliance →	As a global chemical producer, we operate in highly regulated markets, which are subject to regular change. Violation, incomplete knowledge or change, of the appropriate regulations could limit the markets into which we can sell, or expose the Group to fines or penalties.	Regulatory expertise is provided by our global in house team of technical and regulatory specialists, with in depth knowledge of the regional and market regulatory frameworks within which we operate. They are an integral part of our new product development process. We use the SAP EHS module to ensure that regulatory changes are applied to existing products.	Rolled out SAP EHS to four additional sites and extended volume tracking solution beyond Europe to meet other local regulation requirements.
Security of networks, IT applications, business information, and corporate knowledge ↑	We rely heavily on IT systems for effective and efficient operations and to communicate globally. As the risk of cyber attack continues to increase, we must protect all our business assets, whether knowledge or system based. As we expand our use of mobile technology and move into emerging markets, which are potentially subject to higher risk, there is a greater chance of losing electronically stored business information.	Our Information Security specialist monitors our IT services and network, and oversees PC protection, in line with our established policies and processes. Regular penetration testing is undertaken and actions followed up. We recognise that corporate knowledge is a valuable asset whether held electronically or not. We run our key systems with full parallel processing with regular failover testing. Internal audit reviews and reports to the Audit Committee on the operation of system controls.	Obtained ISO 27001 certification for key systems and locations, and are currently reviewing the appropriate systems for the next phase of certification. Updated employee training programmes on information security. Presented to the Board on cyber security risk and controls.

Key

📊	Growth	↑	Risk increase
💡	Innovation	→	No change
🍃	Sustainability	↓	Risk decrease

Key risk	Potential impact on our Business	How we respond	What we have done in 2015
Bribery Act breach by us or our agents and distributors →	We are subject to UK legislation and the Bribery Act is far reaching in terms of global scope.	We have training and education programmes that are rolled out globally and that all relevant employees are required to complete. Refresher training is required periodically. Completion of gift registers is a requirement for gifts given and received.	Refresher training delivered globally to relevant employees during 2015. Considered compliance in internal audit site reviews.
Ineffective management of pension fund ↓	The Group maintains an open defined benefit pension scheme, which constitutes a higher risk than a defined contribution scheme. A change in market conditions could increase future funding requirements and may adversely affect our financial position.	The pension fund investment strategy, developed by the Investment sub-committee of the Trustee Board, is appropriate and delivered with the support of professional advisors. Trained pension fund Trustee Directors take professional advice and monitor and review arrangements quarterly. The Company maintains close dialogue with the Trustee Board.	Actuarial valuation deficit eliminated in UK pension scheme. UK pension consultation and restructuring of the final salary pension scheme to a career average revalued earnings (CARE) defined benefit scheme for service accrued from April 2016, see page 29.

Long term viability statement

During the year the Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten the Company's business model, future performance, solvency or liquidity. These risks and how they are managed and mitigated are described above. Taking account of these principal risks and the current position of the Company, the Directors have assessed the prospects of the Company and have a reasonable expectation that it will be able to continue in operation and meet its liabilities as they fall due over the next three years.

In assessing the prospects of the Company and determining the three year assessment period, the Directors took account of:

- the Company's financial and strategic planning time horizons, which cover a three year period;
- the strong innovation pipeline, which supports the Company's business through protection of sales and margins, differentiates it from competitors and provides barriers to entry;
- the diversification of the Company's products, operations and customer base, which reduces exposure to geographical and sector markets as well as large customer/product combinations; and
- the Company's strong cash generation and its ability to renew and raise facilities in most market conditions.

The Company's financial and strategic plans consider key financial metrics over the period to which they relate. These metrics are subject to a sensitivity analysis which involves varying a number of main assumptions underlying the forecasts, and evaluating the potential monetary impact of severe but plausible risk combinations and the likely degree of effectiveness of mitigating actions available to the Company over the three year period if such risks did arise.

Signed on behalf of the Board who approved the Strategic Report on 23 February 2016.

Steve Foots
Group Chief Executive

Our Board

A strong leadership team


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1. Anita Frew
Chairman

Appointment: Appointed to the Board in March 2015 and Chairman since September 2015.

Key strengths and experience: Extensive board, leadership and international experience, together with a broad knowledge of strategic management across a range of sectors including speciality chemicals. Anita was Chairman of Vitrex Plc until 2014 and Senior Independent Director of Aberdeen Asset Management Plc and IMI Plc. She has held executive director roles at Abbott Mead Vickers Plc and WPP Group Plc, as well as various investment and marketing roles at Scottish Provident Institute and The Royal Bank of Scotland Plc.

External appointments: Anita is Deputy Chairman of Lloyds Banking Group Plc and a Non-Executive Director of BHP Billiton Plc and BHP Billiton Limited.

N RM

2. Steve Foots
Group Chief Executive

Appointment: Appointed to the Board in July 2010 and Group Chief Executive since the beginning of 2012.

Key strengths and experience: Strong business, operational and strategic leadership, and wide-ranging sales and marketing experience. Steve joined Croda as a graduate trainee in 1990 and has held a number of senior management positions in the Group, becoming President of Croda Europe in July 2010. Prior to this, Steve held a number of Managing Director roles across Croda's European business.

External appointments: Member of the Chemical Growth Partnership (CGP) and Chairman of CGP's Skill Group.

E F N R SHEQ

3. Jez Maiden
Group Finance Director

Appointment: Appointed to the Board as Group Finance Director in January 2015.

Key strengths and experience: Extensive experience in financial management, and acquisitions and disposals, and a wealth of experience working in the speciality chemical sector. Jez was Group Finance Director at National Express Group Plc from 2008 to 2014. Prior to that, he was Group Finance Director at Northern Foods Plc and he has been Chief Financial Officer at British Vita Plc as well as Group Finance Director at Hickson International Plc, both listed speciality chemical companies. Former Chairman of the Audit Committee and Senior Independent Director of Synthomer Plc. Jez is a fellow of the CIMA.

R E F SHEQ

Key

🟩 Chairman of the Committee
■ Member of the Committee
□ Secretary of the Committee

N | Nomination Committee
RM | Remuneration Committee
A | Audit Committee
R | Risk Management Committee

E | Group Executive Committee
F | Group Finance Committee
SHEQ | Group SHEQ Committee

4. Alan Ferguson

Non-Executive Director

Appointment: Appointed to the Board in July 2011.

Key strengths and experience: Extensive international financial management and board experience. Alan was Chief Financial Officer and a Director of Lonmin Plc until December 2010. Prior to that he was Group Finance Director of The BOC Group until 2006. Before then he spent 22 years in a variety of roles at Inchcape Plc, including six years as Group Finance Director from 1999. Alan is a Chartered Accountant.

External appointments: Alan is Senior Independent Director of Johnson Matthey Plc and Non-Executive Director of The Weir Group Plc. He chairs the Audit Committees at both of these companies. Alan is also the Senior Independent Director of Marshall Motor Holdings Plc, an AIM listed company, where he chairs the Audit Committee. Alan sits on the Business Policy Committee of the Institute of Chartered Accountants of Scotland.

A RM N

5. Helena Ganczakowski

Non-Executive Director

Appointment: Appointed to the Board in February 2014.

Key strengths and experience: Wealth of experience in consumer marketing and innovative product development. Helena worked for Unilever for 23 years and held senior positions in brand management, consumer marketing and strategy development. Helena has a PhD in Engineering from the University of Cambridge.

External appointments: Helena is a Non-Executive Director of Greggs Plc and People Against Dirty. She runs a consulting business working with a range of organisations, helping them to develop and implement strategies.

A RM N

6. Keith Layden

Chief Technology Officer and President Life Sciences

Appointment: Appointed to the Board as Chief Technology Officer in February 2012.

Key strengths and experience: Deep understanding of chemical innovation and broad operational and management experience. Keith joined Croda in 1984 and is responsible for global R&D and is President Life Sciences. Until January 2016 he was responsible for the Technology Investment Group.

External appointments: Keith represents Croda as a member of the advisory board for chemistry at the Universities of Nottingham and York. He is a Representative of the Learning and Teaching Committee, Careers Advisory Board and Alumni Board at the University of Sheffield. Keith is a Fellow of the Royal Society of Chemistry and a Trustee and member of Council at the Royal Society of Chemistry.

R E F SHEQ

7. Nigel Turner

Non-Executive Director (Senior Independent Director)

Appointment: Appointed to the Board in June 2009 and Senior Independent Director since August 2011.

Key strengths and experience: Broad City experience having spent over 35 years as a corporate financier. Nigel was the Chairman of Numis Securities Ltd and Deputy Chairman of Numis Corporation Plc from 2005 until his retirement in 2007. From 2000 until 2005 he was with ABN AMRO with responsibility for the Global Corporate Finance and Global Equities Divisions. Between 1985 and 2000 he was with Lazard Brothers where he was Managing Director and a member of the Supervisory Board.

External appointments: Senior Independent Director of Genus Plc since 2008.

A RM N

8. Steve Williams

Non-Executive Director

Appointment: Appointed to the Board in July 2010.

Key strengths and experience: Extensive industry, legal and board experience. Steve was General Counsel and Chief Legal Officer of Unilever plc and Unilever NV from 1986 until 2010. From 2004 until 2010 he was Senior Independent Director of Arriva Plc. From 1995 until 2004 he was a Non-Executive Director of Bunzl Plc.

External appointments: Steve is a Non-Executive Director of Whitbread PLC where he is also Chairman of the Remuneration Committee. In addition, Steve is a Non-Executive Director of Eversheds LLP and a senior adviser to Spencer Stuart LLP. He is Chairman of the De La Warr Pavilion Charitable Trust and a member of the Board of Leverhulme Trust and Moorfields NHS Trust.

RM A N

9. Tom Brophy

Group General Counsel & Company Secretary

Appointment: Appointed as Secretary to the Board in December 2012.

Key strengths and experience: Tom is a solicitor and has responsibility for legal affairs, corporate governance, insurance and human resources. Prior to joining Croda, Tom spent seven years at Wolseley Plc in a number of legal and governance roles, including as Deputy General Counsel and Company Secretary. Before then he worked as a corporate lawyer at City law firm Hogan Lovells.

A RM N R E SHEQ

Corporate Governance

Chairman's Letter

> Good governance is not just about compliance with rules and regulations; it is about culture, behaviours and how we do business."
>
> **Anita Frew**
> Chairman

Dear fellow shareholder,

An effective governance framework is embedded in our organisation, which is vital to ensuring that Croda remains successful and sustainable. Your Board is committed to high standards of corporate governance and to complying with the provisions of the UK Corporate Governance Code (the Code). However, good governance is not just about compliance with rules and regulations; it is about culture, behaviours and how we do business, and the Board has a vital role to play by ensuring that it sets the tone for the rest of the organisation.

The Board is accountable to Croda's shareholders for good governance and this report, together with the Directors' Remuneration Report set out on pages 57 to 74, describes how the Code's main principles of governance have been applied by the Company. This report also includes several case studies that give a practical insight into how our governance framework underpins and supports our Business and the decisions we make every day. I am pleased to report that, except in the area of Non-Executive Director meetings with investors, the Company has complied with the Code for the period under review.

Leadership

After ten years as Croda's Chairman, Martin Flower retired from the Board in September 2015. I succeeded Martin as Chairman, having joined the Board in March 2015. The Board and Nomination Committee took a great deal of time on the search for a new Chairman, details of which can be found on page 55. I will continue to encourage the openness and frankness in Board meetings that Martin fostered as Chairman, as well as ensuring that the Board allocates sufficient time for focus on critical strategic issues.

The relationship between the Chairman and the CEO is a cornerstone of good governance and even in this early period of my Chairmanship I have established a positive and constructive working relationship with Steve Foots.

As reported in last year's annual report, Jez Maiden was appointed to the Board in January 2015 as Group Finance Director. Jez has already introduced significant changes to the management reporting that has enhanced the Board's effectiveness in its role in monitoring the Group's operational and financial performance against agreed objectives.

Effectiveness

The actions agreed following the externally facilitated 2014 Board effectiveness review have progressed well. In 2015 the Board and Committee review was conducted using an online questionnaire, designed by Lintsock with input from myself and the Company Secretary. The evaluation was once again positive, with some minor areas for improvement identified and agreed. Further details can be found on page 43.

The Board is committed to greater diversity within our Business. A broader range of ideas, skills, knowledge, experience and ethnicity, and more balanced gender representation throughout our organisation, is important to our continuing long term success. Our Board diversity policy includes a commitment to at least maintaining the level of female representation on the Board in the medium term. With my appointment as Chairman to the Board, 25% of the members of the Board are female. The Board will continue to review its diversity policy and future objectives. A copy of the policy is available at **www.croda.com**.

Accountability

2014 saw the introduction of a new version of the Code, which applies to Croda's 2015 reporting year. The Board spent a considerable amount of time discussing the changes, notably in the areas of risk assessment, monitoring risk management and internal control systems (including determining what constitutes a significant control failing), and assessing the long term prospects of the Company. In each of these areas the Board looked at what changes (if any) were necessary to our existing approach, as well as defining the role/responsibilities of the Board and the Audit Committee. Further details can be found on pages 35 and 46. The Remuneration Report on page 57 also sets out the considerations made in relation to changes to those aspects of the Code relating to remuneration.

Relations with shareholders

As Chairman, I am responsible for effective communication with shareholders and for ensuring that the Board understands the views of major shareholders. In my first few months as Chairman I met with several shareholders as well as speaking with many shareholders at our Annual General Meeting. Our shareholders support our strategy and are happy with our approach to corporate governance and remuneration.

Looking ahead to 2016

During the year the Board will:

- Continue to focus on long term strategy and strategic M&A
- Continue to concentrate on risks that could materially impact the Group's strategy and long term viability
- Think about the optimum balance and composition of the Board to support the growth and development of the business
- Ensure that the Board are regularly exposed to the global nature of our Business, including overseas site visits and meetings.

Anita Frew

Anita Frew
Chairman

A strong framework

Leadership

Role and operation of the Board

The Board has ultimate responsibility for the overall leadership of the Group. In this role it oversees the development of a clear Group strategy, monitors operational and financial performance against agreed goals and objectives, and ensures that appropriate controls and systems exist to manage risk.

Specific Board matters

The matters reserved for the Board fall into four broad areas:

1. Matters required by law to be reserved for the Board's decision, such as approving the Annual Report and Accounts, appointing new Directors, and declaring dividends
2. The requirements of the UK Listing, Prospectus and Disclosure and Transparency Rules, such as approving circulars to shareholders and other significant communications
3. UK Corporate Governance Code recommendations, such as ensuring the Company has a sound system of internal control and risk management, and approving the Board's and Committees' terms of reference
4. Other matters such as approval of the Group's strategy and budget, material corporate transactions and capital expenditure.

The full schedule of matters reserved for the Board can be found at **www.croda.com**.

Membership of the Board and attendance (eligibility) at Board meetings held during the year ended 31 December 2015

Anita Frew (Chairman)[1]	6 (6)
Sean Christie[2]	1 (1)
Alan Ferguson	8 (8)
Martin Flower[3]	6 (6)
Steve Foots	8 (8)
Helena Ganczakowski	8 (8)
Keith Layden	8 (8)
Jez Maiden[4]	8 (8)
Nigel Turner	8 (8)
Steve Williams[5]	7 (8)

[1] Anita Frew was appointed as a Non-Executive Director on 5 March 2015 and became Chairman on 19 September 2015

[2] Sean Christie stepped down from the Board on 22 January 2015

[3] Martin Flower retired from the Board on 19 September 2015

[4] Jez Maiden was appointed as an Executive Director on 1 January 2015

[5] Steve Williams was unable to attend the July Board meeting due to family commitments. He passed his comments on the agenda items and Board papers to the Chairman in advance of the meeting

At the date of this report, the Board comprises eight Directors: the Chairman; the Group Chief Executive; the Group Finance Director; the Chief Technology Officer; and four independent Non-Executive Directors. The small size of our Board allows time for full discussion and debate of items, and enables all Directors' views to be heard. The Non-Executive Directors have a broad range of business, financial and international skills and experience, which provides appropriate balance and diversity within the Board. Biographical notes appear on pages 36 and 37.

With support from the Company Secretary, the Chairman sets the annual Board agenda programme and Board meeting agendas, and determines the number of meetings to be held during the year. She ensures enough time is devoted, during meetings and throughout the year, to discussing all material matters, including strategic, financial, operational, business, risk, HR and governance issues.

Governance structure

The Board has three main Committees: the Audit Committee; the Remuneration Committee; and the Nomination Committee. The terms of reference for each Board Committee can be found at www.croda.com.

The day-to-day operational management of the Business is delegated by the Board to the Group Chief Executive, who uses several Committees to assist him in this task: the Group Executive Committee; the Group Finance Committee; the Risk Management Committee; the Group SHEQ Steering Committee; and the Routine Business Committee. For further information on each of these Committees see page 56.

Audit Committee

Chaired by Alan Ferguson

Monitors the integrity of the Group's financial statements/announcements, the effectiveness of internal controls and risk management as well as managing the external auditor relationship. For more information see pages 49 to 53.

Remuneration Committee

Chaired by Steve Williams

Approves the Company's remuneration policy and framework and determines the remuneration packages for members of senior management. For more information see pages 57 to 74.

Nomination Committee

Chaired by Anita Frew

Reviews the structure, size and composition of the Board and its Committees, identifies and nominates suitable candidates for appointment to the Board, and has responsibility for succession planning. For more information see pages 54 and 55.

Board roles

The roles of the Chairman and Group Chief Executive are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board.

Chairman

The Chairman leads the Board and is responsible for promoting open and effective communication between the Executive and Non-Executive Directors, and for creating an environment at Board meetings in which all Directors contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge.

The Chairman leads the annual Board effectiveness review process and ensures that all new Directors have an appropriately tailored induction process. She is responsible for effective communication with shareholders and for ensuring the Board understands the views of major shareholders. The Chairman also ensures that the Group complies with good practice in corporate governance, ethical, environmental and human resources matters, and upholds high standards of integrity and probity.

Group Chief Executive

The Group Chief Executive has day-to-day responsibility for the effective management of the Group's Business and for ensuring that Board decisions are implemented. He plays a key role in devising and reviewing Group strategies for discussion and approval by the Board. The Group Chief Executive is tasked with providing regular reports to the Board on all matters of significance relating to the Group's Business, or reputation, to ensure that the Board has accurate, timely and clear information on all matters on which a Board decision is required. He also promotes the Company's culture and standards.

The Chairman and Group Chief Executive liaise closely and have frequent meetings, face-to-face or by telephone, in which the Chairman is kept appraised of significant developments between Board meetings. This ensures any areas of potential conflict between the Executive and Non-Executive Directors are minimised.

Senior Independent Director

The Senior Independent Director provides a sounding board for the Chairman and acts as an intermediary for the Non-Executive Directors, where necessary. He is available to shareholders where communication through the Chairman or Executive Directors has not been successful or where it may not seem appropriate. The Senior Independent Director is responsible for leading the Non-Executive Directors in appraising the performance of the Chairman and in their discussions of her term of appointment and fees.

Independent Non-Executive Directors

The independent Non-Executive Directors' role is central to an effective and accountable Board structure. They constructively challenge the Executive Directors and scrutinise the performance of management in meeting agreed goals and objectives. They help develop and monitor the delivery of the strategy within the risk and control framework set by the Board. They determine appropriate levels of remuneration for Executive Directors and have a prime role in appointing and, where necessary, removing, Executive Directors, and in succession planning.

Group General Counsel and Company Secretary

The Group General Counsel and Company Secretary is secretary to the Board and its committees. He ensures Board procedures are complied with and advises on regulatory compliance and corporate governance. In addition he develops Board and Committee agendas and collates and distributes meeting papers. He facilitates induction programmes and provides briefings on governance, legal and regulatory matters.

The Board's 2015 activities and priorities

The Board has an agenda programme that ensures strategic, operational, business, financial, HR and corporate governance items are discussed at the appropriate time at Board meetings. The Board agenda has strong links to the strategic objectives for the Business. Key highlights of the Board's 2015 activities and priorities are set out below.

Strategy

Delivering consistent top and bottom line growth

- Coatings & Polymers, Health Care and EEMEA business reviews
- Adjacent market opportunities
- Multinational customers
- Product manufacturing strategies
- Various acquisition opportunities and pipeline, including acquisition of Incotec

Accelerating innovation and increasing the proportion of sales that are protected

- Product innovation programmes and technology platforms
- Technology led acquisitions
- New and Protected Products pipeline
- Innovation and R&D metrics
- Open innovation

Investing in sustainability

- Safety, health, environment and quality
- Sustainability strategy and targets
- Chief Executive and senior management succession

Board activity in 2015

People

- Talent review and succession planning
- Appointment of a new Chairman
- Changes to the UK Pension scheme
- The Croda culture

Governance and reporting

- Review of Annual Report and Accounts and other financial statements
- Board evaluation and effectiveness
- Changes to the Corporate Governance Code
- Defence strategy
- Investor relations review

Financial, risk and performance management

- Capital expenditure approvals
- Capital allocation policy
- The Group's budget, forecasts and key performance targets and indicators
- Dividends approvals
- Cyber security and acquisition risk reviews
- Anti-bribery and corruption risk review
- Long term viability

Outside the boardroom

In addition to formal Board meetings, in 2015, the Directors attended offsite meetings to review the Group's strategy and were present at the AGM. They also met with the Company's financial and public relations advisers to discuss the feedback from investors and analysts on the Group's annual results. The Chairman and Non-Executive Directors met together without the Executive Directors present.

The Chairman spends a considerable amount of time meeting with Steve Foots and the senior management team at the Company's head office. This ensures that she is kept appraised of significant developments in the Company between Board meetings.

During the year, each Non-Executive Director considered in detail a key strategic objective of the Business. In June 2015, Alan Ferguson and Nigel Turner had an in-depth session with a diverse team of Croda employees to discuss open innovation. The discussion was facilitated by Keith Layden and covered a wide range of areas including innovation in R&D, operations, sales and finance. In July 2015, Steve Williams and Helena Ganczakowski met with members of the Personal Care management team to discuss Croda's relationship with some of its biggest multinational customers. Both Steve and Helena were able to pass on their valuable insights given their experience and backgrounds.

All Directors are involved in the Group's Leadership Development Programme. This involves attending various sessions, and includes discussions on business strategy and leadership chaired by a Director, as well as interacting with employee course members in team building sessions or at dinners.

As in previous years, members of the Executive Committee and other senior managers from across Croda attended Board dinners where the Board discussed topics relevant to the Business and its strategy. In addition, during the Board's visit to our operations in France, the Directors met informally with many of the Group's employees. These interactions enhance the Board's understanding of the Business and allow Directors to spend time with the Group's senior managers and potential future leaders.

Effectiveness

The Nomination Committee

The Nomination Committee report is set out on page 54. The report describes the membership of the Nomination Committee, its responsibilities, its main activities in 2015 and its priorities for 2016.

Board evaluation

The Board undertakes a formal review of its performance and that of its Committees each year. In 2014, we commissioned an externally facilitated review, conducted by Sheena Crane, an experienced consultant with no other connection to the Group. Although an externally facilitated review was not required by the Code until 2015, the Board considered that external input would be valuable. Sheena Crane conducted the 2012 Board review and the 2014 review built upon her findings in 2012, as well as the output from the internally facilitated 2013 review. The key actions and progress in meeting them are summarised below:

Review/monitor effectiveness of the new global organisational structure	✓
Continued focus on succession planning of senior Executive roles	✓
Greater focus at Board level on key customers	✓

✓ Completed → Ongoing

During 2015, the Board review was conducted using an online questionnaire tailored to Croda's activities and current concerns. Separate questionnaires were also used for the Audit, Remuneration and Nomination Committees. A report was prepared based on the completed questionnaires, which facilitated an evaluation of the effectiveness of the Board and its Committees and the support and information received from management and advisers. The results were discussed in detail by the Board and areas for focus and improvements were identified and agreed. The Chairman fed back on a one-to-one basis to each of the Non-Executive Directors and the Group Chief Executive, and the results of the evaluation were discussed with the Nomination Committee.

The review concluded that:

- The relationships between individual members of the Board is very strong, as is the relationship between the Board and the Group Chief Executive and the Board and senior management
- The level of the Board's focus on risk is appropriate and the Board is effective in considering risk when making strategic and operational decisions
- The Board's involvement in succession and development plans for senior management was positively rated
- The Board has an appropriate level of involvement in determining the strategic direction of the Group
- The Board will continue to think carefully about its optimum balance and composition to support the growth and development of the Business.

The Board's priorities for 2016 are set out on page 39.

Board re-election

The Board contains a broad range of skills and experience from different industries and advisory roles, and from international markets.

These skills support the strategic aims of the Company. Following individual performance assessments, the Board is satisfied that each Director continues to perform effectively, allocates sufficient time for their duties, and remains fully committed to their role in the Company. All Directors will stand for re-election at the 2016 AGM. Full biographies for the Directors can be found on pages 36 and 37.

Directors' induction

On joining Croda, Directors receive a tailored induction programme. New Directors need to quickly absorb a great deal about a business if they are to fulfil their roles effectively from the start. Our tailored inductions offer a swift and thorough way to help new Directors understand Croda's business, markets and relationships and to establish a link with employees.

Anita Frew is currently undergoing her induction following her appointment to the Board on 5 March 2015. Details of our approach to Anita's induction can be found in the case study below.

Anita's induction

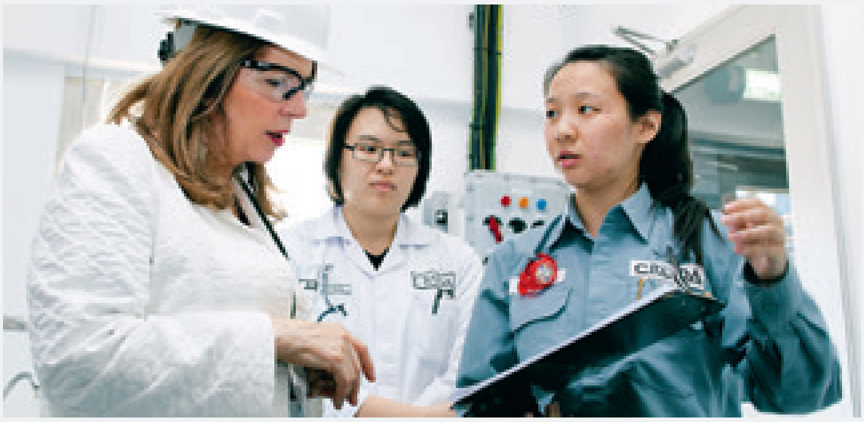
Anita joined the Board in March 2015 and had a six month period before becoming Chairman in September 2015. During this time she was able to focus on gaining a thorough understanding of Croda's business, meeting Croda employees across all regions in which we operate including the US, Europe and Asia.

As part of her induction, Anita spent a week at our operations in Singapore to gain an understanding of our rapidly growing Asian region. Hosted by our Asia Pacific President, Nick Challoner, and typical of her meetings across our other regions, Anita spent time getting to know the Asian leadership team and discussing a wide range of topics, including the local organisation structure, growth plans, strategic priorities, risks and the competitive landscape. She spent time in our Singapore laboratories with the R&D teams, where she gained an insight into the technology platforms and chemistries, as well as our product development pipeline.

A visit to our manufacturing site in Singapore enabled Anita to explore Croda's complex manufacturing processes and our approach to process safety and behavioural safety. She was able to discuss the site's challenging sustainability targets and find out about quality and regulatory issues.

Anita spent time with the Asia sales and marketing teams discussing how we engage with our customers in the region to understand their current needs and anticipating their future goals.

Importantly, Anita was given lots of opportunities to simply spend time engaging with and talking to a wide variety of employees across all functions and seniorities. This included time at dinners and social events. Through these interactions Anita gained an insight into the Croda culture and our values that are a key differentiator between us and our competitors.



In planning an induction we take the following steps:

Bespoke programme

Our Company Secretary discusses how the programme should be tailored to meet a Director's needs

Varied delivery

We use diverse formats to communicate information. These include iPad reading materials, meetings with employees and fellow Directors, briefings and training from external advisers and site visits

Length

Conscious of a Director's other commitments and not wanting to overload them with too much information in too short a time, we deliver the induction over the full Board cycle of 12 months

Review

The Company Secretary and the Director have regular reviews, with input from the Chairman, to agree what extra insights the induction needs to deliver

Board support

Each Director has access to the advice and services of the Company Secretary. Where necessary, the Directors may take independent professional advice at the Company's expense.

Training and briefings are available to all Directors taking into account their existing experience, qualifications and skills. In order to build and increase the Non-Executive Directors' familiarity with, and understanding of, the Group's people, businesses and markets, senior managers regularly make presentations at Board meetings. The Board also receives regular briefings from the Company Secretary on governance, legal and regulatory matters, and additional briefings from the Company's professional advisers.

Before each Board meeting, the Company Secretary makes sure that the meeting papers and other information are delivered electronically via a secure, iPad-accessible web portal. This helps to ensure that each Director has the time and resources to fulfil their duties. A resource centre within the web portal provides access to useful information about the Group, including corporate governance materials (for example, minutes of previous meetings, meeting dates, terms of reference), finance and strategy information, Group policies and procedures, and information on topics such as risk and insurance.

Independence of Non-Executive Directors

Croda complies with the Code in having experienced Non-Executive Directors who represent a source of strong advice, judgement and challenge to the Executive Directors. At present there are five such Directors, including the Chairman and the Senior Independent Director, each of whom has significant commercial experience. Their understanding of the Group's operations is enhanced by regular business presentations and site visits.

The independence of the Non-Executive Directors is kept under review. The Chairman was independent on her appointment in 2015 but, as Chairman, is not classified as independent. Steve Williams has consultancy roles with Eversheds LLP, which provides some legal services to the Group, and Spencer Stuart, a search consultancy firm that has previously been used by Croda. The Board does not consider that these roles would affect his judgement in relation to Croda and its Business and, therefore, considers that all Non-Executive Directors who served during the year are independent in character and judgement, with no relationships or circumstances that are likely to affect, or could appear to affect, their judgement.

Conflicts of interest

The Board has an established process for declaring and monitoring actual and potential conflicts. The Articles of Association of the Company allow the non-conflicted members of the Board to authorise a conflict or potential conflict situation. In addition to the potential conflicts of Steve Williams (noted above), Nigel Turner declared a potential conflict in relation to the possible sale of farm produce (oilseed rape) through agents to Croda. Helena Ganczakowski also has a Non-Executive Director role on the board of People Against Dirty, a customer of Croda.

Details of the professional commitments of the Chairman and the Non-Executive Directors are included in their biographies on pages 36 and 37. The Board is satisfied that these do not interfere with the performance of their duties for the Company.

During 2015, no Non-Executive Director had served on the Board for more than nine years from the date of their first election, with the range between one year and six and a half years. Upon his retirement in September 2015, Martin Flower had been a Director for ten and a half years, having been appointed to the Board in May 2005.

The terms and conditions of appointment of Non-Executive Directors can be viewed at **www.croda.com**. They can be inspected during normal business hours at the Company's registered office by contacting the Company Secretary and will also be available for inspection at the AGM.

Time commitment

Each Director is aware of the need to allocate sufficient time to the Company to discharge their responsibilities effectively. In addition to time spent at Board and Committee meetings, the Directors participate in several Company related events; details are set out on page 43.

External consultants

New Bridge Street, now part of Aon plc, acts as remuneration consultant to the Remuneration Committee. While the Aon group provides insurance services to the Group, these are not provided by New Bridge Street.

Zygos and Russell Reynolds act as search advisers to the Board and Nomination Committee. Neither firm has any other connection with the Group.

Accountability

The Audit Committee

The Audit Committee report, which describes the membership of the Audit Committee, its responsibilities, main activities in 2015 and priorities for 2016, is set out on pages 49 to 53.

Risk management and internal control

The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management. In accordance with the guidance set out in the FRC's Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014, and in the Corporate Governance Code itself, an ongoing process has been established for identifying, evaluating and managing the principal risks faced by the Group. The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority.

In particular, there are clear procedures and defined authorities for the following:

- Financial reporting, with clear policies and procedures governing the financial reporting process and preparation of the financial statements. There is a clear and documented framework of required controls. Each reporting location prepares an annual self-assessment of compliance with these controls, which is assured during planned internal audit visits
- Comprehensive monitoring and quantification of business risks, under the direction of the Risk Management Committee. The Group's approach to risk management and the principal risks facing the Group are discussed in more detail in the Strategic Report on pages 31 to 35
- Capital investment with detailed appraisal, risk analysis, authorisation and post-investment review procedures.

This process has been in place for the full financial year and up to the date on which the financial statements were approved by the Directors.

The Board discharged its responsibility for monitoring the operational effectiveness of the internal control and risk management systems throughout the financial year and up to the date of approval of the Annual Report. It used a process which involved:

- Written confirmations from relevant senior executives and divisional directors concerning the operation of those elements of the system for which they are responsible
- Internal audit work carried out by KPMG LLP which reports through the Vice President Risk and Control to the Audit Committee
- Reports from the external auditors
- Presentations of key risks and controls by the Executive owner and other assurance providers
- Half-yearly report on significant controls from the Vice President Risk and Control.

This system is designed to mitigate rather than eliminate the risk of failure to achieve business objectives and provides reasonable but not absolute assurance against material misstatement or loss. As appropriate, the Board also ensures that necessary actions have been, or are being, taken to remedy failings or weaknesses identified from the review of internal controls' effectiveness and judges their level of significance.

Fair, balanced and understandable

The process of compiling the Annual Report starts early enough to give the Board time to assess whether it is fair, balanced and understandable, as required by the Code. The Board considered whether the Annual Report contained the necessary information for shareholders to assess the Company's position and performance, business model and strategy. The Board reviewed how the business model was presented and the linkage to the Group's strategy, to ensure clarity for shareholders. The tone was reviewed to ensure a balanced approach and the Board made sure the narrative at the front end of the report was consistent with the financial statements.

Our internal audit annual programme

One element of our internal control framework is the work carried out by our internal auditors.

The planning process for the year's audit work is undertaken by the internal audit team, led by our Vice President Risk and Control. Themes from prior year audits, key risk areas and fundamental controls feed into the selection of the audit programme, which is approved by the Audit Committee. Consideration is given to the appropriate mix of IT and manual controls to be tested.

Self-assessments of controls are carried out by local management and systems owners, which are analysed by the internal audit team with their findings and any emerging themes being reported to the Audit Committee. The Committee places great importance on the self-assessments and are concerned when there are differences (positive or negative) between the self-assessed scores and those assessed during the audit visits.

The site-based audit fieldwork and IT audits are undertaken between May and October, followed by the risk-based reviews. The outcome of this work is reported to the Audit Committee and any failures of internal controls or weaknesses from non-financial and risk-based reviews are followed up by the Audit Committee, with common themes feeding into the planning process for the following year's audit programme.

Relations with shareholders

Communication with shareholders

The Chairman, Executive Directors and other senior managers maintain regular contact with existing and potential shareholders to ensure our strategy and trading trends are clearly understood.

Recognising the importance of communicating with our shareholders, we have appointed a Vice President for Investor Relations and Corporate Finance. The purpose of this role is to manage day-to-day contact with the investment community, including investors and analysts, as well as to coordinate site visits and presentations at investor conferences and roadshows.

During the year, numerous meetings were held with investors in the UK, US, Europe and Asia, including face-to-face meetings, telephone and video conferences, and hosted site visits in all of these regions. The Chairman, Group Chief Executive, Group Finance Director and Vice President Investor Relations and Corporate Finance ensure that shareholders' views are communicated to the entire Board by giving feedback from shareholder meetings and brokers' reports. The Board invites the Company's brokers and financial public relations advisers to attend at least one meeting each year at which the economic and investment environment, Croda's performance (generally and in comparison with its sector peers) and investor reactions are discussed. The Chairman attended the Company's results announcements. These presentations are webcast live, so all shareholders have access to them, and are also available to download. We answer all investor questions sent to our website.

Since taking over as Chairman in September 2015, Anita Frew has written to all our major shareholders offering to meet with them.

Set out overleaf is a calendar of our investor events attended by senior management throughout the year.

The Board engages in active dialogue with shareholders through the Group Chief Executive, Group Finance Director and the Chairman, who meet with shareholders regularly. These meetings provide an appropriate means of capturing shareholders' opinions and the Board is regularly apprised of shareholders' views and key issues. The Board believes it is unnecessary for the Senior Independent Director or other Non-Executive Directors to attend further meetings with major shareholders. All Non-Executive Directors are, however, available to attend meetings if requested by shareholders and the Senior Independent Director is available to discuss matters concerning the Chairman if the need arises; no such meetings were requested by shareholders during the year.

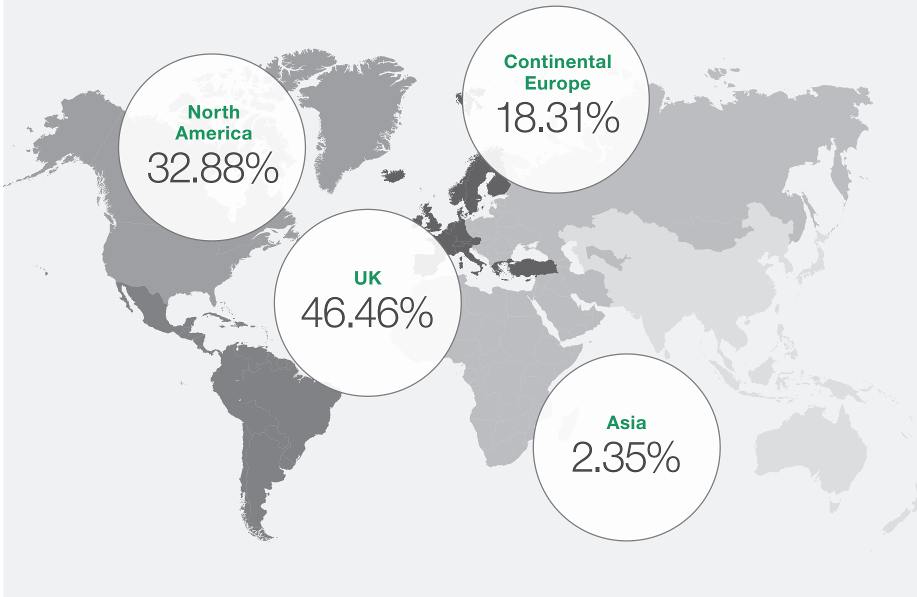
The Board believes its practices in this area are consistent with both the Code concerning dialogue with shareholders, and good governance.

Substantial shareholders

As at the date of this Annual Report the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority:

	Number of shares	% of issued capital
BlackRock, Inc.	7,498,856	5.51%
MFS Investment Management	6,790,464	5.00%
Aberdeen Asset Management Limited	6,779,957	4.99%
Artisan Partners Limited Partnership	6,767,520	4.98%

Geographical breakdown of shareholder base



Our investor calendar

Set out below is a calendar of our investor events attended by senior management in 2015:

February
- Full year results published
- Roadshow in London

March
- Boston and New York roadshows
- Conferences in London, New York and San Francisco
- Annual Report published

April
- Q1 Trading Update published
- Annual General Meeting in York
- Roadshows in Frankfurt and Stockholm

May
- Edinburgh roadshow

June
- Conferences in Paris and London
- Investor field trip to Paris

July
- Half-year results published
- London roadshow

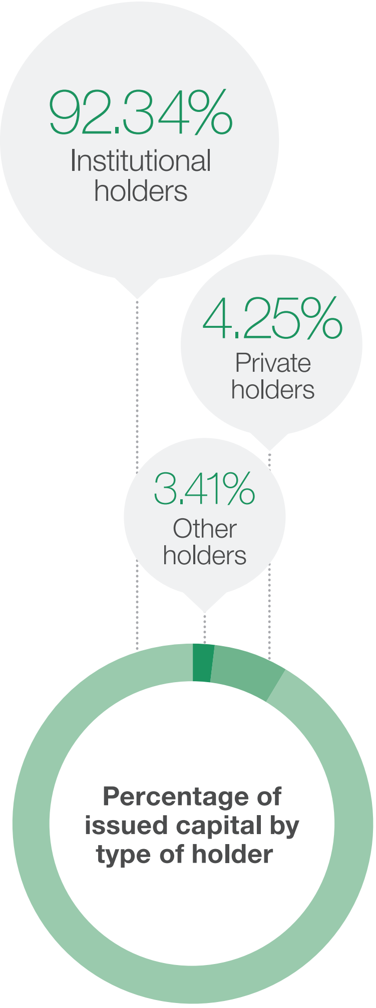
September
- Conference in Dublin
- Investor field trip to Singapore

October
- Roadshow in Brussels

November
- Q3 Trading Update published
- New York, Chicago and Toronto roadshows
- Conferences in London and Boston

December
- Investor conference in London

Investor concentration



Annual General Meeting

The AGM provides an opportunity for private shareholders to raise questions with Board members. The Directors are also available to answer questions afterwards in a more informal setting. The Annual Report and Accounts, including notice of AGM, are sent to shareholders at least 20 working days before the meeting. There is a separate investor relations section on **www.croda.com** which includes, among other items, presentations made to analysts. The AGM will be held at the Royal York Hotel, Station Road, York, North Yorkshire YO24 1AA, on 27 April 2016 at 12 noon.

Deadlines for exercising voting rights

Votes are exercisable at a General Meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy or, in relation to corporate members, by corporate representatives. The Company's Articles of Association provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of a meeting or adjourned meeting.

Audit Committee

Report of the Audit Committee

for the year ended 31 December 2015

> “The Committee has delivered on its key priorities during the year.”
>
> **Alan Ferguson**
> Chairman of the Audit Committee

Members and attendance (eligibility) at meetings held during the year ended 31 December 2015

Alan Ferguson Chairman	5 (5)
Helena Ganczakowski Independent Non-Executive	5 (5)
Nigel Turner Independent Non-Executive	5 (5)
Steve Williams[1] Independent Non-Executive	3 (5)

1 Steve Williams was unable to attend the January and July Audit Committee meetings due to business and family commitments overseas. He passed his comments on the agenda items and Committee papers to the Chairman in advance of the meetings.

Responsibilities

The Committee assists the Board in ensuring that the Group’s financial systems provide accurate and up-to-date information on its financial position.

Key responsibilities:

- To monitor the integrity of the financial statements and results announcements of the Group and to review significant financial reporting issues and judgements
- To review the adequacy and effectiveness of the Group’s internal controls and risk management systems, and the internal audit function
- External auditor appointment and removal, assessment of audit quality, negotiation and approval of fee, assessment of their independence and monitoring of non-audit services.

In addition, the Committee supports the Board in considering whether the Group’s published financial statements are fair, balanced and understandable.

Detailed responsibilities are set out in the Committee’s terms of reference, which can be found at **www.croda.com**.

Dear fellow shareholder,

In my capacity as Chairman of the Audit Committee, I am pleased to present the Audit Committee Report for the year ended 31 December 2015.

Committee membership

The Committee is made up of four Non-Executive Directors. The experience of each member of the Committee is summarised on pages 36 and 37. I have held a number of senior financial roles, most recently as Chief Financial Officer of Lonmin Plc, and am Chairman of the Audit Committees of two FTSE 100/250 companies, as well as an AIM listed company. The Board considers each member of the Committee is independent within the definition of the Code and has relevant financial experience as well as a broad and diverse spread of commercial experience. Such consideration provides the Board with assurance that the Committee has the appropriate skills and experience to ensure that it can be fully effective, and that it meets the Code requirement that at least one member has significant, recent and relevant financial experience.

The Chairman of the Board, the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the Vice President Risk and Control, who leads the internal audit function, and representatives from the external and internal auditors regularly attend meetings by invitation. The Committee periodically, and I more regularly, meet separately with the Vice President Risk and Control and the external auditors without the Executives being present.

While these meetings are invaluable, I also meet with the external auditors, the Group Finance Director and the Group Financial Controller at least twice each year to discuss the detail of the year end and half year results before the relevant Committee meetings. This helps me to better understand the key issues and to make sure enough time is devoted to them at the subsequent meeting.

Main activities of the Committee since the publication of the 2014 Annual Report

The Committee met five times in 2015 and twice between the year end and the publication of this Annual Report. The key issues covered at the Committee meetings were reported at the subsequent Board meeting.

In addition to the focus areas outlined on page 51, the Committee's main activities were as follows:

Committee activity in 2015

Governance

The Committee:

→ Reviewed the effectiveness of the Group's whistleblowing procedure

→ Met with internal audit and external audit without management being present

→ Received presentations from the regional Finance Directors of North America and Asia, as well as undertaking an annual review of the Group's tax strategy

→ Undertook an effectiveness review, which was conducted using a questionnaire and concluded that the Committee was operating effectively, with virtually all the scores showing an improvement over those from 2013 when similar questions were asked. Areas for focus included some training needs (including around cyber security) and supporting and challenging management as they handle the integration of new businesses into Croda

→ Focused on the responsibilities of the Committee in supporting the Board in ensuring compliance with the new Corporate Governance Code provisions

→ In support of the Board's assessment of the Company's long term viability, the Committee reviewed the financial modelling and stress testing based on plausible scenarios arising from selected principle risks, noting the effect they would have during the viability period.

External audit

The Committee:

→ Discussed and approved the external audit plan, including: the assessment of significant audit risks; the engagement risk profile; the scope of the audit (covering 84% of the Group's consolidated pre-tax profit, 84% in 2014); the materiality level (circa 5% of the Group's consolidated pre-tax profit, or £12.6 million, £11.5 million in 2014); and the *de minimus* reporting threshold (£0.6 million, £0.5 million in 2014); the approach to working with internal audit; and the key members of the engagement team supported by specialist auditors where necessary. The audit fee was approved by the Committee following challenge and discussion

→ Reviewed the provision of non-audit services by the external auditor and reapproved the Group's policy in this area

→ Agreed the timing and plan for tendering the external audit in line with the regulatory framework.

Financial reporting

The Committee:

→ Monitored the Group's financial statements and results announcements, and reviewed significant financial reporting and accounting issues

→ Reviewed the process of compiling the Annual Report and Accounts and reported back to the Board to assist its determination as to whether it is fair, balanced and understandable

→ Undertook regular reviews of the Group's material litigation and was satisfied with the approach to provisioning.

Internal audit and risk management

The Committee:

→ Received an update report from the Vice President Risk and Control at each meeting and monitored compliance with the Group risk management programme. The Committee reviewed the reliance placed by management on the risk mitigating controls of the Group's highest risks and analysed the types of assurance, both internal and external, that applied to these controls

→ Assessed the 2015 risk-based assurance activity carried out by internal audit, which included a review of: the impact of the Group's reorganisation; product assurance; and the IT system used to interrogate and present data from SAP

→ Considered the results of the 2015 internal audits and the IT audits, the self-assessment process, the adequacy of management's response to matters raised and the time taken to resolve such matters

→ Had a detailed discussion on leveraging the automated functionality available in SAP to increase efficiency and further improve the robust control environment

→ Received a presentation on a typical internal audit process

→ Reviewed and approved the 2016 internal audit plan.

Key priorities for 2015

The Audit Committee has delivered on our 'business as usual' work, as set out in our terms of reference, and from this perspective there is nothing to highlight for your attention. Last year, we noted five focus areas for 2015:

Key priorities	Actions during the year	Progress
Examine with management how we can further develop our systems-based internal audit approach.	This is an ongoing project which should bring some real benefits. During the year the Committee received presentations from PwC and management and had a detailed discussion on leveraging the global SAP system to increase process efficiency as well as implementing automated access control using SAP GRC to enable systems based internal audit of this area in 2016.	→
Study the revised UK Corporate Governance Code and the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and decide, in conjunction with the Board, how to respond to revisions to the Code.	The Committee, in conjunction with the Board, assessed the Company's approach to monitoring and reviewing risk management and internal control systems. It considered that it carries out a robust risk assessment and that effective ongoing monitoring of all material controls takes place, in line with the updated Code. Although the process of reporting failures of internal controls to the Board was considered to be appropriate, further improvements were put in place.	✓
Consider and start to plan the external audit tender. To benefit from emerging practice, we will take advice from those who have tendered recently.	The Committee reviewed the timing of the audit tender in detail and agreed the tender should coincide with the expiry of Ian Morrison's term as lead audit partner, following the signing of the 2017 Annual Report and Accounts, for the 2018 audit. In reaching this decision the Committee had regard to the effectiveness of PwC and considered that there was no reason to accelerate the tender process. The Committee also requested that management present the spend incurred with other major audit firms twice a year, so as to ensure we avoid potential issues with independence of those firms we wish to invite to tender for the audit. Finally we discussed the issue of internal audit where KPMG is the outsourced provider.	✓
Work with Jez Maiden, the newly appointed Group Finance Director, and assist in his induction to ensure a seamless handover from Sean Christie.	The transition from Sean Christie to Jez Maiden has been very successful. I met with Jez as part of his induction, we speak regularly throughout the year and have built a strong relationship.	✓
Re-examine the control framework in light of the recent changes in organisation structure to ensure it remains robust and fit for purpose.	Internal audit undertook a risk-based review of the outcome of the reorganisation, including the impact on delegation of authorities, financial controls and decision making. The review concluded that the reorganisation had been carried out effectively, however it did identify areas where there is a need for improved clarity on some roles and where local businesses need to 'push down' the new structure into their delegated authorities documentation.	✓

✓ Completed → Ongoing

Significant financial statement reporting issues

With support from the external auditors, the Committee considered a number of significant issues related to the financial statements for the year ended 31 December 2015, as set out below.

Valuation of intangible assets: The Committee reviewed the value of intangible assets arising from the acquisition of Incotec Group BV. The Committee examined management's preliminary assessment (based on external expert advice) of the allocation of the consideration between goodwill and amongst other intangibles. After challenge and debate the Committee was satisfied that allocation was reasonable.

Inventory: The Committee considered the process for valuing inventory transferred between Group companies, reflecting the importance of this given the Group's global manufacturing base and local country warehousing and service model. The Committee also reviewed valuation and provision for obsolescence risk, and concluded that both the process and the resulting valuation were appropriate.

Pensions: The Committee continued to monitor the Group's pension arrangements, in particular the liability in respect of the defined benefit plans in the UK, the US and the Netherlands, which are sensitive to assumptions made in respect of discount rates and inflation. The Committee reviewed the actuarial assumptions used and compared them with those used by other companies, and considered them to be reasonable.

Provisions: The Committee reviewed whether certain environmental, reorganisation, litigation and other legal provisions were sufficient to cover estimated costs of potential and actual claims and decided that they were reasonable and appropriate. For larger areas of exposure, the Committee was reassured by legal opinions and insurance coverage.

Taxation: The global footprint of the Group necessitates an understanding of, and compliance with, complex tax regulations. The Committee reviewed the basis of calculation of the effective tax rate, the status of the Group's tax compliance, details of potentially significant challenges from tax authorities and the level of accruals. The Committee concurred with management's views.

Internal audit and risk management

In 2015 I met with the Vice President Risk and Control several times outside of the formal meetings to discuss the performance and output of the internal audit function and aspects of risk management. The Vice President Risk and Control attended each Committee meeting and presented an internal audit report that was fully reviewed and discussed, highlighting any major deviations from the annual plan agreed with the Committee.

At each meeting, the Committee considered the results of the audits undertaken and considered the adequacy of management’s response to matters raised, including the time taken to resolve such matters. It also focused, in particular, on where there was a major divergence between the outcome of the internal audit and the scoring of the self-assessment questionnaire, completed annually by each business unit. In these instances it challenged management as to what actions it was taking to try to minimise the chances of divergences arising in the future. The Committee looked at recurring themes where issues are identified across a number of locations; such issues influence our planning for future years’ audit work.

Internal audit reported on the successful IT project to implement automated access controls in SAP, which will further strengthen the control environment. The award of ISO 27001 certification for key IT systems required the external audit of the policies and controls relating to cyber security and the results of this were discussed with the Committee.

We also agreed the internal audit plan for 2016; this takes into account such factors as the results of previous audits, both external and internal, the self-assessment questionnaire, recurring themes from 2015, acquisitions, system changes and the views of Executive management.

In February, the Committee conducted its annual review of the internal auditor, including the approach to audit planning and risk assessment, communication within the Business and with the Committee and its relationship with the external auditors. Internal feedback is used in this process. This did not highlight any significant areas for development.

Details on how the Business implements its risk management and controls on a Group-wide basis are set out on pages 31 to 35 and page 46.

External auditors’ effectiveness

During the year, the Committee assessed the effectiveness of PwC as Group external auditor. To assist in the assessment, the Committee examined the results of the internal survey completed by all senior financial management (approximately 20) across the Group, covering their views on the effectiveness of PwC in carrying out the 2015 audit. The approach was consistent with previous years and included 12 questions covering four broad areas:

- → Quality of planning, delivery and execution of the audit
- → Quality and knowledge of the audit team
- → Effectiveness of communications between management and the audit team
- → Robustness of the audit, including the audit team’s ability to challenge management as well as demonstrate professional scepticism and independence.

The questions were graded from one to five and averaged a score of four. The Committee also considered the quality of reports from PwC and the additional insights provided by the audit team, particularly at partner level. It took account of the views of the Group Finance Director and Group Financial Controller, who had met local audit partners when visiting some of the Group’s businesses, to gauge the quality of the team and their knowledge and understanding of the Business. The Committee considered how well the auditors assessed key accounting and audit judgements and the way they applied constructive challenge and professional scepticism in dealing with management. To assess the overall quality of PwC’s work we also tabled the FRC’s Audit Quality Inspection report on the firm and challenged PwC on the report’s findings. A review of effectiveness also forms part of PwC’s own system of quality control and these procedures, which are set out in PwC’s 2015 Audit Quality and Transparency Report, were disclosed to the Committee.

Following the review, the Committee concluded that the audit was effective.

Audit tendering

The Statutory Audit Services Order 2014 (the Order) requires rotation of audit firms every ten years unless there is a tender, in which case the audit firm can remain as auditor for up to 20 years. The transitional provisions stagger the introduction of mandatory firm rotation depending on the length of audit tenure as at 17 June 2014. As PwC have been the Group’s auditors for more than 20 years, we have a transition period that means PwC cannot be reappointed as our auditors after 17 June 2020.

We fully support the principle of audit tendering and the Group is in compliance with the provisions of the Order. The Committee has consistently said that it intends to tender the audit to coincide with the expiry of Ian Morrison’s term as lead audit partner, when he would sign the 2017 Annual Report, or sooner if it were felt necessary by the Committee. It was not felt appropriate to run a tender in 2015 given the recent appointment of Jez Maiden as the new Group Finance Director and given the Committee's assessment of PwC's performance there is no current intention to tender during 2016. A tender is therefore planned to occur in 2017 and the Committee is also considering retendering the internal audit outsourced contract at that time. The Committee is monitoring the Group's spend with other major accounting firms to avoid any independence issue arising in the run up to the tender. There are no contractual obligations that restrict our choice of external auditor, although, as noted, under the European rules we are obliged to rotate PwC from the audit by 2020.

External auditors' independence

The Committee and the Board place great emphasis on the objectivity of the Group's external auditors in reporting to shareholders. Both PwC Group audit partners are present at Audit Committee meetings to ensure full communication of audit-related affairs and that they remain fully appraised of all matters considered by the Committee.

PwC were the Group's joint auditors from 1970 to 1980 and have been sole auditors since 1981. To ensure objectivity, the rotation of audit partners' responsibilities within PwC is actively encouraged and has taken place.

During the year, the Committee undertook a detailed review of the provision of non-audit services by PwC and reviewed the Group's policy in this area. Assignments awarded to PwC are subject to controls by management that have been agreed by the Audit Committee to ensure that audit independence is not compromised.

I am required to give prior approval for work carried out by PwC and its associates above a predetermined threshold of £20,000. This review includes determining that other potential providers of non-audit services have been properly considered in recognition of the importance of this matter to the Committee.

Non-audit fees have fallen for the fourth consecutive year. In 2015, they were £0.4 million, significantly less than the total audit fees of £0.8 million; the non-audit to audit fees ratio stands at 0.5:1.

The only significant fees for non-audit work undertaken by PwC relate to tax compliance and advisory in the US We believe the firm's detailed knowledge of our operations in the US is particularly important given the complexities of both Federal and State legislation, which necessitated the completion of 35 tax returns last year. In addition, PwC assisted in an internal restructuring of the Group, given their familiarity with Croda.

A copy of our non-audit fees policy can be found at **www.croda.com**.

The Committee undertook its annual review of the Group's policies relating to external audit, including the policy which governs how and when employees and former employees of the Group's auditors can be employed by Croda. No changes were made.

External auditor reappointment

The Committee recommended to the Board that PwC be offered for re-election at the forthcoming AGM, based on the work carried out in assessing their effectiveness and independence.

I will be available at the AGM to respond to any questions shareholders may raise on the Committee's activities.

Alan Ferguson
Chairman of the Audit Committee

Looking ahead to 2016

In addition to our routine business, the Committee has five focus areas for 2016. We will:

- → Continue the work with management on how we further develop our systems-based internal audit approach
- → Assess the impact on Croda of the FRC changes to the UK Corporate Governance Code and Guidance on Audit Committees which will come into effect in 2016
- → Focus on the controls over capital projects, given the increasing spend in this area
- → Receive a report from the integration team regarding the recent acquisition of Incotec and agree with internal audit their audit approach for 2016
- → Focus on cyber security risks, working with management to ensure our networks and business information are as secure as possible and that learnings from our regular IT systems penetration testing are followed up.

Nomination Committee

Report of the Nomination Committee

for the year ended 31 December 2015

> We will ensure a healthy pipeline of talent is emerging for future Executive and Board roles."
>
> **Anita Frew**
> Chairman of the Nomination Committee

Members and attendance (eligibility) at meetings held during the year ended 31 December 2015

Anita Frew[1] Chairman	2 (2)
Alan Ferguson Independent Non-Executive	4 (4)
Martin Flower[2] Former Chairman	3 (3)
Steve Foots Group Chief Executive	4 (4)
Helena Ganczakowski Independent Non-Executive	4 (4)
Nigel Turner Independent Non-Executive	4 (4)
Steve Williams[3] Independent Non-Executive	3 (4)

1 Anita Frew was appointed as a Non-Executive Director and Chairman Designate on 5 March 2015. She became Chairman on 19 September 2015

2 Martin Flower retired from the Board on 19 September 2015

3 Steve Williams was unable to attend the July Nomination Committee meeting due to family commitments overseas

Responsibilities

The Committee is responsible for nominating candidates for appointment to the Board for approval by the Board, and for succession planning. It evaluates the balance of skills, knowledge, experience and diversity on the Board, and identifies and nominates suitable candidates for appointment to the Board.

Key responsibilities

→ To review regularly the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations for any changes to the Board

→ To give full consideration to succession planning for Directors and other senior Executives in the course of its work, taking into account the challenges and opportunities facing the Company and, consequently, what skills and expertise the Board will need in future

→ Where a Board vacancy is identified, to evaluate the balance of skills, knowledge, experience and diversity on the Board and prepare a description of the role and capabilities required for the respective appointment

→ To identify and nominate candidates to fill Board vacancies, for the approval of the Board, as and when openings arise

→ To keep the organisation's leadership needs, both Executive and Non-Executive, under review to ensure that Croda continues to compete effectively in the marketplace

→ To review annually the time required from a Non-Executive Director and the Chairman

→ To make recommendations on succession planning for the Board.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found at **www.croda.com**.

Dear fellow shareholder,

Main activities and priorities in 2015

In 2015, the Committee completed the search for a new Chairman to replace Martin Flower. The Committee identified the key skills and experience required of the new post-holder and agreed a role specification. The Committee retained an external search firm, Zygos, which has no other connection with the Group, to assist in identifying potential candidates for nomination to the Board. Following the successful search, in March 2015 the Committee recommended my appointment. The Board approved my appointment as Chairman Designate with effect from 5 March 2015, taking over as Chairman in September 2015.

The Committee carried out a review of the size, structure and composition of the Board for its current and future needs, to align with the Company's strategy. The Committee will continue to review the balance, experience and skills on the Board.

The Committee reviewed the time commitment of the Non-Executive Directors and was also satisfied that all the Non-Executives are able to commit the required time for the proper performance of their duties and continue to fulfil the criteria of independence.

One of the outputs from our 2014 Board effectiveness review was for the Board and Nomination Committee to allocate more time to discuss succession, particularly CEO and executive team succession. The Committee spent time considering CEO succession, both in terms of emergency succession plans in the event that the Board needed to appoint a temporary CEO due to unforeseen circumstances, and for possible successors now or in the future.

Kevin Gallagher, former President Personal Care, retired from the Business after more than 40 years' service at Croda. Prior to his retirement, the Committee spent a considerable amount of time discussing and planning for Kevin's succession. The Committee approved the appointment of Sandra Breene who took over the role as President Personal Care with effect from 1 January 2016, having previously been President of Life Sciences. At the same time, Keith Layden took responsibility for the Life Sciences market sector in addition to the Chief Technology Officer role.

The Committee regularly reviews the Board diversity policy. In terms of gender diversity, with my appointment to the Board 25% of its members are female. Regarding all appointments to the Board, whether for Non-Executive or Executive positions, we consider carefully the benefits of greater diversity, including gender diversity, whilst ensuring that we fulfil our obligations to our shareholders to recruit the best person for the role on merit. The executive search firms used for our recent appointments of Jez Maiden, Helena Ganczakowski and myself, are both signatories to the Voluntary Code of Conduct for Executive Search Firms. The Committee ensures that the specification for any new Director role is equally suited to both female and male applicants. The Board's diversity policy can be found at **www.croda.com**.

I will be available at the AGM to respond to any questions shareholders may raise on the Committee's activities.

Anita Frew
Chairman of the Nomination Committee

Looking ahead to 2016

In addition to our routine business, during the year the Committee will:

→ Continue to review the balance, experience and skills of the Board

→ Continue to monitor succession planning for the senior leadership team to ensure a healthy pipeline of talent is emerging for future Executive and Board roles

→ Ensure that the recent role changes on the Executive Committee are bedding down successfully.

Other Committees

The management of the Business is delegated by the Board to the Group Chief Executive, who uses various Committees to assist him in this task.

The role of the Executive-level Committees is set out below, with a table showing the membership at the date of this Report.

Group Executive Committee

The Committee meets quarterly and is responsible for: developing and implementing strategy, operational plans, policies, procedures and budgets; monitoring operating and financial performance; assessing and controlling risk; and prioritising and allocating resources.

Group Finance Committee

The Committee meets every month to review monthly operating results and examine capital expenditure projects.

Risk Management Committee

The Committee meets quarterly to evaluate and propose policies and monitor processes to control business, operational and compliance risks faced by the Group, and to assess emerging risks.

Group SHEQ Steering Committee

The Committee meets quarterly to monitor progress against the Group SHEQ objectives and targets, review safety performance and audits, and determine the requirement for new or revised SHEQ policies, procedures and objectives.

Routine Business Committee

The Committee comprises the Group Chief Executive and Group Finance Director, with the Group General Counsel and Company Secretary and Group Financial Controller acting as alternates. The Committee attends to business of a routine nature and to the administration of certain matters, the principles of which have been agreed by the Board or the Group Executive Committee.

Committee membership (as at the date of this report)[1]		Group Executive Committee	Risk Management Committee	Group SHEQ Steering Committee	Group Finance Committee
Steve Foots	Group Chief Executive	🟢	●	●	🟢
Stuart Arnott	President Global Operations	●	●	🟢	●
Sandra Breene	President Personal Care	●	●	●	
Tom Brophy	Group General Counsel and Company Secretary	●	●	●	
Nick Challoner	President Asia	●	●	●	
Anthony Fitzpatrick	President Corporate Development	●	●	●	
Maarten Heybroek	President Performance Technologies & Industrial Chemicals	●	●	●	
Keith Layden	Chief Technology Officer & President Life Sciences	●	●	●	●
Jez Maiden	Group Finance Director	●	🟢	●	●
Graham Myers	Group Financial Controller	●	●	●	●

🟢 Chairman ● Member

[1] Kevin Gallagher retired as President Personal Care on 31 December 2015

Remuneration Report

Report of the Remuneration Committee

for the year ended 31 December 2015

> Our remuneration policies have played a significant role in defining the Croda way."

Steve Williams
Chairman of the Remuneration Committee

Members and attendance (eligibility) at meetings held during the year ended 31 December 2015

Steve Williams Chairman	4 (4)
Alan Ferguson Independent Non-Executive	4 (4)
Martin Flower[1] Former Board Chairman	2 (2)
Anita Frew[2] Board Chairman	3 (3)
Helena Ganczakowski Independent Non-Executive	4 (4)
Nigel Turner Independent Non-Executive	4 (4)

[1] Martin Flower retired from the Board and the Committee on 19 September 2015

[2] Anita Frew was appointed as a Non-Executive Director and became a member of the Committee in March 2015

Responsibilities

The Committee determines and agrees with the Board the Company's remuneration policy and framework. It determines the remuneration packages for all Executive Directors and the Chairman, and recommends and monitors the level and structure of remuneration for senior managers.

Key responsibilities

→ To determine the Company's remuneration policy and framework, taking into account factors which it deems necessary, including legal and regulatory requirements

→ To review the ongoing appropriateness and relevance of the remuneration policy

→ To determine the total individual remuneration packages for the Chairman, each Executive Director, the Company Secretary and other members of the Executive management team as are designated by the Board from time to time

→ To ensure that no payment or proposed payment is made that is not consistent with the remuneration policy most recently approved by shareholders

→ To select, appoint and set the terms of reference for any remuneration consultants who advise the Committee

→ To oversee any major changes in employee benefits structures throughout the Group.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found at **www.croda.com**.

Dear fellow shareholder,

Main activities and priorities in 2015

On behalf of both the Remuneration Committee and your Board of Directors, it gives me great pleasure to present the Company's Remuneration Report for 2015.

In my letter to shareholders last year I said that the Committee was alert to the necessity of framing remuneration policies that promote the long term success of the company – as provided in the Corporate Governance Code and recommended in the guidance of the Financial Reporting Council; guidance which we, as a Board, wholeheartedly support.

To this end, in November the whole Board held a 'blue sky' day of conversations on the topic of remuneration within Croda. We focused on the role remuneration can play in driving and rewarding responsible behaviours.

All those who work for Croda are aware of and subscribe to the precepts of 'the Croda way'; a way of running our business that makes the interests of our customers and employees pre-eminent and rewards innovation, application and loyalty. We do not claim that these priorities are unique to Croda, but in my experience they are uniquely deeply felt and observed throughout the organisation.

Our remuneration policies, including those regarding pensions, have played a significant role in defining the Croda way. So these blue sky conversations were the beginning of a process that will ensure our new policy – and the practices it promotes – will remain relevant and effective.

There is much public debate around the topic of remuneration and your Board will ensure that our policies serve Croda's interests, whilst taking full account of public concerns on topics such as pay relativities, equity of reward and quantum.

Our existing policy, adopted at the AGM in 2014, has proved effective in accommodating emerging best practice. It also continues to support our corporate strategy through using performance targets for our variable pay schemes that target improvements in our key performance indicators (ie profit and shareholder returns). As a consequence no changes are proposed this year and our policy remains unchanged until its expiration at the AGM in 2017. At that time we will present our revised remuneration policy to shareholders for adoption – and this will benefit from all the in-depth thinking we are currently investing in this topic. In terms of applying policy in 2016, salaries are to be increased in line with the typical increase applied across the wider workforce (circa 1.5%) and there are no changes to the operation of our variable pay schemes.

During the year, the Committee analysed the changes to section D of the Code concerning remuneration and considered that the Company is in full compliance with the changes.

Performance and reward for 2015

When considering how our business performance translates into reward, we should consider first the annual bonus and second, the longer term incentive.

With regard to the annual bonus, you will recall that this requires achievement of an absolute profit out-performance over the previous year before any benefit can accrue. As a result of the tremendous efforts made in 2015, I am delighted to report that this year's outturn has resulted in a bonus payment of 76.38% of the maximum permitted.

With regard to longer term incentives, 2015 was the year grants made in 2013 under the Long Term Incentive Plan (LTIP) and the Bonus Co. Investment Plan (BCIP) matured. As you can read in the following pages, these programmes required Earnings Per Share (EPS) and Total Shareholder Return (TSR) criteria to be met before vesting. Despite EPS growth of 7.8% during 2015 and 11.9% over the past three years, the target was not achieved and neither was the target for TSR. As a consequence, no vesting has occurred for the 2013 grants.

So, as far as the Remuneration Committee is concerned, 2015 has been a relatively uncontroversial year and one where preparation for the presentation of our new policy has begun. This will be the Committee's priority for 2016 and I would welcome hearing from shareholders with their views on remuneration issues.

Looking forward to 2016

In addition to our routine business, the Committee will:

→ Review our remuneration policy for adoption at the 2017 AGM

→ Consult with shareholders on the remuneration policy.

I will be available at the AGM to respond to any questions shareholders may raise on the Committee's activities.

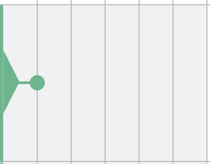
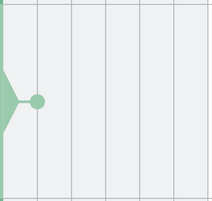
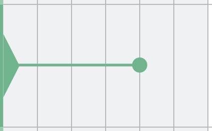
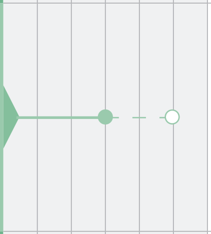
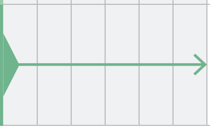
On behalf of the Board, I thank you for your support.

Steve Williams
Chairman

2015 Remuneration at a glance

Key

● Period of operation
○ Holding period
→ Ongoing

Key component	Time horizon 2015 2016 2017 2018 2019 2020	Feature	How we implemented
Basic salary and core benefits		→ Competitive salary and benefits to attract and retain high-calibre Executives	Inflationary pay rise of **1.5%** in line with rest of the UK workforce Chief Executive: **£609,000** Group Finance Director: **£420,000** Chief Technology Officer: **£325,171**
Annual bonus		→ Incentivise delivery of key objectives and contribute to long term alignment with shareholders → Challenging financial targets set in line with Group KPIs	**76.38%** of maximum potential bonus paid Chief Executive: **£581,443** (95.48% of salary) Group Finance Director: **£320,796** (76.38% of salary) Chief Technology Officer: **£248,366** (76.38% of salary)
Deferred element of bonus		→ Compulsory deferral of one third of any bonus paid into shares for three years	Chief Executive: **£193,814** deferred (out of £581,443) Group Finance Director: **£106,932** deferred (out of £320,796) Chief Technology Officer: **£82,789** deferred (out of £248,366)
PSP		→ Incentivise execution of business strategy over longer term, rewarding sustained growth in profit and shareholder value → 50% EPS → 50% TSR	Awards granted in 2015 (subject to performance) were*: Chief Executive: **200%** of salary Group Finance Director: **150%** of salary Chief Technology Officer: **150%** of salary
Shareholding requirements		→ Share ownership guidelines to ensure material personal stake in the business	Chief Executive: **200%** of salary Group Finance Director: **150%** of salary Chief Technology Officer: **150%** of salary

* No vesting took place in relation to the 2013 long term incentive awards (see below)

How we performed

Business highlights

- → Revenue growth: +3.4% to £1,081.7m
- → Adjusted pre-tax profit growth: +8.2% to £254.7m
- → Adjusted EPS growth of 7.8% to 135p
- → NPP as a % of group sales: +2.7% points to 26.1%
- → Acquisition of Incotec

Performance related remuneration

The bonus metric measures the achievement of profitable growth whilst ensuring efficient management of capital is fully encouraged. The 2013 long term incentive plan metrics are informed by the long term levels of earnings growth and delivery of shareholder value through the three year cycle.

	Metric	Max Target	Actual	% achieved
2015 Bonus	Income growth	2014 actual plus CPI plus 10%	2014 actual plus CPI plus 7.638%	76.38%
2013 – 2015 Long term incentive	EPS growth	29.6%	11.9%	0%
	Relative TSR against FTSE 350	Upper quartile	Below median	0%

Policy report

Our Remuneration Policy was approved by shareholders at the 2014 AGM and is intended to operate until the expiration of the AGM in 2017. Our Policy remains unchanged from that previously approved by shareholders. For convenience we have included an abridged version of our Policy in this section of the Annual Report. A full copy of the Remuneration Policy is available at **www.croda.com**.

Overview of Remuneration Policy

The key objectives of our executive remuneration policy are:

- → To set remuneration structures that are simple and easily communicated to employees and stakeholders
- → To support a high performance culture through setting stretching performance targets that are linked to the Key Performance Indicators (KPIs) of the Group, which are structured so that they do not encourage undue financial or operational risk-taking or give rise to environmental, social or governance risks by inadvertently motivating irresponsible behaviour
- → To ensure a balance between fixed and performance related remuneration with substantial weighting in the overall package on variable pay related to objective measurement of the financial performance of the Group
- → To give full consideration to the relevant principles on directors' remuneration set out in the UK Corporate Governance Code
- → To ensure that individual rewards and incentives are comparable with those provided by similar companies having regard to the Group's turnover, business sector and market worth, and the need for skills to manage international businesses.

Main components of Croda's Remuneration Policy

Link to strategy	Operation	Maximum opportunity
Basic salary To assist in the recruitment and retention of high-calibre executives	Reviewed annually with increases effective from 1 January. Base salaries will be set by the Committee, taking into account: → The performance and experience of the individual concerned → Any change in responsibilities → Rates of pay in international manufacturing and pan-sector companies of a comparable size and complexity → Pay and employment conditions elsewhere in the Group → Rates of inflation and market-wide wage increases across international locations → The geographical location of the Executive.	Salaries may be increased each year (in percentage of salary terms). The Committee will be guided by the salary increase budget set in each geography and across the workforce generally. Increases beyond those linked to the geography of the Executive or the workforce as a whole (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value or complexity of the Group. The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases in subsequent years, in order to bring the salary to the desired positioning, subject to individual performance.
Framework used to assess performance and for the recovery of sums paid The Committee considers individual salaries at the appropriate Committee meeting each year, taking due account of the factors noted in operation of the salary policy.		
Benefits To provide competitive benefits to act as a retention mechanism and reward service	The Group typically provides the following benefits: → Company car (or cash allowance) → Private fuel allowance → Health and other insured benefits → Other ancillary benefits, including relocation expenses/arrangements (as required). Additional benefits might be provided from time to time (eg in circumstances where an Executive Director is recruited from overseas). The Committee will consider whether the payment of any additional benefits is appropriate and in line with market practice when determining whether they are paid.	Cost of benefits is not pre-determined and may vary from year to year based on the cost to the Group.
Framework used to assess performance and for the recovery of sums paid None.		

Link to strategy	Operation	Maximum opportunity
Performance related bonus To incentivise and reward delivery of the Group's key annual objectives. To contribute to longer term alignment with shareholders.	Compulsory deferral of one third of any bonus paid into shares for three years. The balance of the bonus is paid in cash.	Group Chief Executive: 125% of salary Other Executive Directors: 100% of salary

Framework used to assess performance and for the recovery of sums paid
Details of the performance measures used for the current year and targets set for the year under review and performance against them is provided in the Annual Report on Remuneration. Bonus will be fully (or largely) based on a challenging range of financial targets set in line with the Group's KPIs (eg income growth targets). The Committee has the flexibility to include, for a minority of the bonus, targets related to the Group's other KPIs where this is considered appropriate. For each objective set, bonus starts to accrue once the threshold target is met (0% payable) rising on a graduated scale to 100% for out-performance. The Committee has the flexibility to take health, safety and environmental performance into consideration when determining the actual overall level of individual bonus payments and it may reduce the bonus awards if it considers it appropriate to do so. Bonuses paid are subject to potential claw back in the event of a material misstatement of results or serious misconduct. The claw back provisions will operate for a three-year period following the date on which the bonus is paid.

Performance Share Plan To incentivise and reward the execution of business strategy over the longer term. To reward sustained growth in (i) profit and (ii) shareholder value.	The Performance Share Plan (PSP) provides for awards of free shares (ie either conditional shares or nil-cost options) normally made annually which vest after three years subject to continued service and the achievement of challenging performance conditions. Shares (on an after tax basis) are subject to a one year post-vesting holding period for awards granted in 2014 and a two year post-vesting holding period for awards granted in subsequent years. The Committee has the discretion at grant of an award, to permit awards to benefit from the dividends paid on shares that vest.	Normal maximum opportunity of 200% of salary. In exceptional circumstances (eg recruitment), awards may be granted up to 300% of salary to compensate for value forfeited from a previous employer.

Framework used to assess performance and for the recovery of sums paid
Granted subject to a blend of challenging financial (eg EPS) and total shareholder return performance targets tested over three years.

25% of awards will vest for threshold performance with full vesting taking place for equalling, or exceeding, the maximum performance targets (no awards vest for performance below threshold). Vesting is also dependent on satisfactory underlying financial performance of the Group over the performance period and subject to potential claw back in the event of a material misstatement of results or serious misconduct. The claw back provisions will operate for a three year period following the date on which the awards vest.

All-employee share plans To encourage long term shareholding in the Company. To provide all employees with the opportunity to become shareholders in the Company on similar terms.	Periodic invitations are made to participate in the Group's Sharesave Plan and Share Incentive Plan. Shares acquired through these arrangements have significant tax benefits in the UK subject to satisfying certain HMRC requirements. The plans can only operate on an all-employee basis. The plans operate on similar terms but on a non-tax favoured basis outside the UK as appropriate.	The maximum participation level (for UK-based employees) is as per HMRC limits (see Annual Report on Remuneration for current maximum limits).

Framework used to assess performance and for the recovery of sums paid
There are no post-grant performance targets applicable to these awards.

Main components of Croda's Remuneration Policy continued

Link to strategy	Operation	Maximum opportunity
Pension To provide competitive long term retirement benefits. To act as a retention mechanism and reward service.	Pension benefits are typically provided either through (i) participation in the Group's defined benefit pension plan with a cash supplement provided above any pension salary cap or (ii) a cash supplement provided in lieu of pension. Only basic salary is pensionable.	Defined benefit pension with up to 1/60th accrual up to a capped salary of £150,000 as of April 2014 plus cash allowance of up to 25% of salary above the cap. Or Cash allowance of up to 25% of salary. *With effect from 1 April 2016 the form of defined benefit pension will change to a Career Average Revalued Earnings scheme. This change applies similarly to all employees with their existing accrual rate retained (up to 1/60th).*

Framework used to assess performance and for the recovery of sums paid
None.

Recruitment and promotion policy

For Executive Director recruitment and/or promotion situations, the Committee will follow the guidelines below:

Remuneration element	Policy
Base salary	Base salary levels will be set in accordance with the Group's remuneration policy, taking into account the experience and calibre of the individual (eg typically around market rates in companies of comparable size and complexity). Salary levels may be set below this level (eg if the individual was promoted to the Board). Where it is appropriate to offer a below market rate of pay initially, a series of increases to the desired salary positioning may be given over the subsequent few years subject to individual performance. Above market salaries may also be offered if the experience and calibre of the candidate is considered to justify such an approach being taken by the Committee.
Benefits	Benefits in accordance with the current policy. In addition, where necessary, the Committee may approve the payment of relocation expenses to facilitate recruitment.
Pension	A Company pension contribution or cash supplement in accordance with the current policy.
Annual bonus	The annual bonus would operate in accordance with the current policy in terms of the maximum opportunity and performance targets, albeit pro-rated for the period of employment. Any increases in ongoing annual bonus opportunity above the normal limit will be contingent on the Company receiving shareholder approval for an amendment to its approved policy.
Long term incentives	Share awards will be granted in accordance with the current policy. An award may be made shortly after an appointment (subject to the Company not being in a prohibited period). For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant. The maximum ongoing annual award level is as per the current policy.
Buy out awards	In the case of an external hire and in exceptional circumstances, if it is necessary to buy out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this would be provided for taking into account the form (cash or shares), timing and expected value (ie likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, will be granted using the Company's existing share plans within the limits detailed in the current policy table. Awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

Bonus plan and long term incentive policy

The Committee will operate the annual bonus plan, PSP and all-employee plans according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these.

Shareholding guidelines

The Committee operates share ownership guidelines which apply to all Executive Directors and the Group Executive Committee. The Group Chief Executive is subject to a share ownership guideline of 200% of salary and the other Executive Directors to 150% of salary. It is expected that the guideline will be met within a five year time period from its adoption (or date of joining for new appointments) through a combination of share purchases and the retention of incentive shares.

Directors' service contracts and payments for loss of office

Executive Directors' service contracts are terminable by the Company on up to one year's notice and by the Director on at least six months' notice.

In respect of termination, the Committee's policy is to deal with each case on its merits, in accordance with the law and any further policy adopted by the Committee at the time. In the event of early termination, other than for cause, the relevant Director's then current salary and contractual benefits would be taken into account in calculating any liability of the Company. For clarification, the Company's policy is that no entitlement to unearned bonus will be taken into account when determining payments on early termination.

The principal contractual benefits provided in addition to salary are the provision of a car or car allowance, private fuel allowance, pension, medical insurance and life assurance. Annual bonuses and long term incentives are non-contractual and are dealt with in accordance with the rules of the relevant schemes.

The Committee's policy is also for contracts to contain provisions which enable the Company to terminate contracts at any time with immediate effect. The Executive Director would be entitled to receive compensation equivalent to up to 12 months' salary plus the value of their pension benefits (currently valued at 20% of basic salary) and the value of other benefits, payable in equal monthly instalments over the full notice period or, if less, the remainder of any notice period not yet completed. Such payments would discontinue or reduce to the extent that alternative employment is obtained.

An Executive Director's service contract may be terminated without notice for certain events such as gross misconduct. No payment or compensation beyond sums accrued up to the date of termination will be made if such an event occurs.

Other than in the event of a redundancy, retirement or other good leaver circumstances, at the discretion of the Committee, no bonus may be payable unless the individual remains employed and is not under notice at the payment date. In the event that an individual does cease employment for one of the good leaver reasons detailed, bonuses would become payable pro-rata based on the number of complete calendar months worked in the relevant year. The policy for a new hire would be based on terms that are consistent with these provisions.

The treatment for share-based incentives previously granted to an Executive Director will be determined based on the relevant plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment. In relation to awards granted under the Company's long term incentive plans, in certain prescribed circumstances, such as injury or disability, redundancy, transfer or sale of the employing company, retirement with the Company's agreement or other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time) 'good leaver' status may be applied. If treated as a good leaver, awards will be eligible to vest subject to performance conditions, which will be measured over the performance period from grant to the normal vesting date, and which will be reduced pro-rata (unless the Committee consider it appropriate to do so) to reflect the proportion of the performance period actually served.

Non-Executive Directors' fees

The policy on Non-Executive Directors' fees is:

Link to strategy	Operation	Maximum opportunity
Fees To provide a competitive fee which will attract those high-calibre individuals who can further the interests of the Group through their experience, stewardship and contribution to strategic development.	The fees for Non-Executive Directors (including the Chairman) are typically reviewed every two years. Fee levels are set by reference to the expected time commitments and responsibilities, and are periodically benchmarked against relevant market comparators, as appropriate, reflecting the size and nature of the role. The Chairman and Non-Executive Directors are paid an annual fee which is paid monthly in cash and do not participate in any of the Company's incentive arrangements or receive any pension provision. The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairmanship of the Company's key Committees and for performing the Senior Independent Director role. All Non-Executive Directors are reimbursed for travel and related business expenses reasonably incurred in performing their duties. The Committee recommends the remuneration of the Chairman to the Board. The Chairman's fee is determined by the Committee (during which the Chairman has no part in discussions) and recommended by them to the Board. The Non-Executive Directors' fees are determined by the Chairman and the Executive Directors.	Fee levels will be eligible for increases during the period that the Remuneration Policy operates to ensure they continue to appropriately recognise the time commitment of the role, increases to fee levels for Non-Executive Directors in general and fee levels in companies of a similar size and complexity.

Framework used to assess performance and for the recovery of sums paid
None.

Annual Report on Remuneration

Unaudited Information

This part of the Report has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 which sets out the disclosures required for Directors' remuneration as at the reporting date. The Report is also in accordance with the requirements of the Listing Rules and the Financial Conduct Authority.

Membership and operation of the Committee

The Committee comprises all Non-Executive Directors including the Chairman. Details of the members and attendance at meetings during the year and the responsibilities of the Committee are set out on page 57. The Committee invites individuals to attend meetings to ensure that decisions are informed and take account of pay and conditions in the wider Group. During 2015, invitees included other Directors and employees of the Group and the Committee's advisers (see below), including Steve Foots (Group Chief Executive), Lee Johnson (former Group HR Director), Graham Myers (Group Financial Controller) and Tom Brophy (Group General Counsel and Company Secretary).

External advisers to the Remuneration Committee

New Bridge Street (part of Aon Plc) was retained as the appointed adviser to the Committee during 2015 to provide independent advice on remuneration policy and practice. New Bridge Street has no connection with the Group other than in providing advice in relation to Executive remuneration and Non-Executive fees. Another subsidiary of Aon Plc provides insurance broking services to the Group. The Committee is comfortable that no conflicts arise out of these relationships. The total fees paid to New Bridge Street for its services during the year were £30,902 (excluding VAT). New Bridge Street is a signatory to the Remuneration Consultants Group Code of Conduct.

The Committee regularly reviews the external adviser relationship and is comfortable that the advice it is receiving remains objective and independent.

Statement of shareholder voting

At last year's AGM, the Directors' Remuneration Report received the following votes from shareholders:

Annual Report on Remuneration

Votes cast in favour	87,373,001	90.17%
Votes cast against	9,525,613	9.83%
Total votes cast	**96,898,614**	**100.00%**
Abstentions	490,535	

Key Committee activities during 2015

Remuneration structure/policy

- → Consulting with major institutional investors about the proposed 2015 salary for the Chief Technology Officer and proposed 2015 PSP performance targets
- → Considering the corporate governance environment and monitoring developments in investors' expectations

2015 remuneration

- → Testing the performance target for the 2015 annual bonus
- → Testing performance targets for the Company's 2013 long term incentive awards

2016 remuneration

- → Setting 2016 Executive Director salary levels
- → Determining 2016 annual bonus award levels and performance targets

Long term remuneration

- → Determining 2015 Performance Share Plan award levels, the associated performance targets and the granting of the awards

Governance

- → Noting remuneration trends across the Group
- → Considering long term reward within Croda and potential changes to the reward framework in preparation for the renewal of Croda's Remuneration Policy in 2017
- → Reviewing Remuneration Committee effectiveness
- → Reviewing terms of reference

Implementation of Remuneration Policy for year ending 31 December 2016

Basic salary

The Executive Directors’ base salaries were reviewed during the final quarter of the financial year ending 31 December 2015. The Committee considered each individual’s progression in their role as well as their responsibilities, performance, skills and experience. The Committee also took into account the wider pay levels and salary increases being proposed across the Group as a whole.

Executive Director	Salary as at 01.01.16	Salary as at 01.01.15	Increase
Steve Foots	£618,135	£609,000	1.5%
Jez Maiden	£426,300	£420,000	1.5%
Keith Layden	£330,049	£325,171	1.5%

The 1.5% increases awarded to the Executive Directors was consistent with the level of salary increases awarded across the Group and reflected their continued robust performance.

Other benefits

Other benefits such as company cars or car allowances, fuel allowance and health benefits are made available to Executive Directors. Benefits in kind and bonuses are not pensionable. The Committee reviews the individual components and the balance of these components from time to time.

Performance related annual bonus

In 2016, Executive Directors will be eligible to receive a performance-related bonus of up to 125% of salary (Group Chief Executive) and 100% of salary (other Executive Directors).

The bonus scheme for Executive Directors and senior Executives incentivises and rewards the delivery of income growth. Income growth is the growth in underlying profitability (defined for bonus purposes as Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS 2 ‘Share-based payments’) less a notional interest charge on working capital employed during the year. Income is measured after providing for the cost of any bonuses.

2016 performance targets

For the 2016 financial year, the bonus structure will continue to operate on a similar basis to that operated in previous years. The targets operate as a sliding scale with no bonus becoming payable until the previous year’s income has been exceeded by inflation, through to a maximum bonus becoming payable for delivery of the maximum target. The targets for 2016 are shown below:

Level of award	Income	% of bonus payable
Threshold	At least equivalent to 2015 actual (adjusted for Incotec) plus CPI	0%
Maximum	2015 actual (adjusted for Incotec) plus CPI plus 10%	100%

Once the level of bonus has been determined against the targets set at the start of the year, the Committee will have the flexibility to take health, safety and environmental performance into consideration when determining the actual overall level of individual bonus payments and may reduce the bonus awards if it considers it appropriate (eg if health, safety and environmental performance is not considered satisfactory during the period over which the bonus was earned).

The Committee considers the range of income targets set for 2016 to be comparable to the range of targets set for the 2015 annual bonus.

One third of any bonus earned will be the subject of a mandatory deferral into the Company’s shares for three years.

The Committee remains comfortable that the structure of the annual bonus does not encourage inappropriate risk taking and that the mandatory deferral of one third of bonus into shares provides clear alignment with shareholders and fosters a longer term link between annual performance and reward.

The 2016 annual bonus is also subject to claw back provisions which enable the Committee to recover the value overpaid to an Executive Director in respect of 2016 performance in the event of a misstatement of the Group’s financial results, an error being made in assessing how far performance targets were ultimately achieved, or serious misconduct. Recovery of any value overpaid includes the ability to withhold future incentive pay awards as well as seeking reimbursement from an individual. The claw back provisions will operate for three years following the date on which the bonus is paid.

Performance Share Plan (PSP)

The PSP was approved by shareholders at the 2014 AGM, replacing the Company’s previous Executive long term incentive plans (the 2005 LTIP and the 2005 BCIP).

2016 PSP award levels

The maximum normal award limit under the PSP is 200% of salary. The awards for 2016 were set after taking due account of (i) the need to motivate and retain Executive Directors and other participants, and (ii) the challenging nature of the performance targets.

It is intended that awards will be granted at the following levels during 2016 (as nil-cost options):

Executive Director	2016 PSP award (percentage of salary)
Steve Foots	200%
Jez Maiden	150%
Keith Layden	150%

2016 performance targets

Consistent with awards made under the previous LTIP, awards under the PSP will be subject to a performance condition which is split into two equal parts, each with a separate performance condition. One half will vest dependent on the relative TSR measured against the FTSE 350 Index (excluding investment trusts) and the other half will vest dependent on EPS growth targets.

The targets, each tested over three years, are as follows:

- With regards to the half of the award subject to relative TSR, Croda's performance is compared against that of the constituents of the FTSE 350 Index. The FTSE 350 Index was chosen as a comparator group as the Company is a current member and the index represents a broad-based set of companies of a similar size and with similar historic volatility of TSR returns to Croda
- For the half of the award subject to EPS, challenging absolute growth targets have been set, which will operate on a graduated scale.

As with the awards granted in 2015, the EPS targets that have been proposed for the 2016 PSP follow the Committee's review of internal financial planning, external market expectations, analysis of the current trading environment and consideration of the base point from which growth will be measured. The range of targets to apply are to remain the same as for the awards granted in 2015 (at annual growth of between 6% and 12%). These targets are considered to be no less challenging to the range of targets set for the 2015 awards, providing a realistic incentive at the lower end of the performance range, but with full vesting requiring exceptional outperformance in the current commercial context.

In addition to the above, a general financial underpin operates, enabling the Committee to reduce the EPS and/or TSR vesting result if it does not consider they reflect the Group's underlying financial performance over the performance period.

For the awards granted in 2016, the after-tax number of vested shares must be retained for a minimum of two years. PSP awards granted in 2016 to Executive Directors are also subject to claw back provisions. These enable the Committee to reclaim the value overpaid to an Executive Director, in respect of performance during the three years ending 31 December 2018, if there is a material misstatement of the Group's financial results or serious misconduct. Recovery of any value overpaid includes the ability to withhold future incentive pay awards as well as seeking reimbursement from a relevant individual. The claw back provisions will operate for three years after the date on which the awards vest.

Pension

Croda has a number of different pension plans in the countries in which we operate. Pension entitlements for Company Executives are tailored to local market practice, length of service and the participant's age. The principal pension plan in the UK is a defined benefit scheme (to operate on a career average basis from 1 April 2016) which provides a pension based on a proportion of final salary with a salary cap imposed from 6 April 2011 onwards. A salary supplement in lieu of pension provision above the salary cap now applies.

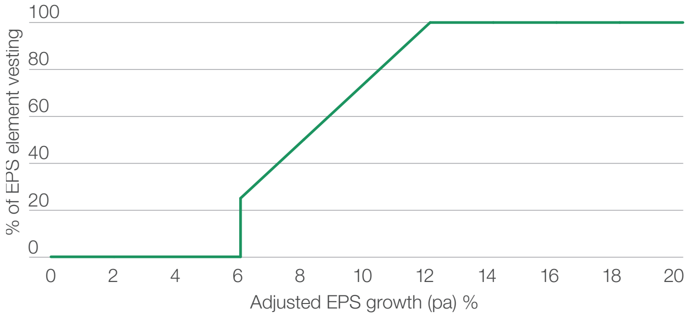
The Company is flexible in how pension provision is made for Executive Directors, with the aim of balancing the needs of the Director against the liability of the Company. Hence, it makes direct contributions to the Croda defined benefit pension scheme (CPS) and/or a cash supplement in lieu of pension benefits to enable the funding of personal pension arrangements.

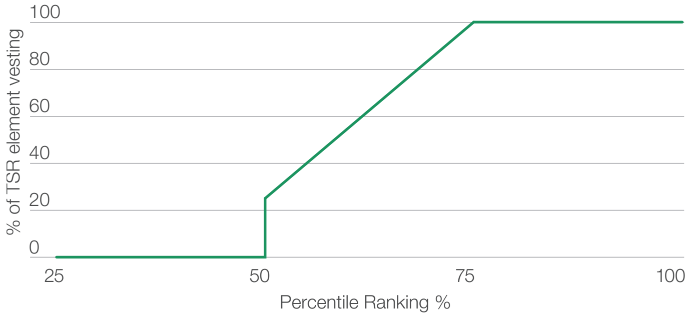
Steve Foots' pension provision

Steve Foots accrues pension benefits under the CPS with an accrual rate of 1/60th and an entitlement to retire at age 60. From 6 April 2011 onwards, pension benefits accruing are based on a capped salary. This cap was £187,500 until April 2014 at which point it reduced to £150,000. If Steve Foots retires before he is 61, a reduction will be applied to the element of his pension accrued after 6 April 2006. If he retires before the age of 60, a reduction will be applied to the element of his pension accrued before 6 April 2006, unless in either instance he is retiring at the Company's request. In the event of death, a pension equal to two-thirds of the Director's pension would become payable to the surviving spouse. Steve Foots' pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 10% per annum for benefits accrued before 6 April 2006, and in line with inflation up to a maximum of 2.5% per annum for benefits accrued from 6 April 2006 onwards.

Steve Foots is entitled to death-in-service benefits from the CPS. He also receives a cash allowance above the pension benefit cap of £150,000.

The vesting of each half of the award is as follows:





Jez Maiden's pension provision
Jez Maiden is paid a pension supplement (currently 20% of base salary) to enable him to make independent provision for his retirement. He has an agreement with the Company to provide him with death-in-service benefits outside of the CPS.

Keith Layden's pension provision
As detailed in the last year's remuneration report, Keith Layden started to draw his pension under the CPS on 19 October 2014. He can draw this deferred pension, with Company consent, while continuing in employment. His pension will increase in line with retail price inflation (RPI) to a maximum of 10% per annum for pension accrued before April 2006 and a maximum of 2.5% for pension accrued afterwards.

Keith Layden is paid a pension supplement (currently 20% of base salary) to enable him to make independent provision for his retirement. He has an agreement with the Company to provide him with death-in-service benefits outside of the CPS.

All-Employee share plans

Executive Directors are invited to participate in the HMRC tax-approved UK Sharesave Scheme and the Croda Share Incentive Plan (SIP) in line with, and on the same terms as, the wider UK workforce.

Sourcing of shares and dilution

Awards under all Group share schemes may be satisfied using newly issued shares, treasury shares or shares purchased in the market and held in the Company's employee benefit trusts.

Awards under the Group's discretionary schemes which may be satisfied by new issue shares must not exceed 5% of the Company's issued share capital in a ten year period. The total of all awards satisfied via new issue shares under all plans must not exceed 10% of the Company's issued share capital in a ten year period.

As at 31 December 2015, the headroom under the Company's 5% and 10% limits was 1.50% and 2.18% respectively, out of an issued share capital of 139,949,969 shares.

Service contracts

Steve Foots, Keith Layden and Jez Maiden have service contracts dated 16 September 2010, 6 February 2012 and 9 October 2014 respectively. These can be terminated by the Company on one year's notice and by the Director on six months' notice.

The terms of the Executive Directors' contracts are consistent with the Remuneration Policy.

Chairman and other Non-Executive Directors' remuneration

The fees paid to Anita Frew as Chairman were agreed on her appointment to the Board in March 2015 by a committee of the Board with responsibility for agreeing her terms of appointment. Both the Senior Independent Director and the Chairman of the Remuneration Committee were members of this committee. The committee agreed that Mrs Frew would receive a Non-Executive Director fee of £52,000 per annum, increasing to £225,000 per annum on her appointment as Chairman of the Board in September 2015. The fees paid to the Non-Executive Directors (including for chairmanship of Committees) and to the Senior Independent Director were reviewed in January 2016 (taking into consideration the anticipated time commitments of the roles and market rates), with changes taking effect from 1 February 2016. The fee structure for the Chairman and other Non-Executive Directors for 2016 is as follows:

- → Chairman: £225,000
- → Non-Executive Director base fee: £54,000 (increased by £2,000)
- → Senior Independent Director: £10,000 (increased by £3,000)
- → Chairman of the Audit Committee: £10,000
- → Chairman of the Remuneration Committee: £10,000.

The effective dates of the letters of appointment for the Chairman and each Non-Executive Director who served during 2015, are shown in the table below:

Non-Executive Director	Original appointment date	Expiry date of current term
Anita Frew[1]	5 March 2015	5 March 2018
Alan Ferguson	1 July 2011	30 June 2017
Helena Ganczakowski	1 February 2014	31 January 2017
Nigel Turner	1 June 2009	31 May 2018
Steve Williams	1 July 2010	30 June 2016
Martin Flower[2]	16 May 2005	28 September 2015

[1] Appointed to the Board on 5 March 2015
[2] Retired from the Board on 19 September 2015

Annual Report on Remuneration

Audited Information

Directors' remuneration

The remuneration before tax of Executive Directors for the year ended 31 December 2015 payable by Group companies was as follows:

Executive Director		Salaries and fees[1] £	Benefits[2] £	Pension[3] supplement £	Pension[4] £	Annual bonus[5] £	Long term incentives[6] £	Other[7] £	Total £
Steve Foots	**2015**	**609,000**	**30,517**	**91,800**	**59,329**	**581,443**	**–**	**1,957**	**1,374,046**
	2014	600,000	28,573	88,125	50,759	–	–	1,957	769,414
Jez Maiden[8]	**2015**	**420,000**	**23,658**	**84,000**	**–**	**320,796**	**–**	**302,060**	**1,150,514**
	2014	–	–	–	–	–	–	–	–
Keith Layden	**2015**	**325,171**	**20,075**	**65,034**	**–**	**248,366**	**–**	**1,508**	**660,154**
	2014	295,610	20,618	59,122	–	–	–	1,508	376,858
Sean Christie[9]	**2015**	**117,903**	**6,206**	**13,580**	**N/A**	**90,054**	**–**	**173,882**	**401,625**
	2014	369,732	25,340	42,071	40,390	–	–	1,508	479,041
Total 2015		**1,472,074**	**80,456**	**254,414**	**59,329**	**1,240,659**	**–**	**479,407**	**3,586,339**

1 Steve Foots' salary before salary sacrifice pension contributions of £15,000

2 Benefits include benefit-in-kind for company car or cash allowance, benefit-in-kind for private medical insurance and private fuel allowance and for Sean Christie the allowance paid for the use of his private apartment

3 Represents the 20% cash supplement paid to Jez Maiden, Keith Layden and Sean Christie and the 20% supplement paid to Steve Foots in relation to benefits provided above the final salary pension cap

4 For final salary pensions the amount included is the additional value accrued during the year, calculated using HMRC's methodology for the purposes of income tax using a multiplier of 20

5 The 2015 bonuses for Executive Directors were calculated by reference to the amount by which the income for the year, exceeded the income for 2014 (the 'base income'). Bonuses for 2015 are payable against a graduated scale once the 2015 income exceeds the base income by more than inflation (defined as the CPI), with maximum bonuses due at CPI plus 10%. Actual income in 2015 was £276.0m against a base of £255.9m. Income growth was 7.638% above the inflation adjusted base target resulting in bonuses of 76.38% of maximum. The Committee determined that Sean Christie would be eligible for a pro-rated 2015 annual bonus

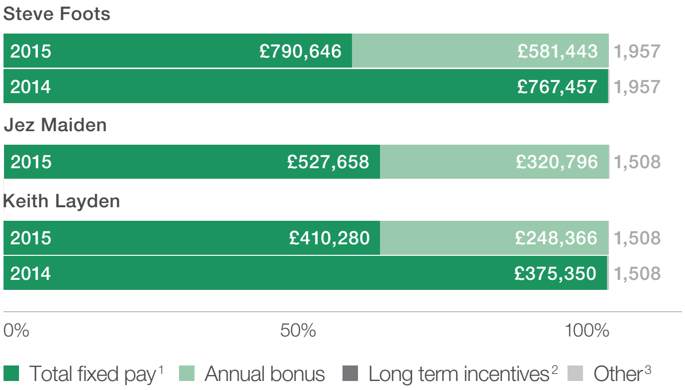
6 The LTIP and BCIP awards granted in February and April 2013 respectively reached the end of their performance periods on 31 December 2015 and did not vest

7 Sharesave awards valued as the value of the discount on the date of grant. SIP shares valued using the value of the partnership shares awarded over the year based on the average purchase price for the year. Includes payments to Jez Maiden in connection with his recruitment (see footnote 8) and payments to Sean Christie in respect of cessation of his employment (see footnote 9 and page 72)

8 Jez Maiden was appointed to the Board on 1 January 2015. As disclosed on page 78 in last year's annual report, Jez Maiden received £126,625 in respect of reimbursement of relocation costs and rental costs and £173,926 in compensation for forfeiture of the deferred element of his 2013 annual bonus from his previous employer

9 Sean Christie stood down as Group Finance Director on 22 January 2015 and left the Company on 22 April 2015. As disclosed in last year's Remuneration Report, the Committee exercised its discretion to determine that Mr Christie would be eligible for a bonus in respect of the financial year ended 31 December 2015 to the extent that the applicable performance conditions were met. Accordingly, he will be paid a bonus of £90,054 (reflecting his pro-rated service in the 2015 financial year). This will be paid part in cash (£60,054) and part in deferred shares (£30,000) which vest three years from grant. The deferred shares will be granted through a bespoke deferral arrangement ensuring deferral in accordance with the Company's Remuneration Policy. Claw back provisions will also continue to apply

Executive Directors' remuneration (%)



1 Total fixed pay comprises salaries and fees, benefits, pension supplement and pension

2 There were no long term incentive payments made in 2015 – see note 6 above

3 'Other' remuneration for Jez Maiden does not include the amounts paid to him in connection with his recruitment

The remuneration of Non-Executive Directors for the year ended 31 December 2015 payable by Group companies was as follows:

Non-Executive Director		Salaries and fees £	Benefits[4] £	Total £
Martin Flower[1]	**2015**	**144,061**	**9,035**	**153,096**
	2014	200,000	8,849	208,849
Anita Frew[2]	**2015**	**91,720**	**8,178**	**99,898**
	2014	–	–	–
Nigel Turner	**2015**	**59,000**	**5,387**	**64,387**
	2014	58,833	4,209	63,042
Steve Williams	**2015**	**62,000**	**2,248**	**64,248**
	2014	58,848	4,809	63,657
Alan Ferguson	**2015**	**62,000**	**4,067**	**66,067**
	2014	61,833	5,250	67,083
Helena Ganczakowski	**2015**	**52,000**	**4,452**	**56,452**
	2014[3]	47,666	4,032	51,698
Total 2015		**470,781**	**33,367**	**504,148**

1 Retired from the Board on 19 September 2015

2 Appointed to the Board on 5 March 2015 receiving an annual fee of £52,000. Became Chairman on 19 September 2015 on an annual fee of £225,000

3 Appointed to the Board on 1 February 2014

4 The benefits relate to directors undertaking business travel on behalf of Croda and ensuring the directors are not out of pocket for related tax. Comparators for 2014 have been included.

PSP awards granted in 2015

Directors were eligible to receive PSP awards up to a value of 200% of salary at grant. The PSP awards granted on 4 March 2015 were as follows:

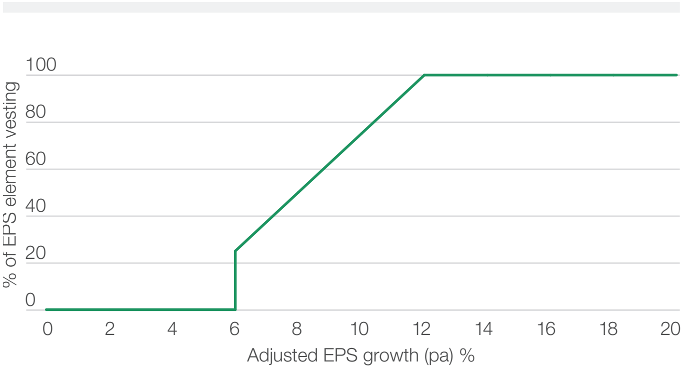
Executive Director[2]	Number of PSP shares awarded	Basis of award granted (% of salary)	Face/maximum value of awards at grant date[1]	% of award vesting at threshold (maximum)	Performance period
Steve Foots	44,974	200%	£1,217,986	25% (100%)	01.01.15 – 31.12.17
Jez Maiden	23,262	150%	£629,981	25% (100%)	01.01.15 – 31.12.17
Keith Layden	18,010	150%	£487,747	25% (100%)	01.01.15 – 31.12.17

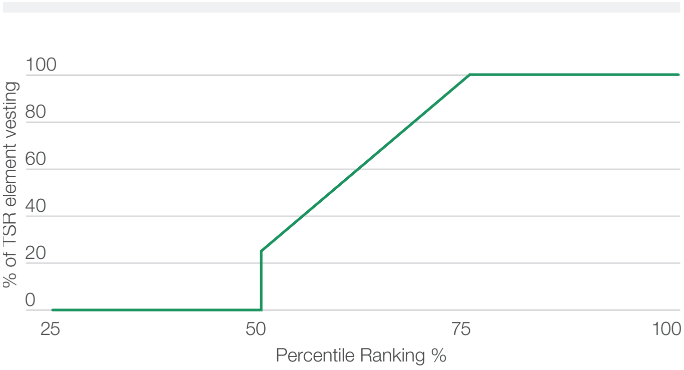
[1] Face value/maximum value of award is calculated based on a share price of £27.082, being the average mid-market share price of the three dealing days prior to the date of grant

[2] Sean Christie did not receive a PSP award in 2015 in light of his departure from the Company in 2015

The 2015 PSP awards, as in previous years, are subject to a performance condition which is split into two equal separate parts. Half of the award is subject to a relative TSR performance condition, comparing Croda's TSR performance against the constituents of the FTSE 350 (excluding investment trusts) over a three-year performance period. The remaining half of the award is subject to an EPS growth condition.

Vesting under the two parts of the performance condition will take place on the following sliding scale:





All-Employee share plan awards granted in 2015

SIP

Details of shares purchased and awarded to Executive Directors under the SIP are shown in the table below. A brief description of the SIP is set out in note 22 on page 123.

Executive Director	SIP shares held 01.01.15	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.15	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.15
Steve Foots	5,606	53	53	5,712	274	**5,050**
Keith Layden	5,606	53	53	5,712	274	**5,050**
Sean Christie[1]	2,170	18	18	–	114	**–**

[1] Sean Christie stood down as Group Finance Director on 22 January 2015 and left the Company on 22 April 2015

Unrestricted shares (which are included in the total shares held at 31 December 2015) are those held until there is no longer a tax liability if they are withdrawn from the plan.

Sharesave

Details of awards made under the UK Sharesave scheme are set out below:

Date of grant	Earliest exercise date	Expiry date	Face value*	Exercise price	Number at 01.01.15 (10p shares)	Granted in year	Number at 31.12.15 (10p shares)
Steve Foots							
21 September 2012	1 November 2015	30 April 2016	£2,232.84	1942p	92	–	–
19 September 2013	1 November 2016	30 April 2017	£2,247.56	2141p	84	–	84
18 September 2014	1 November 2017	30 April 2018	£2,247.06	1763p	102	–	102
17 September 2015	1 November 2018	30 April 2019	£4,490.29	2232p	–	161	161
					278	**161**	**347**
Jez Maiden							
17 September 2015	1 November 2018	30 April 2019	£11,239.67	2232p	–	403	403
					–	**403**	**403**
Keith Layden							
21 September 2012	1 November 2015	30 April 2016	£11,216.18	1942p	463	–	–
					463	**–**	**–**
Sean Christie							
21 September 2012	1 November 2015	30 April 2016	£11,216.18	1942p	463	–	–
					463	**–**	**–**

During 2015, the highest mid-market price of the Company's shares was 3129.5p and the lowest was 2573p. The year end closing price was 3042p. The year end mid-market price was 3042.5p.

* Face value is calculated using the market value on the day before the date of grant, multiplied by the number of shares awarded

Gains made on exercise of share options and LTIPs

The gains are calculated according to the market price of Croda International Plc ordinary shares of 10p each on the date of exercise, although the shares may have been retained.

Executive Director	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain (before tax)
Steve Foots	2 November 2015	92	Sharesave	1942p	2890.5p	£2,659.26
Keith Layden	2 November 2015	463	Sharesave	1942p	2890.5p	£13,383.02

Directors' interests in the share capital of the Company

The interests of the Directors who held office at 31 December 2015, are set out in the table below:

	Legally owned		LTIP awards (unvested)	BCIP awards (unvested)	PSP (unvested)	Sharesave (unvested)	SIP		Total 31.12.15	% of salary held under shareholding guideline
	31.12.15	31.12.14					Restricted	Unrestricted		
Executive Director[1]										
Steve Foots	128,484	128,484	23,102	5,635	93,172	347	662	5,050	**256,452**	>200% target
Jez Maiden	3,600	–	–	–	23,262	403	–	–	**27,265**	<100% target
Keith Layden	70,112	70,112	8,479	3,068	35,819	–	662	5,050	**123,190**	>100% target
Non–Executive Director[2]										
Alan Ferguson	2,500	2,500	–	–	–	–	–	–	**2,500**	–
Anita Frew	10,000	–	–	–	–	–	–	–	**10,000**	–
Helena Ganczakowski	359	350	–	–	–	–	–	–	**359**	–
Nigel Turner	15,000	15,000	–	–	–	–	–	–	**15,000**	–
Steve Williams	11,331	11,071	–	–	–	–	–	–	**11,331**	–

[1] Sean Christie legally owned 238,801 shares at his date of leaving on 22 April 2015

[2] Martin Flower legally owned 27,925 shares at his date of leaving on 19 September 2015

There have been no changes in the interests of any Director between 31 December 2015 and the date of this report, except for the purchase of 9 SIP shares and 9 matching shares by Steve Foots and Keith Layden during January and February 2016 and the purchase of 4 SIP shares and 4 matching shares by Jez Maiden in February 2016.

Pension rights

The pension rights that accrued during the year in line with the policy on such benefits as set out in the Policy Report were as follows:

Defined benefit schemes

Executive Director	Normal retirement date under the CPS	Accrued pension 2015 £000	Single remuneration figure 2015 £000[1]	Single remuneration figure 2014 £000
Steve Foots	14 September 2033	116	151	139
Jez Maiden	N/A	–	70	–
Keith Layden	18 October 2020	66	65	59
Sean Christie[2]	20 October 2022	N/A	N/A	82

1 The value of all pension savings made during the financial year inclusive of cash supplement on behalf of Directors. Steve Foots is entitled to death-in-service benefits from the CPS. Keith Layden and Jez Maiden have separate agreements which provide death-in-service benefits outside of the CPS

2 Sean Christie stepped down as Group Finance Director on 22 January 2015 and ceased employment on 22 April 2015. Under the terms of the CPS his departure resulted in an automatic right to receive an unreduced pension from age 60 with the normal retirement age being 65. The anticipated total additional cost of providing a pension from age 57 is £190,000.

Note: Members of the CPS have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in this table. During 2015, Steve Foots was paid £91,800 (2014: £88,125), Keith Layden was paid £65,034 (2014: £59,122) and Jez Maiden was paid £84,000 (2014: £nil) in addition to their basic salary to enable them to make independent provision for their retirement. This contribution reflects the introduction of a cap to the maximum salary on which benefits at retirement are based under the CPS or, in the case of Keith Layden and Jez Maiden, the full provision. Accordingly, for Steve Foots benefits above this cap are now provided by a salary supplement in lieu of pension benefits above the cap of £150,000.

Payments for cessation of employment

As disclosed in last year's Remuneration Report, in relation to Mr Christie, the financial arrangements associated with his departure are as follows:

2015 reward structure

Mr Christie received his salary and benefits in accordance with his current contractual arrangements until his leaving date on 22 April 2015.

The Remuneration Committee exercised its discretion to determine that Mr Christie was eligible for a cash bonus in respect of the financial year ending 31 December 2015 to the extent that the applicable performance conditions were met. Accordingly he will be paid a total bonus of £90,054 (reflecting his pro-rated service in 2015 financial year). This will be paid part in cash (£60,054) and part in deferred shares which will vest three years from grant. The deferred shares will be granted through a bespoke arrangement ensuring deferral in accordance with the Company's Remuneration Policy. Claw back provisions will also continue to apply.

Payments on cessation

Mr Christie received a payment of £71,422 in lieu of his unserved notice period of 55 days, as determined in accordance with his service contract. This comprises a payment in lieu of basic salary, pension contributions (calculated as 20% of his basic annual salary as required by his service agreement) and other benefits.

The payment in lieu of notice is being paid in monthly instalments over the unexpired period of notice. If Mr Christie commences alternative employment or engagement, his outstanding instalments will be reduced by the monthly remuneration from his new employment.

Mr Christie received a payment of £100,000 in settlement of any statutory claims he may have against the Company.

Mr Christie received a maximum sum of £2,000 plus VAT as a contribution towards the legal fees incurred by him in connection with the cessation of his employment.

Treatment of any share awards

Mr Christie's SAYE Share Option Scheme options granted in 2012 lapsed on the cessation of his employment and his contributions were repaid to him.

Mr Christie's partnership shares under the Company Share Incentive Plan and any matching shares held by him for three or more years (comprising a total of 2,125 shares) were transferred to him by the Share Incentive Plan trustee on the cessation of his employment. Mr Christie's matching shares under the Share Incentive Plan which had been held for less than three years were forfeited.

Under the Company's Bonus Co-Investment Plan, the Remuneration Committee has exercised its discretion to allow Mr Christie's unvested matching awards over 14,747 and 3,945 shares, granted in 2012 and 2013 respectively, to vest at the end of the respective performance periods, subject to applicable performance conditions and time pro-rating to reflect Mr Christie's actual service during the applicable performance period. Neither the 2012 nor the 2013 awards vested.

Under the Company's Long Term Incentive Plan, the Remuneration Committee exercised its discretion to allow Mr Christie's unvested share awards over 18,154 and 15,151 shares, granted in 2012 and 2013 respectively, to vest at the end of the respective performance periods, subject to the applicable performance conditions being satisfied, and subject to time pro-rating to reflect Mr Christie's actual service during the applicable performance period. Neither the 2012 nor the 2013 awards vested.

Under the Company's Performance Share Plan, the Remuneration Committee exercised its discretion to allow Mr Christie's unvested share award over 22,275 shares granted in 2014, to vest at the end of the respective performance period, subject to the applicable performance conditions being satisfied, and subject to time pro-rating to reflect Mr Christie's actual service during the applicable performance period. If Mr Christie's award vests, it will be subject to a 12 month holding period.

General

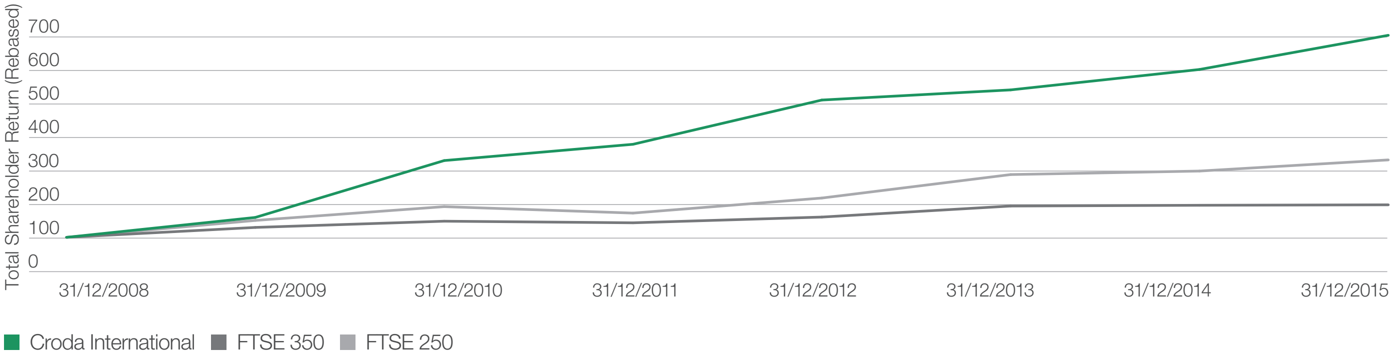
All sums payable to Mr Christie will be subject to such deductions in respect of tax and national insurance as the Company is required by law to make.

Other unaudited information

Performance graph

The graph below shows the value, at 31 December 2015, of £100 invested in Croda International Plc on 31 December 2008 compared with the value of £100 invested in the FTSE 350 and FTSE 250 Index.

Total shareholder return



Source: Datastream (Thomson Reuters)

In the opinion of the Directors, the FTSE 350 Index is an appropriate index against which to measure the Company's TSR because Croda is a current constituent and the index represents a broad-based set of companies of a similar size and with similar historic volatility of TSR returns.

Total remuneration figures for Group Chief Executive

The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years. The annual bonus and LTIP percentages show the payout for each year as a percentage of the maximum.

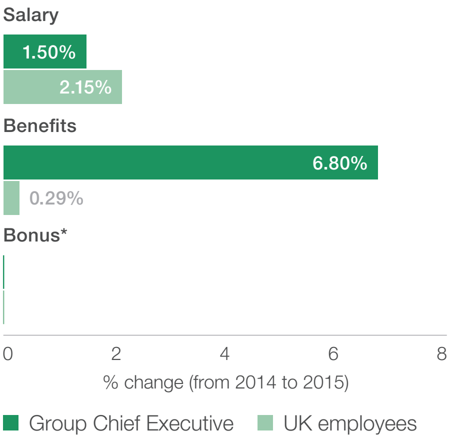
	2009*	2010*	2011*	2012^	2013^	2014^	2015^
Total remuneration (£)	1,943,740	3,224,875	4,142,608	1,364,048	1,427,156	769,414	**1,374,046**
Annual bonus (%)	100%	100%	100%	28%	0%	0%	**76.38%**
LTIP vesting (%)	100%	100%	100%	100%	81.8%	0%	**0%**

* relate to Mike Humphrey ^ relate to Steve Foots

Percentage change in remuneration levels

The following chart shows the movement in the salary, benefits and annual bonus for the Group Chief Executive between the current and previous financial year compared to that of the average UK employee. The Committee has chosen this comparator as it feels it provides a more appropriate reflection of the earnings of the average worker than the movement in the Group's total wage bill, which is distorted by fluctuations in the number of employees and variations in wage practices in our overseas markets.

Change in remuneration levels %

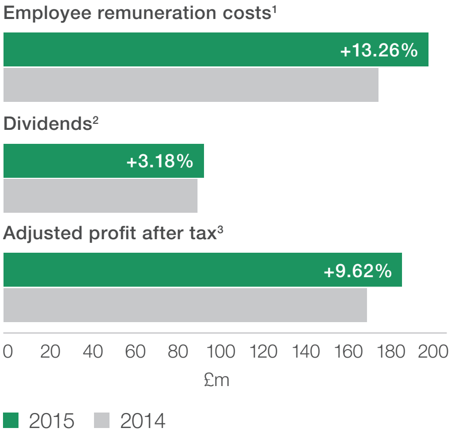


* No bonus was paid in 2014 so it is not possible to calculate the percentage change from 2014 to 2015

Relative importance of the spend on pay

The chart below shows the movement in spend on staff costs versus that in dividends and adjusted profit after tax.

Relative importance of the spend on pay %



1 Employee remuneration costs, as stated in the Notes to the Group Accounts on page 103. These comprise all amounts charged against profit in respect of employee remuneration for the relevant financial year, less redundancy costs and share-based payments, both of which can vary significantly from year to year

2 Dividends – the amounts payable in respect of the relevant financial year

3 Adjusted profit after tax – profit for the relevant year adjusted for exceptional items, acquisition costs, amortisation of intangible assets arising an acquisition, and the tax thereon

External directorships

Executive Directors are permitted to accept external appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for non-executive roles. Jez Maiden was a Non-Executive Director of Synthomer Plc up until 30 April 2015 and received a fee of £18,333 for 2015.

I will be available at the AGM to respond to any questions shareholders may raise on the Committee's activities.

On behalf of the Board

Steve Williams
Chairman of the
Remuneration Committee

23 February 2016

Other Disclosures

Pages 36 to 79 inclusive (together with the sections of the Annual Report incorporated by reference) constitute a Directors' Report that has been drawn up and presented in accordance with applicable English company law: the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

Going concern

After making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements that appear on pages 86 to 135. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence.

Research and development

Research and development activities are undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Dividends

The Directors are recommending a final dividend of 38p per share (2014: 36p). The Directors are also recommending a special dividend of 100p per share. If approved by shareholders, total dividends for the year will amount to 169p per share (2014: 65.5p per share). Details of dividends are shown in note 8 on page 102; details of the Company's Dividend Reinvestment Plan can be found on page 139. The Company has established various employee benefit trusts (EBTs) in connection with the obligation to satisfy future share awards under employee share incentive schemes. The trustees of the EBTs have waived their rights to receive dividends on certain Ordinary Shares of the Company held in the EBTs. Such waivers represent less than 1% of the total dividend payable on the Company's Ordinary Shares. Further details of the EBTs can be found in note 24 on page 124.

Directors

The Company's Articles of Association (the 'Articles') give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board of Directors. The present Directors of the Company are shown on pages 36 and 37. In line with the UK Corporate Governance Code, each Director will be standing for re-election at the AGM. Details of the Directors' service contracts are given in the Directors' Remuneration Report on page 68.

As well as the present Directors, Sean Christie was a Director of the Company until January 2015 and Martin Flower retired as a Director in September 2015.

Apart from the share option schemes, long term incentive schemes and service contracts, no Director had any beneficial interest in any contract to which the Company or a subsidiary was a party during the year.

A statement indicating the beneficial and non-beneficial interests of the Directors in the share capital of the Company, including share options, is shown in the Directors' Remuneration Report on page 71.

The Directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company's Memorandum and Articles and any directions given by special resolution.

Directors' indemnities

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company has also granted indemnities to each of its Directors and the Company Secretary which represent 'qualifying third party indemnity provisions' (as defined by Section 234 of the Companies Act 2006), in relation to certain losses and liabilities which the Directors (or Company Secretary) may incur to third parties in the course of acting as Directors (or Company Secretary) or employees of the Company or of any associated company. In addition, such indemnities have been granted to other officers of the Company who are Directors of subsidiary companies within the Group. The Company has also granted an indemnity representing 'qualifying pension scheme indemnity provisions' (as defined by Section 235 of the Companies Act 2006) to a paid Director of the corporate trustee of the Group's UK pension scheme. Such indemnities were in place during 2015 and at the date of approval of the Group financial statements.

Share capital

At the date of this Report, 139,949,969 Ordinary Shares of 10p each have been issued and are fully paid up and quoted on the London Stock Exchange. At the date of this Report, the Company has issued and fully paid up 21,900 7½% Cumulative Preference Shares, 498,434 6.6% Cumulative Preference Shares and 615,562 5.9% Cumulative Preference Shares, all of £1 each (the Preference Shares). The rights and obligations attached to the Company's Ordinary Shares and Preference Shares are set out in the Articles, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary. There are no restrictions on the voting rights attached to the Company's Ordinary Shares or on the transfer of securities in the Company. The 7½% Cumulative Preference Shares shall not confer on the holders any right to receive notice of or to be present or to vote at any general meeting of the Company unless the cumulative preferential dividend on such shares is more than 12 calendar months in arrears. The 6.6% and 5.9% Cumulative Preference Shares shall not confer on the holders any right to receive notice of or to be present or to vote at any general meeting of the Company unless the cumulative preferential dividend on

Share capital continued

such shares is more than six calendar months in arrears or the business of the general meeting includes the consideration of a resolution for reducing the share capital of the Company, to sell the undertaking of the Company or to alter the Articles. No person holds securities in the Company that carry special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Power to issue or buy back shares

At the 2015 AGM, authority was given to the Directors to allot unissued shares in the Company up to a maximum amount equivalent to approximately one third of the issued share capital (excluding shares held in treasury) for general purposes, plus up to a further one third of the Company's issued share capital (excluding shares held in treasury), but only in the case of a rights issue. No such shares have been issued.

A further special resolution passed at that meeting granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006. Both these authorities expire on the date of the 2016 AGM, that is 27 April 2016, and so the Directors propose to renew them for a further year.

At last year's AGM the members renewed the Company's authority to purchase up to 10% of its Ordinary Shares. No purchases were made during the year. As a result the Company will be seeking to renew its authority to purchase its own shares at the 2016 AGM. Shares will only be purchased if the Board believes that such purchases will improve earnings per share and be in the best general interest of shareholders. It is the Company's intention that any shares purchased will be held as treasury shares. At the date of this report the Company holds 4,014,188 shares in treasury.

Employees

Diversity: We are committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, marital status, race, ethnic origin, religion, disability, sexuality or age, or is disadvantaged by conditions or requirements which cannot be shown to be justified. Group HR policies are clearly communicated to all our employees and are available through the Company intranet.

Recruitment and progression: It is established policy throughout Croda that decisions on recruitment, career development, promotion and other employment related issues are made solely on the grounds of individual ability, achievement, expertise and conduct.

Croda gives full and fair consideration to applications for employment from people with disabilities. Should an employee become disabled during their employment with Croda, they are fully supported by its Occupational Health provision. Efforts are made to continue their employment with reasonable adjustments being made to the workplace and role where feasible. Retraining is provided if necessary.

Development and learning: Croda recognises that the key to future success lies in the skills and abilities of its dedicated global workforce.

The continuous development of our employees is key to meeting the future demands of our customers, especially in relation to enhanced creativity, innovation and customer service. During 2015, 91.2% of our employees received training, totalling almost 100,000 hours.

Involvement: Croda is committed to ensuring that employees share in the success of the Group. Owning shares in the Company is an important way of strengthening involvement in the development of the Business and bringing together employees' and shareholders' interests. In 2015, 80.9% of our UK employees and 51.0% of our non-UK employees participated in one of our all-employee share plans, indicating employees' continued desire to be involved in the Company.

Employees are kept informed of matters of concern to them in a variety of ways, including Croda Way (the Company magazine), quarterly updates, Croda Connect (the Company intranet), team briefings, webinars and Croda Now (email messages). These communications help achieve a common awareness of the financial and economic factors affecting the performance of Croda and of changes within the business. Croda is also committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. All regions have undertaken an employee survey since 2010. The largest of these, targeting our European employees, was completed during 2011.

Sustainability

Sustainability is not just one part of our Business; it is integral to everything we do. Our business model, on pages 14 and 15, conveys how deeply sustainability is embedded within Croda. It shapes the way we structure our business and develop our strategy, how we interact with stakeholders, including employees, local communities, customers and investors, and how we deal with the challenges of policy and regulation. Details of our sustainability activities are set out on pages 3, 23 and 30 of this report, with more detailed information available in our Sustainability Report, which can be downloaded at **www.croda.com/sustainability**.

This holistic approach is supported by our Global Sustainability Steering Committee and at all levels of our Company, with ultimate responsibility resting with our Board of Directors and Executive Committee, and implementation discussed at all regional and business board meetings. However, responsibility for shaping and delivering our sustainability strategy does not just lie with our leaders; it stretches right across our Business and every employee has a part to play.

Community education and involvement

We have a strong focus on supporting the communities in which we operate. We believe that our 'social licence to operate' is based on the relationships we have with communities local to our premises. These relationships also have an impact on the people who work for and with us and on their families and wider communities. Our community education programme aims to raise the profile of science, technology, engineering and maths (STEM), by providing relevant, targeted support to schools, colleges and universities in our communities. In doing so, we can improve the learning and career prospects of local populations, enhance our reputation, and develop the vital employee skills that we depend on for future growth.

Our activities demonstrate that we are investing in local communities and turning talk into action by responding both proactively and reactively to local needs and delivering real benefits. This also helps us to enhance the performance and morale of our employees, support the recruitment needs of our Business, and ensure that we have a positive impact wherever we are in the world.

Articles of Association

Unless expressly specified to the contrary in the Articles, the Company's Articles may be amended by a special resolution of the Company's shareholders.

Significant contracts and change of control

The Group has borrowing facilities which may require the immediate repayment of all outstanding loans together with accrued interest in the event of a change of control. The rules of the Company's employee share plans set out the consequences of a change in control of the Company on participants' rights under the plans. Generally, such rights will vest and become exercisable on a change of control subject to the satisfaction of performance conditions. None of the Executive Directors' service contracts contains provisions which are affected by a change of control and there are no other agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company which are considered to be significant in terms of their potential impact on the Group.

The Company does not have any contractual or other arrangements which are essential to the Business of the Group.

Political donations

No donations were made for political purposes during the year (2014: £nil).

Financial risk management

The Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risks are contained in note 19 on pages 113 to 117.

Capitalised interest

The Group's policy for capitalising borrowing costs directly attributable to the purchase or construction of fixed assets is set out on page 96. Interest capitalised in 2015 of £0.8m related to the construction of the non-ionic bio-surfactant plant in US.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing the Group financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements respectively
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group, and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a Company's position and performance, business model and strategy.

Each of the Directors, whose details are set out on pages 36 and 37 confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- The Directors' Report and Strategic Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Other disclosures

Certain information that is required to be included in the Directors' Report can be found elsewhere in this document as referred to below, each of which is incorporated by reference in to the Directors' Report:

- Information on greenhouse gas emissions can be found on page 30
- An indication of likely future developments in the Group's business can be found in the Strategic Report, starting on page 1
- An indication of the Company's overseas branches can be found on pages 136 to 138

For the purposes of Listing Rule 9.8.4R, the information required to be disclosed by LR 9.8.4R can be found on the following pages of this Annual Report:

Section	Topic	Page reference
(1)	Capitalised interest	Page 77
(2)	Publication of unaudited financial information	Not applicable
(3)	Smaller related party transactions	Not applicable
(4)	Details of long term incentive schemes established specifically to recruit or retain a Director	Not applicable
(5) (6)	Waiver of emoluments by a Director	Not applicable
(7) (8)	Allotments of equity securities for cash	Page 76
(9)	Participation in a placing of equity securities	Not applicable
(10)	Contracts of significance	Page 77
(11) (14)	Controlling shareholder disclosures	Not applicable
(12) (13)	Dividend waiver	Page 75

All the information cross referenced above is incorporated by reference into the Directors' Report.

References in this document to other documents on the Company's website, such as the Sustainability Report, are included as an aid to their location and are not incorporated by reference into any section of the Annual Report and Accounts.

Independent auditors

Our auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and, on the recommendation of the Audit Committee, a resolution regarding their reappointment and remuneration will be submitted to the Annual General Meeting.

Audit Information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and that they have each taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors' Report and the Strategic Report, including the sections of the Annual Report and Accounts incorporated by reference, is the 'management report' for the purposes of the Financial Conduct Authority Disclosure and Transparency Rules (DTR 4.1.8R). It was approved by the Board on 23 February 2016 and is signed on its behalf by

Tom Brophy
Group General Counsel
and Company Secretary

23 February 2016

Group Independent Auditors' Report to the Members of Croda International Plc

Report on the Group financial statements

Our opinion

In our opinion, Croda International Plc's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:

- the Group Balance Sheet as at 31 December 2015;
- the Group Income Statement and Group Statement of Comprehensive Income for the year then ended;
- the Group Statement of Cash Flows for the year then ended;
- the Group Statement of Changes in Equity for the year then ended;
- the Group Accounting Policies; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview

Materiality	→ Overall Group materiality: £12.6m which represents 5% of profit before tax.
Audit scope	→ We, as the Group engagement team, audited the two financially significant components – the UK and the US – covering 55% of the Group's external revenues and 55% of the Group's profit before tax → For the next seven largest components of the Group, which are audited by PwC component auditors (the five largest as full scope audits and the remaining two subject to specified procedures), we were heavily involved at all stages of their audits by virtue of numerous communications throughout the process, including the issuance of detailed audit instructions, review and discussion of audit findings, in particular over our areas of focus → As a result of this scoping we obtained coverage over 80% of the Group's external revenues and 84% of the Group's profit before tax.
Areas of focus	→ Provision for environmental remediation → Business combinations – valuation of intangible assets → Valuation of defined benefit pension scheme liability → Taxation.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the following table. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Provision for environmental remediation *Refer to page 51 (Audit Committee Report), page 91 (Accounting Policies) and page 118 (notes).* As a consequence of the Group's production of chemicals, there are a number of open claims and litigation against the Group relating to soil and potential groundwater contamination on sites, both currently in use and previously occupied. Environmental standards and legislation are specific to, and often contain unique requirements, in each territory the Group operates in and may be subject to change. As such, understanding the potential environmental risks and the financial implications that the Group is exposed to is often complex. The provision held for environmental liabilities within the balance sheet at 31 December 2015 totalled £12.3m, which relates to a number of matters. For each matter, the Directors, in conjunction with experts they engaged, assessed the likelihood of the Group being found liable for any remedial work and, where applicable the costs of that work, as well as any associated fines and legal costs. Assessing the likelihood and quantum of any financial obligations arising, requires judgement. There is a risk that the provision could be materially misstated and the required disclosures insufficient due to the inherent uncertainties and the potentially wide range of outcomes and timelines in respect of the resolution of each matter. The Directors performed a detailed assessment of environmental liabilities to ensure that the level of environmental provision held remains appropriate.	We obtained and read the Directors' assessment of each specific environmental matter that the Directors made us aware of, and assessed the completeness of the list against publicly available information and other information on potential environmental exposure at current and former sites. We performed audit work on each matter as there is a risk that the liability for each matter could be materially misstated. We evaluated the Directors' assumptions, both in terms of the likelihood of the Group being found liable and also of any resulting financial obligation by: → reading publicly available information, correspondence with relevant stakeholders and other information available to the Directors relating to the specific matters identified, and assessing the Directors' assumptions against this information; → reading remediation plans drawn up by the Directors' external experts and considering whether the Directors have properly reflected them in the calculation of the provision; → evaluating the independence, objectivity and competence of the experts that the Directors engage to assess the likely outcome of the cases against the Group, and the cost of remediation needed, by confirming they are qualified and affiliated with the appropriate industry bodies in the respective local territory; → comparing historic provisions with actual remediation costs incurred during the year to assess the Directors' historical forecasting accuracy; → assessing the Directors' accuracy in estimating exposures for fines and legal costs by comparing historic provisions for cases that have been settled with the actual fine/legal costs; → discussing all matters with the Group's legal counsel and head of sustainability, and obtaining independent confirmations from the Group's external legal advisers on the progress of each claim; and → discussing all matters arising in Europe and the US with local management, and corroborating information received from all parties. We found, based on the results of our testing, that the provision recorded and disclosures made in the financial statements were consistent with the supporting evidence obtained.

Area of focus	How our audit addressed the area of focus
Business combinations – valuation of intangible assets *Refer to page 51 (Audit Committee Report), page 91 (Accounting Policies) and page 125 (notes).* During the year the Group acquired Incotec Group BV for consideration of £104m inclusive of debt. This transaction has resulted in intangible assets (including goodwill) of £93.2m being acquired. The recognition, completeness and valuation of separately identifiable intangible assets is complex and involves judgement. An error in either the identification or valuation of intangible assets could lead to misclassification in the balance sheet upon acquisition and subsequent misstatement in the income statement.	We obtained and understood the Directors’ assessment of the nature and value of intangible assets acquired. We evaluated the Directors’ assumptions with reference to the Group’s accounting policies by: → reading the executed sale and purchase agreement; → reading the vendor due diligence report and Incotec Group BV audited financial statements as at September 2015; → evaluating the independence, objectivity and competence of the valuation experts that the Directors engaged to assist them in the valuation process, by confirming they are qualified and affiliated with an appropriate industry body; → utilising our internal valuations specialists to independently assess the models and assumptions used by the Directors’ when identifying and valuing intangible assets; and → assessing the useful economic life of the intangible assets (other than goodwill), and ensuring these are consistent with our understanding of the assets acquired and with accounting standards. We were satisfied that the value of intangibles identified was supported and the assumptions used in valuing the intangibles were reasonable.
Valuation of defined benefit pension scheme liability *Refer to page 51 (Audit Committee Report), page 91 (Accounting Policies) and pages 104 to 108 (notes).* The Group has a number of defined benefit pension schemes that, together, are in a net deficit position of £78.8m, which is material both in the context of the overall balance sheet and the results of the Group. The schemes in the UK and the US account for £17.0m and £37.8m of the net deficit, respectively. The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions, a number of which can be volatile. Small changes in a number of the key assumptions (including salary increases, inflation, discount rates, and mortality) can have a material impact on the calculation of the liability.	We primarily focused our work on the pension plan liabilities in the UK and the US which, together, account for the majority of the balance and, hence, estimation uncertainty. We evaluated the Directors’ assessment of the assumptions they made in relation to the valuation of the liabilities in the pension plan as follows: → we agreed the discount and inflation rates used in the valuation of the pension liabilities to our internally developed expectations using our internal actuarial specialists and compared the assumptions around salary increases and mortality to national and industry accepted averages; → we evaluated the competence of the experts that the Directors engaged to calculate the defined benefit pension schemes, by confirming they are qualified and affiliated with the appropriate industry body; and → we evaluated the sensitivity of the pension scheme liabilities to differences between our independent judgements and those made by the Directors, both individually and in aggregate. Based on the evidence obtained, we found that the assumptions used by the Directors in the valuation of the liability were within a range considered to be reasonable using an internally developed range of acceptable assumptions for valuing pension liabilities, based on our view of various economic indicators.

Area of focus	How our audit addressed the area of focus
Taxation *Refer to page 51 (Audit Committee Report), page 92 (Accounting Policies) and pages 100 and 101 (notes).* Due to the large number of tax jurisdictions in which the Group operates, the calculation of the Group's tax position is complex and is subject to scrutiny and challenge by different tax authorities. An error in the interpretation of, often complex, tax regulations, particularly relating to transfer pricing, could lead to a material misstatement in the tax expense. The Group also holds a number of specific judgemental tax accruals that relate to specific transfer pricing risks, open tax investigations/audits and other such matters. The estimation of the accrual is dependent on the Directors' assessment of the outcome of the outstanding matters.	We evaluated the Directors' assumptions for determining and calculating the consolidated tax expense, balances and accruals. For all in scope territories we: → obtained the Group's tax computations and testing the deductions and tax rates applied by reference to local tax legislation; → obtained the Group's latest internal transfer pricing studies and associated documentation and using our internal tax specialists to assess its reasonableness; → assessed the amount of the specific tax accruals based on our experience of similar situations both related and unrelated to the Group; → read the latest correspondence between the Group and tax authorities and considered any implications this may have had on the tax position reported in the Group's financial statements; → utilised our experience of similar tax exposures and risks faced by other multinational groups to assess the evidence described above; and → compared the levels of tax expense by territory with the local statutory tax rates and investigated the basis for any differences. The Directors' judgements in respect of the Group's position on uncertain tax items are supportable and reasonable in the context of the information currently available to them and no matters were identified by our work that the Directors had not adequately reflected in their estimate of the tax expense, balances and accruals.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates through various components in 36 different countries across five continents.

We, as the Group engagement team, performed an audit of the complete financial information of the two financially significant components – the UK and the US. For the next five largest components of the Group, PwC component auditors, under our instruction, performed an audit of their complete financial information. PwC component auditors also performed specified procedures at the two next largest components of the Group.

Where the work was performed by PwC component auditors we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. We were heavily involved at all stages of their audits by virtue of numerous communications throughout the process, including the issuance of detailed audit instructions, review and discussion of audit findings, in particular over our areas of focus. We, as the Group engagement team, were also responsible for other head office activities such as the consolidation, financial statement disclosures and share-based payments.

The procedures performed over the components (either by the Group team or PwC component audit teams) and specifically by the Group team (for example, on goodwill), accounted for 80% of the Group's external revenues and 84% of the Group's profit before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as per the table below.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.6m (2014: £0.5m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overall Group materiality	£12.6m (2014: £11.5m).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 91, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

→ information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
→ the statement given by the Directors on page 78, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
→ the section of the Annual Report on pages 49 to 53, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

→ the Directors' confirmation on page 35 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
→ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
→ the Directors' explanation on page 35 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to 10 further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- → whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- → the reasonableness of significant accounting estimates made by the Directors; and
- → the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Company financial statements of Croda International Plc for the year ended 31 December 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ian Morrison

Ian Morrison (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Leeds

23 February 2016

Group Consolidated Statements

Group Income Statement

for the year ended 31 December 2015

	Note	2015 Adjusted £m	2015 Adjustments £m	2015 Reported Total £m	2014 Adjusted £m	2014 Adjustments £m	2014 Reported Total £m
Revenue	1	**1,081.7**	**–**	**1,081.7**	1,046.6	–	1,046.6
Cost of sales		**(704.1)**	**–**	**(704.1)**	(703.0)	–	(703.0)
Gross profit		**377.6**	**–**	**377.6**	343.6	–	343.6
Operating costs	2	**(113.4)**	**(2.4)**	**(115.8)**	(95.2)	(6.0)	(101.2)
Operating profit		**264.2**	**(2.4)**	**261.8**	248.4	(6.0)	242.4
Financial costs	4	**(10.2)**	**–**	**(10.2)**	(13.8)	–	(13.8)
Financial income	4	**0.7**	**–**	**0.7**	0.8	–	0.8
Profit before tax		**254.7**	**(2.4)**	**252.3**	235.4	(6.0)	229.4
Tax	5	**(71.2)**	**–**	**(71.2)**	(65.8)	1.6	(64.2)
Profit after tax for the year	3	**183.5**	**(2.4)**	**181.1**	169.6	(4.4)	165.2
Attributable to:							
Non-controlling interests				**0.4**			(0.1)
Owners of the parent				**180.7**			165.3
				181.1			165.2

Adjustments relate to exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon. See note 3.

Earnings per 10p share		Pence	Pence
Basic	7	**133.3**	121.9
Diluted	7	**132.3**	121.2

Group Statement of Comprehensive Income

for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit for the year		**181.1**	165.2
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post employment benefit obligations		**33.6**	(15.7)
Tax on items that will not be reclassified	5	**(6.6)**	6.0
		27.0	(9.7)
Items that may be reclassified subsequently to profit or loss:			
Currency translation		**(3.1)**	0.5
Other comprehensive income/(expense) for the year		**23.9**	(9.2)
Total comprehensive income for the year		**205.0**	156.0
Attributable to:			
Non-controlling interests		**0.4**	(0.2)
Owners of the parent		**204.6**	156.2
		205.0	156.0
Arising from:			
Continuing operations		**205.0**	156.0

Group Balance Sheet

at 31 December 2015

	Note	2015 £m	2014 £m
Assets			
Non-current assets			
Intangible assets	12	**337.8**	244.9
Property, plant and equipment	13	**460.6**	387.8
Investments	15	**1.0**	0.8
Deferred tax assets	6	**38.9**	44.9
		838.3	678.4
Current assets			
Inventories	16	**221.6**	201.0
Trade and other receivables	17	**156.1**	145.0
Cash and cash equivalents	19	**57.8**	47.6
		435.5	393.6
Liabilities			
Current liabilities			
Trade and other payables	18	**(159.6)**	(127.5)
Borrowings and other financial liabilities	19	**(9.5)**	(25.9)
Provisions	20	**(4.9)**	(8.1)
Current tax liabilities		**(39.3)**	(37.4)
		(213.3)	(198.9)
Net current assets		**222.2**	194.7
Non-current liabilities			
Borrowings and other financial liabilities	19	**(307.6)**	(201.9)
Other payables		**(2.1)**	(1.9)
Retirement benefit liabilities	11	**(78.8)**	(126.7)
Provisions	20	**(8.9)**	(10.2)
Deferred tax liabilities	6	**(55.8)**	(43.4)
		(453.2)	(384.1)
Net assets		**607.3**	489.0
Equity			
Preference share capital	23	**1.1**	1.1
Ordinary share capital	21	**14.0**	14.0
Share capital		**15.1**	15.1
Share premium account		**93.3**	93.3
Reserves		**492.4**	374.5
Equity attributable to owners of the parent		**600.8**	482.9
Non-controlling interests in equity	25	**6.5**	6.1
Total equity		**607.3**	489.0

The financial statements on pages 86 to 125 were signed on behalf of the Board who approved the accounts on 23 February 2016.

Anita Frew
Chairman

Jez Maiden
Group Finance Director

Group Statement of Cash Flows

for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Cash flows from operating activities			
Cash generated from operations	ii	**282.1**	233.3
Interest paid		**(7.7)**	(9.4)
Tax paid		**(66.8)**	(49.3)
Net cash generated from operating activities		**207.6**	174.6
Cash flows from investing activities			
Acquisition of subsidiaries	27	**(104.0)**	(1.9)
Purchase of property, plant and equipment	13	**(92.7)**	(62.9)
Purchase of other intangible assets	12	**(0.8)**	(1.9)
Proceeds from sale of property, plant and equipment		**2.4**	0.3
Cash paid against non-operating provisions	20	**(2.1)**	(1.4)
Interest received		**0.7**	0.8
Net cash used in investing activities		**(196.5)**	(67.0)
Cash flows from financing activities			
New borrowings		**88.2**	186.5
Repayment of borrowings		**(1.8)**	(184.6)
Capital element of finance lease repayments	iii	**(0.2)**	(0.2)
Sale of own shares held in trust	21	**1.2**	1.1
Dividends paid to equity shareholders	8	**(90.9)**	(88.1)
Net cash used in financing activities		**(3.5)**	(85.3)
Net movement in cash and cash equivalents	i,iii	**7.6**	22.3
Cash and cash equivalents brought forward		**45.6**	23.0
Exchange differences	iii	**2.6**	0.3
Cash and cash equivalents carried forward		**55.8**	45.6
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		**57.8**	47.6
Bank overdrafts		**(2.0)**	(2.0)
		55.8	45.6

Group Cash Flow Notes

for the year ended 31 December 2015

(i) Reconciliation to net debt

	Note	2015 £m	2014 £m
Movement in cash and cash equivalents	iii	**7.6**	22.3
Movement in debt and lease financing	iii	**(86.2)**	(1.7)
Change in net debt from cash flows		**(78.6)**	20.6
New finance lease contracts		**(0.5)**	(0.2)
Exchange differences		**–**	1.6
		(79.1)	22.0
Net debt brought forward		**(180.2)**	(202.2)
Net debt carried forward	iii	**(259.3)**	(180.2)

(ii) Cash generated by operations

	2015 £m	2014 £m
Continuing operations		
Adjusted operating profit	**264.2**	248.4
Exceptional items	**–**	(5.5)
Acquisition costs and amortisation of intangible assets arising on acquisition	**(2.4)**	(0.5)
Operating profit	**261.8**	242.4
Adjustments for:		
Depreciation and amortisation	**38.5**	37.0
Net provisions charged (note 20)	**–**	1.5
Share-based payments	**4.7**	(4.1)
Cash paid against operating provisions (note 20)	**(3.0)**	(1.0)
Pension fund contributions in excess of service cost	**(18.5)**	(30.2)
Movement in inventories	**(15.1)**	(7.2)
Movement in receivables	**(6.9)**	(11.0)
Movement in payables	**20.6**	5.9
Cash generated by continuing operations	**282.1**	233.3

(iii) Analysis of net debt

	2015 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2014 £m
Cash and cash equivalents	**57.8**	7.6	2.6	–	47.6
Bank overdrafts	**(2.0)**	–	–	–	(2.0)
Movement in cash and cash equivalents		7.6	2.6		
Borrowings repayable within one year	**(7.2)**	16.5	(0.1)	–	(23.6)
Borrowings repayable after more than one year	**(307.1)**	(102.9)	(2.5)	–	(201.7)
Finance leases	**(0.8)**	0.2	–	(0.5)	(0.5)
Movement in borrowings and other financial liabilities		(86.2)	(2.6)		
Total net debt	**(259.3)**	(78.6)	–	(0.5)	(180.2)

(iv) Cash flow on exceptional items

The total cash outflow during the year in respect of exceptional items, including those recognised in prior years' income statements, was £4.8m (2014: £3.9m)

Group Statement of Changes in Equity

for the year ended 31 December 2015

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2014		15.1	93.3	0.5	304.2	6.3	419.4
Profit/(loss) for the year		–	–	–	165.3	(0.1)	165.2
Other comprehensive income/(expense)		–	–	0.6	(9.7)	(0.1)	(9.2)
Total comprehensive income/(expense) for the year		–	–	0.6	155.6	(0.2)	156.0
Transactions with owners:							
Dividends on equity shares	8	–	–	–	(88.1)	–	(88.1)
Share-based payments		–	–	–	0.6	–	0.6
Consideration received for sale of own shares held in trust		–	–	–	1.1	–	1.1
Total transactions with owners		–	–	–	(86.4)	–	(86.4)
Total equity at 31 December 2014		**15.1**	**93.3**	**1.1**	**373.4**	**6.1**	**489.0**
At 1 January 2015		15.1	93.3	1.1	373.4	6.1	489.0
Profit for the year		–	–	–	180.7	0.4	181.1
Other comprehensive (expense)/income		–	–	(3.1)	27.0	–	23.9
Total comprehensive (expense)/income for the year		–	–	(3.1)	207.7	0.4	205.0
Transactions with owners:							
Dividends on equity shares	8	–	–	–	(90.9)	–	(90.9)
Share-based payments		–	–	–	3.0	–	3.0
Consideration received for sale of own shares held in trust		–	–	–	1.2	–	1.2
Total transactions with owners		–	–	–	(86.7)	–	(86.7)
Total equity at 31 December 2015		**15.1**	**93.3**	**(2.0)**	**494.4**	**6.5**	**607.3**

Other reserves include the Capital Redemption Reserve of £0.9m (2014: £0.9m) and the Translation Reserve of £(2.9)m (2014: £0.2m).

Group Accounting Policies

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

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards Interpretations Committee (IFRSIC) and the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements (February 2016). A summary of the more important Group accounting policies is set out below.

Going concern

The financial statements which appear on pages 86 to 125 have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence.

Accounting estimates and judgements

The Group's critical accounting policies under IFRS have been set by management with the approval of the Audit Committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. 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. Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period. The critical judgements required when preparing the Group's accounts are as follows:

(i) Provisions – as disclosed in note 20, the Group has made provision for potential environmental liabilities. The rationale behind these and other provisions is discussed in note 20, with consideration of contingent liabilities disclosed in note 28. The Directors believe that these provisions are appropriate based on information currently available

(ii) Business combinations – on the acquisition of a business, fair values are attributed to both tangible and intangible identifiable assets, liabilities and contingent liabilities. The recognition, completeness and valuation of separately identifiable intangible assets is complex and requires estimates and judgements, which are made in conjunction with the Group's valuations specialists

Goodwill is the difference between the fair value of the consideration and the fair value of net assets acquired

(iii) Goodwill and fair value of assets acquired (note 12) – under IFRS, management are required to undertake an annual test for impairment of indefinite lived assets such as goodwill. Accordingly, the Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying cash generating units ('CGUs'). These calculations require the use of estimates to enable the calculation of the net present value of cash flow projections of the relevant CGU, the critical estimates are as follows:

- → Growth in EBITDA (calculated as operating profit before depreciation and amortisation) – estimated at between 3% and 5% long term, a prudent estimate given the Group's historic growth rates
- → Timing and quantum of capital expenditure – estimated to grow from current levels at the same 3% to 5% rates
- → Selection of appropriate discount rates to reflect the risks involved – typically the Group's weighted average cost of capital would be used as a starting point unless the risk profile of a particular acquired business warranted different treatment.

Currently, recoverable amounts significantly exceed carrying values, including goodwill, there is thus no impairment within a reasonable range of assumptions. Goodwill arising on acquisition is allocated to the CGU that is expected to benefit from the synergies of the acquisition. Such goodwill is then incorporated into the Group's standard impairment review process as described above

(iv) Retirement benefit liabilities – as disclosed in note 11, the Group's principal retirement benefit schemes are of the defined benefit type. Year end recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Group in conjunction with the schemes' actuaries and the Directors are of the view that any estimation should be prudent and in line with consensus opinion

Accounting estimates and judgements continued

(v) Taxation – the Group is subject to corporate income taxes in numerous jurisdictions. Significant judgement is often required in determining the worldwide expense and liability for such taxes, including consideration of the potential impact of transfer pricing. There are many transactions and calculations where the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws and rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Changes in accounting policy

(i) New and amended standards adopted by the Group – the following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015, none of which have a material impact on the Group:

A further amendment to IAS 19, 'Employee benefits' on defined benefit, was designed to clarify the application of the standard to plans that require employees or third parties to contribute towards the cost of benefits. Contributions that are linked to service, but do not vary with the length of the employee service are deducted from the cost of benefits earned in the period that the service is provided. However, contributions that vary according to the length of service are spread over the service period. Contributions not linked to service are reflected in the measurement of the balance sheet liability. The impact of this amendment has been assessed and is not considered to have a material impact on the Group.

Annual improvements to IFRSs 2010 – 2012 cycle and 2011 – 2013 cycle have been applied to the financial statements. These are not considered to have a material impact on the Group.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Group.

(ii) New standards and interpretations not yet adopted – a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IAS 1, 'Presentation of financial statements' clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The changes to disclosures are not considered to have a material impact on the presentation of the accounts.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 15. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next 12 months.

IFRS 16, 'Leases' will require lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IAS 17, lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The IASB has included an optional exemption for certain short term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after 1 January 2019. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements, although this is not expected to be material. The Group will make more detailed assessments of the impact over the next 12 months.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Group accounts

General information

Croda International Plc is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. The address of its registered office can be found on page 140.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred.

Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Intangible assets

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. Goodwill arising on acquisitions is capitalised and carried at cost less accumulated impairment losses. Goodwill is subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units ("CGUs"). If the recoverable amount of the CGU is less than the carrying value of the goodwill, an impairment loss is recognised immediately against the goodwill value. The recoverable amount of the CGU is the higher of fair value less costs to sell and value in use. Value in use is estimated with reference to estimated future cash flows discounted to net present value using a discount rate that reflects the risks specific to the CGU. Typically the Group's weighted average cost of capital would be used as a starting point unless the risk profile of a particular acquired business warranted different treatment. The Group uses prudent growth estimates that track below the Group's historic growth rates.

Other intangible assets arising on acquisition

On acquisition, intangible assets other than goodwill will be recognised if they can be identified through being separable from the acquired entity or arising from specific contractual or legal rights. Once recognised, such intangible assets will be initially valued using either the 'market approach' (where a well defined external market for the asset exists), the 'income approach' (which looks at the future income the asset will generate) or the 'cost approach' (the cost of replacing the asset), whichever is most relevant to the asset under consideration.

Following initial recognition, the asset will be written down on a straight line basis over its useful life. Useful lives are regularly reviewed to ensure their continuing relevance.

Research and development

Research expenditure, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is charged to the income statement in the year in which it is incurred. Internal development expenditure, whereby research findings are applied to a plan for the production of new or substantially improved products or processes, is charged to the income statement in the year in which it is incurred unless it meets the recognition criteria of IAS 38 'Intangible Assets'. Measurement and other uncertainties generally mean that such criteria are not met. Where, however, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch. Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off immediately to income.

Computer software

Acquired computer software licences covering a period of greater than one year are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Revenue recognition

Sale of goods

Revenue comprises the fair value for the sale of goods, excludes inter-company sales and value-added taxes and represents net invoice value less estimated rebates, returns and settlement discounts.

The Group supplies products to customers from its various manufacturing sites and warehouses and in some limited instances from consignment inventory held on customer sites, under a variety of standard terms and conditions. In each case revenue is recognised when the transfer of legal title, which is defined and generally accepted in the standard terms and conditions, arises between the Group and the customer. This will nearly always be on dispatch or delivery, but never before dispatch. Provisions for sales discounts and rebates to customers are based upon the terms of sales contracts and are recorded in the same period as the related sales as a deduction from revenue. The Group estimates the provision for sales discounts and rebates based on the terms of each agreement at the time the revenue is recognised.

Royalties and profit sharing arrangements

Revenues are recognised on an accruals basis in accordance with the substance of the underlying agreement, subject to reliable measurement of the amounts.

Interest and dividend income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Segmental reporting

An operating segment is a group of assets and operations engaged in providing products and services that are subject to risks or returns that are different from those of other segments. Operating segments presented in the financial statements are consistent with the internal reporting provided to the Group's Chief Operating Decision Maker, which has been identified as the Group Executive Committee.

Employee benefits

Pension obligations

The Group accounts for pensions and similar benefits under IAS 19 'Employee Benefits' (revised). In respect of defined benefit plans (pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation), obligations are measured at discounted present value whilst plan assets are recorded at fair value. The liability recognised in the balance sheet in respect of defined benefit pension plans is the net of the plan obligations and assets. No allowance is made in the past service liability in respect of either the future expenses of running the schemes or for non-service related death in service benefits which may arise in the future. The operating costs of such plans are charged to operating profit and the finance costs are recognised as financial income or an expense as appropriate. Service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised in the Statement of Comprehensive Income. Payments to defined contribution schemes (pension plans under which the Group pays fixed contributions into a separate entity) are charged as an expense as they fall due.

Other post-retirement benefits

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses are recognised in the Statement of Comprehensive Income. These obligations are valued annually by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Share-based payments

The Group operates a number of cash and equity-settled, share-based incentive schemes. These are accounted for in accordance with IFRS2 'Share-based Payments', which requires an expense to be recognised in the income statement over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black-Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting, as the Group does not use market-based performance criteria.

Currency translations

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Transactions and balances

Monetary assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the Group income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Temporary differences arise on differences between the carrying value of assets and liabilities in the financial statements and their tax base and primarily relate to the difference between tax allowances on tangible fixed assets and the corresponding depreciation charge, and upon the pension fund deficit. Full provision is made for the tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings. Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised, using the liability method, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

All taxation is calculated on the basis of the tax rates and laws enacted or substantively enacted at the balance sheet date.

Exceptional items

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. In the prior year all exceptional items related to reorganisation costs. There were no exceptional items in the current year. Details can be found in note 3 on page 99.

Income statement presentation

The acquisition in 2015 of Incotec and the acquisitions in 2014 of AM Coatings and JD Horizons increased acquisition costs and amortisation of acquired intangible assets. If the right targets can be found, these costs are likely to increase in the future. To avoid distorting the underlying trend in profitability, the Group introduced the definitions 'Adjusted operating profit', 'Adjusted pre-tax profit' and 'Adjusted earnings per share'. In each case acquisition costs, amortisation or write-off of intangible assets arising on acquisition and exceptional items, including the respective tax effect, are excluded. The Group income statement has been produced in a columnar format to further aid this analysis.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation, with the exception of assets acquired as part of a business combination which are initially recorded at fair value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The Group's policy is to write-off the difference between the cost of all property, plant and equipment, except freehold land, and their residual value on a straight line basis over their estimated useful lives. Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear, and adjustments are made where appropriate. Under this policy it becomes impractical to calculate average asset lives exactly. However, the total lives range from approximately 15 to 40 years for buildings, and 3 to 15 years for plant and equipment. All individual assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. By far the bulk of the Group's 'plant and equipment' asset class relates to the value of plant and equipment at the Group's manufacturing facilities. Consequently, the Group does not seek to analyse out of this class other items such as motor vehicles and office equipment.

Impairment of non-financial assets

The Group assesses at each year end whether an asset may be impaired. If any evidence exists of impairment, the estimated recoverable amount is compared to the carrying value of the asset and an impairment loss is recognised where appropriate. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell. In addition to this, goodwill is tested for impairment at least annually. Non-financial assets other than goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Leases

Assets acquired under finance leases are included in the balance sheet under property, plant and equipment at an amount reflecting the lower of the present value of future rentals and the fair value of the asset and are depreciated over the shorter of the lease term and their estimated useful lives. The capital element of future lease rentals is included in borrowings. Finance charges are allocated to the income statement each year in proportion to the capital element outstanding. The cost of operating leases is charged to the income statement on a straight line basis over the lease period.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rates and short term currency rate fluctuations.

Derivative financial instruments are recorded initially at cost. Subsequent measurement depends on the designation of the instrument as either: (i) a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (ii) a hedge of highly probable forecast transactions (cash flow hedge).

(i) Fair value hedge

Changes in the fair value of derivatives, for example interest rate swaps and foreign exchange contracts, that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Inventories

Inventories are stated at the lower of cost and net realisable amount on a first in first out basis. Cost comprises all expenditure, including related production overheads, incurred in the normal course of business in bringing the inventory to its location and condition at the balance sheet date. Net realisable amount is the estimated selling price in the ordinary course of business less any applicable variable selling costs. Provision is made for obsolete, slow moving and defective inventory where appropriate. Profits arising on intra Group sales are eliminated in so far as the product remains in Group inventory at the year end.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses. A provision for impairment is made when there is objective evidence that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and bank overdrafts are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, there is an intention to settle on a net basis and interest is charged on a net basis.

Environmental, restructuring and other provisions

The Group is exposed to environmental liabilities relating to its operations and liabilities arising from the restructuring of its operations following the acquisition of Uniqema. Provisions are made immediately where a constructive or legal obligation is identified, can be quantified and it is regarded as more likely than not that an outflow of resources will be required to settle the obligation. The Group does consider the impact of discounting when establishing provisions and provisions are discounted when the impact is material and the timing of cash flows can be estimated with reasonable certainty.

Share capital

Investment in own shares

(i) Employee share ownership trusts – shares acquired by the trustees of the employee share ownership trust (the Trustees), funded by the Company and held for the continuing benefit of the Company are shown as a reduction in equity attributable to owners of the parent. Movements in the year arising from additional purchases by the Trustees of shares or the receipt of funds due to the exercise of options by employees are accounted for within reserves and shown as a movement in equity attributable to owners of the parent in the year. Administration expenses of the trusts are charged to the Company's income statement as incurred.

(ii) Treasury shares – where any Group company purchases the Company's equity share capital as treasury shares, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Preference share capital

Preference share capital is classified as equity as the Group has full discretion over the transfer of benefits associated with the shares.

Dividends

Dividends on preference shares are recognised as a liability on an accruals basis. Other dividends are recognised as a liability when the liability is irrevocable. Accordingly, final dividends are recognised when approved by shareholders and interim dividends are recognised when paid.

Investments

Investments in quoted securities are treated as 'available for sale' and stated at fair value, being the appropriate quoted market value, with movements in the fair value being recognised in equity. Investments in unquoted securities are carried at fair value unless such value cannot be reliably measured, in which case the investments are carried at cost. Investments are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Held to maturity investments are measured at amortised cost using the effective interest rate method.

Notes to the Group Accounts

1. Segmental analysis

With effect from May 2014, in order to catalyse faster sales growth and sharpen innovation further, the Group's business was reorganised. From this date four global market sectors, Personal Care, Life Sciences which incorporates our Health Care and Crop Care business areas, Performance Technologies and Industrial Chemicals were created. The new structure combines sales, marketing and research by sector into dedicated global teams. These are the segments for which summary management information is presented to the Group's Executive Committee, which is deemed to be the Group's Chief Operating Decision Maker. A review of each sector can be found within the Strategic Report on pages 16 to 22.

There is no material trade between segments. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and trade and other receivables.

	2015 £m	2014 £m
Income statement		
Revenue		
Personal Care	**377.3**	369.1
Life Sciences	**231.3**	204.5
Performance Technologies	**354.8**	355.2
Industrial Chemicals	**118.3**	117.8
Total Group revenue	**1,081.7**	1,046.6
Adjusted operating profit		
Personal Care	**124.5**	117.3
Life Sciences	**76.2**	64.7
Performance Technologies	**56.8**	63.8
Industrial Chemicals	**6.7**	2.6
Total Group operating profit (before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition)	**264.2**	248.4
Exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition*	**(2.4)**	(6.0)
Total Group operating profit	**261.8**	242.4

* Relate to Personal Care £0.4m (2014: £2.0m), Life Sciences £1.9m (2014: £1.1m), Performance Technologies £0.1m (2014: £2.2m) and Industrial Chemicals £nil (2014: £0.7m)

	2015 £m	2014 £m
Balance sheet		
Total assets		
Segment total assets:		
Personal Care	**505.5**	454.2
Life Sciences	**229.4**	103.6
Performance Technologies	**312.3**	290.6
Industrial Chemicals	**128.9**	130.3
Total segment assets	**1,176.1**	978.7
Tax assets	**38.9**	44.9
Cash and investments	**58.8**	48.4
Total Group assets	**1,273.8**	1,072.0

Capital expenditure and depreciation

	2015 £m		2014 £m	
	Additions to non-current assets	Depreciation and amortisation	Additions to non-current assets	Depreciation and amortisation
Personal Care	**29.8**	**12.1**	20.1	13.3
Life Sciences	**16.4**	**6.9**	13.2	5.8
Performance Technologies	**38.5**	**14.3**	25.3	12.6
Industrial Chemicals	**10.1**	**5.2**	7.9	5.3
Total Group	**94.8**	**38.5**	66.5	37.0

The Group manages its business segments on a global basis. The operations are based mainly in the following geographical areas; Europe, with manufacturing sites in the UK, France, the Netherlands, Italy and Spain; the Americas, with manufacturing sites in the US and Brazil; and Asia, with manufacturing sites in Singapore, Japan, India, China and Indonesia.

The Group's revenue from external customers in the UK is £43.6m (2014: £48.5m), in Germany is £100.0m (2014: £107.6m), in the US is £285.2m (2014: £252.6m) and the total revenue from external customers from other countries is £652.9m (2014: £637.9m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £92.6m (2014: £83.3m), and the total of the non-current assets located in other countries is £413.8m (2014: £315.8m). Goodwill has not been split by geography as this asset is not attributable to a geographical area.

No single external customer represents more than 3% of the total revenue of the Group.

2. Operating costs

	2015 £m	2014 £m
Analysis of net operating expenses by function:		
Distribution costs	**40.3**	38.9
Administrative expenses	**75.5**	62.3
	115.8	101.2

Additional information on the nature of operating expenses, including depreciation and employee costs, is provided in note 3.

3. Profit for the year

	2015 £m	2014 £m
The Group profit for the year is stated after charging/(crediting):		
Depreciation and amortisation (note 12 & 13)	**38.5**	37.0
Staff costs (note 9)	**191.2**	165.7
Redundancy costs		
Non-exceptional	**1.8**	0.9
Exceptional	**–**	3.8
Inventories		
Cost recognised as expense in cost of sales	**607.4**	615.4
Provision increase in year	**3.3**	3.2
Research and development	**25.0**	22.7
Hire of plant and machinery and other operating lease rentals	**5.6**	5.4
Net foreign exchange	**(0.6)**	(0.1)
Bad debt charge (note 17)	**1.0**	0.2

Adjustments in the Group income statement of £2.4m include acquisition costs of £2.0m (2014: £0.2m), amortisation of intangible assets arising on acquisition of £0.4m (2014: £0.3m) and the tax thereon of £nil (2014: £1.6m). Also included are £nil (2014: £5.5m) of costs associated with the reorganisation of the Group during the year.

	2015 £m	2014 £m
Services provided by the Group's auditors		
Audit services		
Fees payable to the Group auditor for the audit of parent company and consolidated financial statements	**0.1**	0.1
Fees payable to the Group auditor and its associates for the audit of the Company's subsidiaries	**0.7**	0.7
Other audit services		
Tax compliance services	**0.3**	0.4
Other services	**0.1**	–
	1.2	1.2

4. Net financial costs

	2015 £m	2014 £m
Financial costs		
$100m US loan note due 2020	**3.9**	3.6
2010 Club facility due 2015	**–**	2.3
2014 Club facility due 2020	**2.7**	1.9
Capitalised interest	**(0.8)**	–
Net interest on retirement benefit liabilities	**3.3**	4.4
Other bank loans and overdrafts	**1.1**	1.6
	10.2	13.8
Financial income		
Bank interest receivable and similar income	**(0.7)**	(0.8)
Net financial costs	**9.5**	13.0

5. Tax

	2015 £m	2014 £m
(a) Analysis of tax charge for the year		
UK current corporate tax	**12.2**	12.2
Overseas current corporate taxes	**56.1**	42.6
Current tax	**68.3**	54.8
Deferred tax (note 6)	**2.9**	9.4
	71.2	64.2
(b) Tax on items charged/(credited) to equity		
Deferred tax on actuarial movement on retirement benefit liabilities	**6.6**	(6.0)
Deferred tax on share based payments	**0.2**	0.5
	6.8	(5.5)
(c) Factors affecting the tax charge for the year		
Profit before tax	**252.3**	229.4
Tax at the standard rate of corporation tax in the UK, 20.25% (2014: 21.5%)	**51.1**	49.3
Effect of:		
Deferred tax rate change	**(0.7)**	–
Tax cost of remitting overseas income to the UK	**1.1**	0.4
Expenses and write-offs not deductible for tax purposes	**1.3**	0.5
Effect of higher overseas tax rates	**18.4**	14.0
	71.2	64.2

Croda's 2015 effective corporate tax rate of 28.0% is significantly higher than the UK's standard rate of 20.25%. Croda operates in many tax jurisdictions other than the UK, both as a manufacturer and distributor, with the majority of those jurisdictions having rates higher than the UK; considerably so in some cases. It is the exposure to these different tax rates that increases the effective tax rate above the UK standard rate and also makes it difficult to forecast the Group's future tax rate with any certainty given the unpredictable nature of exchange rates, individual economies and tax legislators. Other than the exposure to higher overseas tax rates, there are no significant adjustments between the Group's expected and reported tax charge based on its accounting profit. Given the global nature of the Group, and the number of associated cross-border transactions between connected parties, we are exposed to potential adjustments to the price charged for those transactions by tax authorities. However, we would not expect such adjustments, if any, to have a material impact on the Group's tax charge in future years.

The main rate of UK corporation tax reduced from 21% to 20% from 1 April 2015. Further reductions to the UK tax rate have been announced that will reduce the rate to 18% by 1 April 2020, although for 2016 the rate as currently enacted will be 20%. The future changes to rates were substantively enacted on 26 October 2015. Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

6. Deferred tax

	2015 £m	2014 £m
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Retirement benefit obligations	**22.9**	31.3
Provisions	**16.0**	13.6
	38.9	44.9
Deferred tax liabilities		
Excess of capital allowances over depreciation	**44.1**	40.3
Revaluation gains	**1.9**	1.9
Acquired intangibles	**8.7**	–
Other	**1.1**	1.2
	55.8	43.4
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax (charged)/credited through income statement		
Continuing operations	**(2.9)**	(10.4)
Exceptional items	**–**	1.0
Deferred tax (charged)/credited directly to equity (note 5(b))	**(6.8)**	5.5
Acquisition	**(8.5)**	–
Exchange differences	**(0.2)**	0.3
	(18.4)	(3.6)
Net balance brought forward	**1.5**	5.1
Net balance carried forward	**(16.9)**	1.5
Deferred tax (charged)/credited through the income statement relates to the following:		
Retirement benefit obligations	**(2.3)**	(7.3)
Excess of capital allowances over depreciation	**(3.1)**	(1.1)
Exceptional items	**–**	1.0
Other	**2.5**	(2.0)
	(2.9)	(9.4)

Deferred tax is calculated in full on temporary differences under the liability method at rates appropriate to each subsidiary. Deferred tax expected to reverse in the year to 31 December 2016 and beyond has been measured using the rate due to prevail in the year of reversal.

Deferred tax assets have been recognised in all cases where such assets arise, as it is probable the assets will be recovered.

Deferred tax is only recognised on the unremitted earnings of overseas subsidiaries to the extent that remittance is expected in the foreseeable future. If all earnings were remitted, an additional £2.3m (2014: £2.2m) of tax would be payable.

All movements on deferred tax balances have been recognised in income with the exception of the charges shown in note 5(b), which have been recognised directly in equity.

Of the deferred tax assets, £1.7m are expected to reverse within 12 months of the balance sheet date, due to payments against provisions. No reversal of any of the deferred tax liability is expected within 12 months of the balance sheet date based on the Group's current capital expenditure programme.

7. Earnings per share

	2015 £m	2014 £m
Adjusted profit for the year[1]	**183.5**	169.6
Acquisition costs and amortisation of goodwill	**(2.4)**	(0.5)
Exceptional items net of tax	**–**	(3.9)
Non-controlling interests	**(0.4)**	–
	180.7	165.2

	Number m	Number m
Weighted average number of 10p ordinary shares in issue for basic calculation	**135.6**	135.5
Deemed issue of potentially dilutive shares	**1.0**	0.8
Average number of 10p ordinary shares for diluted calculation	**136.6**	136.3

	Pence	Pence
Basic earnings per share	**133.3**	121.9
Adjusted[1] basic earnings per share from continuing operations	**135.0**	125.2
Diluted earnings per share	**132.3**	121.2
Adjusted[1] diluted earnings per share from continuing operations	**134.3**	124.4

[1] Before exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trusts (note 24) which are treated as cancelled as except for a nominal amount, dividends have been waived.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares.

Additional earnings per share measures are included above to give a better indication of the Group's underlying performance.

8. Dividends

	Pence per share	2015 £m	Pence per share	2014 £m
Ordinary				
Interim				
2014 interim, paid September 2014	**–**	**–**	29.50	40.0
2015 interim, paid September 2015	**31.00**	**42.0**	–	–
Final				
2013 final, paid May 2014	**–**	**–**	35.50	48.0
2014 final, paid May 2015	**36.00**	**48.8**	–	–
	67.00	**90.8**	65.00	88.0
Preference (paid June and December)		**0.1**		0.1
		90.9		88.1

The Directors are recommending a final dividend of 38.0p per share, amounting to a total of £51.5m, in respect of the financial year ended 31 December 2015.

Subject to shareholder approval, the dividend will be paid on 2 June 2016 to shareholders registered on 6 May 2016 and has not been accrued in these financial statements. The total dividend for the year ending 31 December 2015 is 69.0p per share amounting to a total of £93.5m.

The Directors are also proposing a £136m return to shareholders by way of a special dividend of 100p per share.

9. Employees

	2015 £m	2014 £m
Group employment costs including Directors		
Wages and salaries	**142.4**	125.4
Share-based payment charges (note 22)	**7.0**	2.2
Social security costs	**23.7**	22.0
Other pension costs	**18.1**	16.1
Redundancy costs	**1.8**	4.7
	193.0	170.4

	2015 Number	2014 Number
Average employee numbers by function		
Production	**2,246**	2,166
Selling and distribution	**918**	924
Administration	**579**	522
	3,743	3,612

As required by the Companies Act 2006, the figures disclosed above are weighted averages based on the number of employees at each month end and include Executive Directors. At 31 December 2015, the Group had 4,239 (2014: 3,610) employees in total.

10. Directors' and key management compensation

Detailed information concerning Directors' remuneration, interests and options is shown in the Directors' Remuneration Report, which is subject to audit on pages 57 to 74 forming part of the Annual Report and Accounts.

Aggregate compensation for key management, being the Directors and members of the Group Executive Committee, was as follows:

	2015 £m	2014 £m
Key management compensation including Directors		
Short term employee benefits	**7.7**	4.8
Post employment benefits	**0.3**	0.3
Share-based payments	**1.5**	1.2
Termination benefits	**0.3**	0.1
	9.8	6.4

11. Retirement benefit liabilities

The table below summarises the Group's net year end post-employment liabilities and activity for the year.

	2015 £m	2014 £m
Balance sheet obligations for:		
Defined pension benefits	**62.8**	110.8
Post-employment medical benefits	**16.0**	15.9
	78.8	126.7
Income statement charge included in profit before tax for:		
Defined pension benefits	**18.2**	17.5
Post-employment medical benefits	**1.1**	0.8
	19.3	18.3
Remeasurements included in other comprehensive (income)/expense for:		
Defined pension benefits	**(32.1)**	12.6
Post-employment medical benefits	**(1.5)**	3.1
	(33.6)	15.7

Defined benefit pension schemes

The Group operates defined benefit pension schemes in the UK, US and several other territories under broadly similar regulatory frameworks. The Group's main schemes are of the final salary pension type, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the UK plans, pensions in payment are generally updated in line with the retail price index, whereas in the US plans, pensions generally do not receive inflationary increases once in payment. With the exception of this inflationary risk in the UK, the plans face broadly similar risks, as described on page 107.

The majority of benefit payments are from trustee administered funds; however, there are also a number of unfunded plans where the relevant Group company meets the benefit payment obligation as it falls due.

Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the trustees (or equivalent) and their composition. Responsibility for governance of the schemes – including investment decisions and contribution schedules – lies jointly with the relevant Group company and the particular scheme's board of trustees. The board of trustees must be composed of representatives in accordance with each scheme's regulations.

During 2015 we consulted our UK scheme members on proposed changes to the scheme, following which, the scheme will change from a final salary scheme to a career average revalued earnings (CARE) defined benefit scheme, annual pensionable earnings will be capped at £65,000 and indexation of pensions in payment will be based on CPI, rather than RPI, for service accrued from April 2016. This is expected to reduce the future cost and risk attached to the scheme.

The amounts recognised in the balance sheet in respect of these schemes are as follows:

	2015 £m	2014 £m
Present value of funded obligations		
UK pension scheme	**(784.1)**	(811.6)
US pension scheme	**(112.2)**	(109.9)
Rest of World	**(131.1)**	(131.0)
	(1,027.4)	(1,052.5)
Fair value of schemes' assets		
UK pension scheme	**767.1**	740.2
US pension scheme	**94.2**	95.8
Rest of World	**108.3**	110.5
	969.6	946.5
Net liability in respect of funded schemes	**(57.8)**	(106.0)
Present value of unfunded obligations	**(5.0)**	(4.8)
Liability in Group balance sheet (excluding post-employment medical benefits)	**(62.8)**	(110.8)

	2015 £m	2014 £m
Movement in present value of retirement benefit obligations in the year:		
Opening balance	**1,057.3**	932.6
Current service cost	**15.6**	13.6
Settlements	**–**	(9.7)
Interest cost	**35.8**	39.2
Remeasurements		
Change in demographic assumptions	**(15.8)**	5.5
Change in financial assumptions	**(31.9)**	109.8
Experience losses/(gains)	**3.0**	(1.0)
Contributions paid in		
Employee	**2.7**	2.7
Benefits paid	**(34.7)**	(34.0)
Exchange differences on overseas schemes	**0.4**	(1.4)
	1,032.4	1,057.3
Movement in fair value of schemes' assets in the year:		
Opening balance	**946.5**	808.3
Interest income	**33.1**	35.3
Remeasurements		
Return on scheme assets, excluding amounts included in financial expenses	**(12.6)**	101.5
Contributions paid in		
Employee	**2.7**	2.7
Employer	**34.7**	42.7
Benefits paid out including settlements	**(34.7)**	(42.6)
Exchange differences on overseas schemes	**(0.1)**	(1.4)
	969.6	946.5

As at the balance sheet date, the present value of retirement benefit obligations was comprised of approximately £287m in respect of active employees, £282m in respect of deferred members and £463m in relation to members in retirement.

Total employer contributions to the schemes in 2016 are expected to be £14.4m.

The significant actuarial assumptions were as follows:

	2015 UK	2015 US	2014 UK	2014 US
Discount rate	**3.8%**	**4.3%**	3.6%	4.0%
Inflation rate	**3.1%**	**2.5%**	3.2%	2.5%
Rate of increase in salaries	**4.1%**	**4.0%**	4.2%	4.0%
Rate of increase for pensions in payment	**2.9%**	**n/a**	3.0%	n/a
Duration of liabilities (ie life expectancy) (years)	**18.5**	**11.7**	20.1	12.0
Remaining working life	**15.8**	**11.2**	15.3	11.2

11. Retirement benefit liabilities continued

The sensitivity of the defined benefit obligation to changes in the assumptions is as follows:

	Impact on retirement benefit obligation		
	Sensitivity	Of increase	Of decrease
Discount rate	**0.5%**	-8.4%	+9.6%
Inflation rate	**0.5%**	+6.1%	-5.5%
Mortality (assume all scheme members one year younger)	**1 year**	+3.0%	n/a

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied as when calculating the retirement benefit obligation recognised in the Group balance sheet.

The weighted average duration of the defined benefit obligation is 18.2 years.

The assets in the schemes comprised:

	2015 £m	2015 %	2014 £m	2014 %
Quoted				
Equities	**488.9**	**50%**	467.0	49%
Government bonds	**44.8**	**5%**	44.5	5%
Corporate bonds	**138.0**	**14%**	143.4	15%
Other quoted securities	**18.8**	**2%**	23.1	2%
Unquoted				
Cash and cash equivalents	**50.8**	**5%**	47.8	5%
Real estate	**65.8**	**7%**	55.4	6%
Liability driven instruments	**96.3**	**10%**	107.2	12%
Other	**66.2**	**7%**	58.1	6%
	969.6	**100%**	946.5	100%

Post-employment medical benefits

The Group operates an unfunded post-employment medical benefit scheme in the US. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long term increase in health care costs of 8.4% a year (2014: 7.3%).

The amounts recognised in the balance sheet in respect of this scheme are as follows:

	2015 £m	2014 £m
Present value of unfunded obligations		
US scheme	**16.0**	15.9

	2015 £m	2014 £m
Movement in present value of retirement benefit obligations in the year:		
Opening balance	**15.9**	11.5
Current service cost	**0.5**	0.3
Interest cost	**0.6**	0.5
Remeasurements		
Change in demographic assumptions	**–**	1.3
Change in financial assumptions	**(0.4)**	1.2
Experience (gains)/losses	**(1.1)**	0.7
Benefits paid	**(0.4)**	(0.5)
Exchange differences on overseas schemes	**0.9**	0.9
	16.0	15.9

Pension and medical benefits – risks and volatility

Through its defined benefit pension schemes and post-employment medical schemes, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The schemes' liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, a deficit will be created. Both the UK and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. Whilst our Dutch scheme is less mature, regulatory pressures result in lower equity holdings. As the schemes mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. However, the Group and the pension trustees (Trustees) believe that due to the long term nature of the scheme liabilities and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the schemes efficiently. See below for more details on the Group's asset-liability matching strategy.

Changes in bond yields

A decrease in corporate bond yields will increase scheme liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk

Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, the level of inflationary increases are usually capped to protect the scheme against extreme inflation. The majority of the schemes' assets are either unaffected by inflation in the case of fixed interest bonds or loosely correlated in the case of equities, meaning that an increase in inflation will thus increase the deficit. In the US schemes, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant in the UK scheme, where inflationary increases result in higher sensitivity to changes in life expectancy. In the case of the funded schemes, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long term investments that are cognisant of the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match a portion of assets to the pension obligations by investing in long term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group and Trustees actively monitor how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2015 consists of equities and bonds, although the schemes also invest in property, cash and infrastructure funds. The Group believes that equities offer the best returns over the long term with an acceptable level of risk. Both the UK and Dutch schemes make use of a portfolio of derivative instruments to mitigate interest rate and inflation risk.

The triennial valuation of the UK scheme was completed as at 30 September 2014. The results showed that the actuarial scheme deficit had been eliminated following the last deficit payment of £22m in January 2015. As a result, no deficit funding payments to this scheme will be required prior to the next triennial valuation due as at September 2017. The funding review of our US scheme is undertaken annually. As at 31 December 2014 the scheme was 120.6% funded, with the funding level allowing for contributions received during 2015. The Group's Dutch scheme, as alluded to earlier, is subject to a more rigorous regulatory environment under the supervision of the Dutch National Bank (DNB). As at 31 December 2015 the scheme was 112.6% funded on an actuarial basis relative to the DNB's required level of 123.6% and a minimum funding requirement of 105.2%.

11. Retirement benefit liabilities continued

The expected distribution of the timing of benefit payments is as follows:

	Less than a year £m	Between 1–2 years £m	Between 2–5 years £m	Beyond 5 years £m	Total £m
Pension benefits	33.7	33.8	110.2	854.7	1,032.4
Post-employment medical benefits	0.6	0.6	2.0	12.8	16.0
	34.3	34.4	112.2	867.5	1,048.4

Defined contribution schemes

	2015 £m	2014 £m
Contributions paid charged to operating profit	**2.3**	2.2

12. Intangible assets

	Goodwill £m	Software £m	Other intangibles £m	Total £m
Cost				
At 1 January 2014	229.3	12.0	4.1	245.4
Exchange differences	0.7	(0.5)	(0.3)	(0.1)
Additions	2.5	1.1	0.8	4.4
Acquisitions	1.2	–	0.5	1.7
Disposals and write-offs	–	(0.3)	–	(0.3)
Reclassification from plant and equipment	–	0.7	–	0.7
At 31 December 2014	**233.7**	**13.0**	**5.1**	**251.8**
At 1 January 2015	233.7	13.0	5.1	251.8
Exchange differences	1.0	(0.3)	0.2	0.9
Additions	–	0.8	–	0.8
Acquisitions	58.5	–	34.7	93.2
Disposals and write-offs	–	(0.1)	(0.6)	(0.7)
Reclassification from plant and equipment	–	0.3	–	0.3
At 31 December 2015	**293.2**	**13.7**	**39.4**	**346.3**
Accumulated amortisation and impairment losses				
At 1 January 2014	–	5.3	0.6	5.9
Exchange differences	–	(0.6)	(0.4)	(1.0)
Charge for the year (note 3)	–	1.9	0.3	2.2
Disposals and write-offs	–	(0.2)	–	(0.2)
At 31 December 2014	**–**	**6.4**	**0.5**	**6.9**
At 1 January 2015	–	6.4	0.5	6.9
Exchange differences	–	(0.2)	(0.3)	(0.5)
Charge for the year (note 3)	–	2.2	0.4	2.6
Disposals and write-offs	–	–	(0.5)	(0.5)
At 31 December 2015	**–**	**8.4**	**0.1**	**8.5**
Net carrying amount				
At 31 December 2015	**293.2**	**5.3**	**39.3**	**337.8**
At 31 December 2014	233.7	6.6	4.6	244.9
At 1 January 2014	229.3	6.7	3.5	239.5

Intangible asset amortisation is recorded in operating costs within the income statement on page 86.

Impairment testing for goodwill

The goodwill relates predominantly to the value of commercial and other synergies arising from the combination of acquired businesses, or the specific technologies or products acquired, with Croda's established global sales, marketing and R&D networks. This goodwill is allocated to the Group's cash generating units (CGUs) that are expected to benefit from that combination. The carrying amount of goodwill is allocated to CGUs as follows:

	2015 £m	2014 £m
Uniqema (Personal Care and Life Sciences)	**193.4**	193.4
Sipo	**20.1**	19.9
Incotec (Life Sciences)	**59.3**	–
Other	**20.4**	20.4
	293.2	233.7

As discussed in the accounting policies note on page 93, goodwill is tested at each year end for impairment with reference to the relevant CGUs recoverable amount compared to the unit's carrying value including goodwill. Assets are grouped at the lowest level for which there are separately identifiable cash flows relevant to the acquisition generating the goodwill. The recoverable amount is based on value in use calculations using pre-tax discounted cash flow projections based on the Group's current year results and a long term future growth rate for 25 years. These projections are for a period of 25 years as the Group made these investments for the long term.

Unless the risk profile of a particular acquisition dictates otherwise, the cash flows are discounted using a rate derived from the Group's weighted average cost of capital, which for these purposes has been calculated to be approximately 7.3% pre-tax (2014: 8.1%) for Uniqema. A long term future growth rate of 3% was used for this calculation. For the purposes of the Sipo calculation, the rate was increased to 6.8% (2014: 7.4%) because of the slightly higher risk associated with this investment. An initial growth rate of 5% has been used for the first three years, which reflects the Directors' growth expectations in that market. A long term growth rate of 3% was then used beyond three years.

The key assumptions underpinning the forecasts employed in the value in use calculation reflect a prudent view of past experience and are that market share will not change significantly and that gross and operating margins will remain broadly constant. In respect of the brought forward goodwill, the Directors believe there are no reasonably probable significant changes in assumptions which would give rise to an impairment charge in the year. Goodwill arising in the year will be subject to the same assumptions and review process commencing the year after initial recognition.

Reclassifications represent amounts transferred from plant and equipment upon completion of asset construction projects. Whilst these projects remain in progress, all capital expenditure is disclosed within plant and equipment.

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2014	136.6	476.7	613.3
Exchange differences	(1.6)	(7.7)	(9.3)
Additions	5.6	57.3	62.9
Other disposals and write-offs	–	(2.7)	(2.7)
Reclassifications	0.4	(1.1)	(0.7)
At 31 December 2014	**141.0**	**522.5**	**663.5**
At 1 January 2015	141.0	522.5	663.5
Exchange differences	(0.8)	(4.4)	(5.2)
Additions	7.7	86.3	94.0
Acquisitions	7.0	9.2	16.2
Other disposals and write-offs	(3.6)	(17.4)	(21.0)
Reclassifications	0.2	(0.5)	(0.3)
At 31 December 2015	**151.5**	**595.7**	**747.2**
Accumulated depreciation and impairment losses			
At 1 January 2014	43.8	206.9	250.7
Exchange differences	(0.2)	(7.1)	(7.3)
Charge for the year (note 3)	3.9	30.9	34.8
Other disposals and write-offs	–	(2.5)	(2.5)
At 31 December 2014	**47.5**	**228.2**	**275.7**
At 1 January 2015	47.5	228.2	275.7
Exchange differences	(0.7)	(5.6)	(6.3)
Charge for the year (note 3)	4.1	31.8	35.9
Other disposals and write-offs	(1.4)	(17.3)	(18.7)
At 31 December 2015	**49.5**	**237.1**	**286.6**
Net book amount			
At 31 December 2015	**102.0**	**358.6**	**460.6**
At 31 December 2014	93.5	294.3	387.8
At 1 January 2014	92.8	269.8	362.6

The net book value of assets held by the Group under finance leases for plant and equipment at 31 December 2015 was £0.9m (2014: £0.8m). The leased equipment secures the lease obligations in note 19. No other property, plant or equipment have been pledged as security for liabilities.

Reclassifications represent amounts transferred from plant and equipment upon completion of asset construction projects. Whilst these projects remain in progress, all capital expenditure is disclosed within plant and equipment.

14. Future commitments

	2015 £m	2014 £m
Group capital projects		
At 31 December the Directors had authorised the following expenditure on capital projects:		
Contracted, but not provided for		
Property, plant and equipment	**33.8**	16.8
Intangible assets	**0.4**	0.3
Authorised, but not contracted for		
Property, plant and equipment	**96.9**	152.2
Intangible assets	**0.8**	0.9
	131.9	170.2
Operating leases – minimum lease payments		
At 31 December the Group's future minimum lease commitments were due as follows:		
Within one year	**4.4**	4.7
From one to five years	**8.8**	10.2
After five years	**6.7**	7.0
	19.9	21.9

The Group leases various buildings, vehicles and other plant and equipment under non-cancellable operating lease arrangements. The leases have various terms typical of lease agreements for the particular class of asset.

15. Investments

	2015 £m	2014 £m
Investments	**1.0**	0.8

Investments of £1.0m (2014: £0.8m) comprise equity securities classified as available-for-sale and are included at cost, as fair value cannot be measured reliably, or, if quoted on an active market, at market value.

The Directors believe the carrying value of the investments is supported by their underlying net assets.

16. Inventories

	2015 £m	2014 £m
Raw materials	**42.5**	40.4
Work in progress	**33.8**	28.9
Finished goods	**145.3**	131.7
	221.6	201.0

The Group consumed £607.4m (2014: £615.4m) of inventories during the year.

17. Trade and other receivables

	2015 £m	2014 £m
Amounts falling due within one year		
Trade receivables	**132.2**	124.0
Less: provision for impairment of receivables	**(2.9)**	(1.8)
Trade receivables – net	**129.3**	122.2
Other receivables	**20.1**	19.5
Prepayments	**6.7**	3.3
	156.1	145.0

The ageing of the Group's year end overdue receivables against which no provision has been made is as follows:

	2015 £m	2014 £m
Not impaired		
Less than three months	**20.6**	14.9
Three to six months	**1.1**	1.4
Over six months	**0.3**	0.3
	22.0	16.6

The individually impaired receivables relate to customers in unexpectedly difficult economic circumstances. The overdue receivables against which no provision has been made relate to a number of customers for whom there is no recent history of default, nor any other indication that settlement will not be forthcoming. The other classes within trade and other receivables do not contain impaired assets and are considered to be fully recoverable.

The carrying amounts of the Group's receivables are denominated in the following currencies:

	2015 £m	2014 £m
Sterling	**11.9**	13.6
US Dollar	**46.1**	46.5
Euro	**58.0**	49.6
Other	**40.1**	35.3
	156.1	145.0

Movements on the Group's provision for impairment of trade receivables are as follows:

	2015 £m	2014 £m
At 1 January	**1.8**	2.4
Exchange differences	**–**	(0.1)
Charged to income statement	**1.0**	0.2
Net write-off of uncollectible receivables	**0.1**	(0.7)
At 31 December	**2.9**	1.8

Amounts charged to the income statement are included within administrative expenses. The other classes of receivables do not contain impaired assets.

18. Trade and other payables

	2015 £m	2014 £m
Trade payables	**60.4**	56.4
Taxation and social security	**8.0**	5.4
Other payables	**21.4**	19.0
Accruals and deferred income	**69.8**	46.7
	159.6	127.5

All trade payables are payable within one year.

19. Borrowings, other financial liabilities and other financial assets

This note should be read in conjunction with the further liquidity disclosures in our accounting policies note and the Group Finance Director's Report on pages 26 to 29.

	2015 £m	2014 £m
Current assets		
Investments	**1.0**	0.8
Trade and other receivables (excluding prepayments)	**149.4**	141.7
	150.4	142.5
Current liabilities		
Trade and other payables (excluding taxation, social security, accruals and deferred income)	**81.8**	75.4
Unsecured bank loans and overdrafts due within one year or on demand	**2.4**	17.3
Other loans	**6.8**	8.3
Obligations under finance leases	**0.3**	0.3
	91.3	101.3
Non-current liabilities		
2014 Club facility due 2020	**218.0**	137.5
US$100m fixed rate 10 year bond	**67.8**	64.2
Other unsecured bank loans	**21.3**	–
Obligations under finance leases	**0.5**	0.2
	307.6	201.9

The Club facility was put in place in June 2014 and falls due for repayment upon expiry of the agreement in July 2020. Interest is charged at a floating rate based on ICE GBP LIBOR, ICE LIBOR or EURIBOR, depending upon the drawdown currency, plus a variable margin. The margin the Group pays on its borrowings over and above standard rates is determined by the Group's net debt to EBITDA ratio.

19. Borrowings, other financial liabilities and other financial assets continued

	2015 £m	2014 £m
Maturity profile of financial liabilities		
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	**2.4**	17.3
Other loans	**6.8**	8.3
Obligations under finance leases	**0.3**	0.3
	9.5	25.9
After more than one year		
Loans repayable		
Within one to two years	**0.1**	–
Within two to five years	**307.0**	137.5
Five years and over	**–**	64.2
Obligations under finance leases payable between years two and five	**0.5**	0.2
	307.6	201.9
The minimum lease payments under finance leases fall due as follows:		
Within one year	**0.3**	0.3
Within two to five years	**0.5**	0.3
	0.8	0.6
Future finance charges on finance leases	**(0.1)**	(0.1)
Present value of finance lease liabilities	**0.7**	0.5

	2015 £m	2014 £m
Undiscounted maturity analysis of financial liabilities		
Within one year		
Bank loans and overdrafts	**5.3**	22.1
Other loans	**4.5**	4.3
Obligations under finance leases	**0.3**	0.3
	10.1	26.7
After more than one year		
Loans repayable		
Within one to two years	**0.1**	–
Within two to five years	**332.9**	142.9
Five years and over	**–**	83.4
Obligations under finance leases	**0.5**	0.2
	333.5	226.5

The analysis above includes estimated interest payable to maturity on the underlying loans. For the loans due after more than one year £6.1m (2014: £5.0m) of the interest falls due within one year of the balance sheet date, £6.1m (2014: £5.0m) within one to two years and £13.7m (2014: £14.4m) within two to five years and £nil (2014: £0.3m) beyond five years.

Interest rate and currency profile of Group financial liabilities

	Total £m	Fixed £m	Floating £m	Fixed rate weighted average Interest Rate %	Fixed rate weighted average Fixed period Years
Sterling	108.3	–	108.3	–	–
US Dollar	100.0	67.8	32.2	5.94	4.1
Euro	99.8	–	99.8	–	–
Other	9.0	–	9.0	–	–
At 31 December 2015	**317.1**	**67.8**	**249.3**	**5.94**	**4.1**
Sterling	43.7	–	43.7	–	–
US Dollar	89.3	64.1	25.2	5.94	5.1
Euro	85.8	–	85.8	–	–
Other	9.0	–	9.0	–	–
At 31 December 2014	227.8	64.1	163.7	5.94	5.1

Fair values

The table below details a comparison of the book and fair values of the Group's financial assets and liabilities. Where there are no readily available market values to determine fair values, cash flows relating to the various instruments have been discounted at prevailing interest and exchange rates to give an estimate of fair value.

	Book value 2015 £m	Fair value 2015 £m	Book value 2014 £m	Fair value 2014 £m
Cash deposits	**57.8**	**57.8**	47.6	47.6
Other investments	**1.0**	**1.0**	0.8	0.8
2014 Club facility due 2020	**(218.0)**	**(218.0)**	(137.5)	(137.5)
US$100m fixed rate 10 year bond	**(67.8)**	**(70.9)**	(64.2)	(67.7)
Other bank borrowings	**(23.7)**	**(23.7)**	(17.3)	(17.3)
Other loans	**(6.8)**	**(6.8)**	(8.3)	(8.3)
Obligations under finance leases	**(0.8)**	**(0.8)**	(0.5)	(0.5)

For financial instruments with a remaining life of greater than one year, fair values are based on cash flows discounted at prevailing interest rates. Accordingly, the fair value of cash deposits and short term borrowings approximates to the book value due to the short maturity of these instruments. The same applies to trade and other receivables and payables excluded from the above analysis.

Financial instruments

Effective 1 January 2013, the Group adopted the amendment to IFRS 13 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All of the Group's financial instruments are classified as level 3.

Borrowing facilities

As at 31 December 2015, the Group had undrawn committed facilities of £191.4m (2014: £269.8m). In addition the Group had other undrawn facilities of £59.0m (2014: £63.5m) available. All of the Group's total committed facilities of £498.4m expire in 2020.

19. Borrowings, other financial liabilities and other financial assets continued

Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, interest rate risk, liquidity risk, and credit risk. The Group's overall risk management strategy is approved by the Board and implemented and reviewed by the Risk Management Committee. Detailed financial risk management is then delegated to the Group Finance department which has a specific policy manual that sets out guidelines to manage financial risk. Regular reports are received from all operating companies to enable prompt identification of financial risks so that appropriate action may be taken. In the management and definition of capital the Group includes ordinary and preference share capital and net debt.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Entities in the Group use foreign currency bank balances to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. The Group's risk management policy is to manage transactional risk up to three months forward. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is not specifically hedged but is reduced primarily through borrowings denominated in the relevant foreign currencies where it is efficient to do so.

For 2015, had the Group's basket of reporting currencies been 10% weaker/stronger than the actual rates experienced, post tax profit for the year would have been £12.8m (2014: £11.1m) lower/higher than reported, primarily as a result of the translation of the profits of the Group's overseas entities, and equity would have been £7.2m (2014: £26.8m) lower/higher.

Interest rate risk

The Group has both interest bearing assets and liabilities. The Group has a policy of maintaining at least 50% of its gross borrowings at floating interest rates and at 31 December 2015 over 75% of Group borrowings were at floating rates. During 2010, to provide a hedge against the Group's floating rate debt, the Group issued a ten year fixed rate $100m loan note. The loan note is repayable in 2020 and carries a fixed rate of 5.94%.

As at 31 December 2015, aside from the US$100m loan note, all Group debt and cash was exposed to repricing within 12 months of the balance sheet date.

At 31 December 2015, the Group's fixed rate debt was at a weighted average rate of 5.94% (2014: 5.94%). The Group's floating rate liabilities are predominantly based on LIBOR and its overseas equivalents.

Based on the above, had interest rates moved by 10 basis points in the territories where the Group has substantial borrowings, post tax profits would have moved by £0.2m (2014: £0.2m) due to increased interest expense on the Group's floating rate borrowings.

Liquidity risk

The Group actively maintains a mixture of long term and short term committed facilities designed to ensure that the Group has sufficient funds available for operations and planned investments. The Group also has a share buyback programme that is managed to ensure the efficiency of the Group's funding structure.

On a regular basis, management monitors forecasts of the Group's cash flows against both internal targets and those targets imposed by external lenders. The Group has substantial committed, unused facilities and the Directors are confident this situation will remain the case for the foreseeable future.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as maintaining an optimal capital structure to reduce overall cost of capital.

In order to maintain this optimal structure, the Group may adjust the amount of dividends paid, issue new shares, return capital to shareholders or dispose of assets to reduce net debt. Given the Group's strong balance sheet and sustained trading growth, the Group announced a new dividend policy in 2011 of paying a dividend of between 40% and 50% of sustainable earnings. Further details can be found in the Chairman's Statement on pages 4 and 5.

Underlying growth coupled to Return on Invested Capital (ROIC) is the key perceived driver of shareholder value within the Group. The acquisition of Uniqema in 2006 reduced the ROIC, but also reduced Weighted Average Cost of Capital (WACC) since the deal was predominantly financed through debt. The Group's ROIC now stands at 21.4% against a post-tax WACC of 5.8%, thus hitting the Group's target of maintaining ROIC at a higher level than the WACC. In addition, the Group employs two widely used ratios to measure our ability to service our debt. Both net debt/EBITDA and EBITDA interest cover were well ahead of target in 2015. Further details can be found in the Group Finance Director's Report on pages 26 to 29. The Group was in compliance with its covenant requirements throughout the year. Additional information on progress against Key Performance Indicators can be found on pages 24 and 25.

20. Provisions

	Environmental £m	Restructuring £m	Other £m	Total £m
At 1 January 2015	13.2	4.1	1.0	18.3
Exchange differences	0.5	–	0.1	0.6
Released to the income statement	–	(0.2)	(0.5)	(0.7)
Charged to the income statement	0.7	–	–	0.7
Cash paid against provisions	(2.1)	(2.7)	(0.3)	(5.1)
At 31 December 2015	**12.3**	**1.2**	**0.3**	**13.8**

Analysis of total provisions

	2015 £m	2014 £m
Current	**4.9**	8.1
Non-current	**8.9**	10.2
	13.8	18.3

Provisions are made where a constructive or legal obligation has arisen from a past event, can be quantified and where the timing of the transfer of economic benefits relating to the provisions cannot be ascertained with any degree of certainty.

The environmental provision relates to soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas.

In relation to the environmental provision, the Directors consider that the balance will be utilised within 20 years. Provisions for remediation costs are made when there is a present obligation, it is probable that expenditures for remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts and prior experience. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation of environmental damage typically takes a long time to complete due to the substantial amount of planning and regulatory approvals normally required before remediation activities can begin. In addition, increases in or releases of environmental provisions may be necessary whenever new developments occur or additional information becomes available. Consequently, environmental provisions can change significantly. The level of environmental provision is based on management's best estimate of the most likely outcome for each individual exposure. The Group has also considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale, the impact is not material.

The restructuring provision relates to the reorganisation of the Business in 2014. This provision is expected to be utilised within one year.

21. Ordinary share capital

Ordinary shares of 10p	2015 £m	2014 £m
Authorised at 1 January and 31 December		
230,744,890 ordinary shares of 10p each (2014: 230,744,890)	**23.1**	23.1
Allotted, called up and fully paid at 1 January and 31 December		
139,949,969 ordinary shares of 10p each (2014: 139,949,969)	**14.0**	14.0

In 2015 options were granted to employees under the Croda International Plc Sharesave Scheme to subscribe for 73,116 ordinary shares at an option price of 2232p per share and under the Croda International Plc International Sharesave Plan to subscribe for 175,811 shares at an option price of 2232p per share. No options were granted under the Long Term Incentive Plan or the Bonus Co-Investment Plan during the year. Conditional awards over 327,567 ordinary shares were granted under the Performance Share Plan during the year.

During the year consideration of £1.2m was received on the exercise of options over 64,054 shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 1,681 shares have been transferred from the schemes.

There are outstanding options to subscribe for ordinary shares as follows:

	Year option granted	Number of shares	Price	Options exercisable from
Croda International Plc Sharesave Scheme	2012	3,992	1942p	1 November 2015 to 30 April 2016
	2013	55,588	2141p	1 November 2016 to 30 April 2017
	2014	79,960	1763p	1 November 2017 to 30 April 2018
	2015	72,842	2232p	1 November 2018 to 30 April 2019
Croda International Plc International Sharesave Plan (2009)	2013	170,846	2141p	1 November 2016 to 30 November 2016
	2014	276,095	1763p	1 November 2017 to 30 November 2017
	2015	174,293	2232p	1 November 2018 to 30 November 2018
Croda International Plc Performance Share Plan (2014)	2014	325,313	Nil	12 May 2017
	2015	230,243	Nil	4 March 2018
Croda International Long Term Incentive Plan	2013	79,421	Nil	22 February 2016 to 21 February 2017
Croda International Bonus Co-Investment Plan	2013	48,070	Nil	30 April 2016

22. Share-based payments

The impact of share-based payment transactions on the Group's financial position is as follows:

	2015 £m	2014 £m
Analysis of amounts recognised in the income statement:		
Charged in respect of equity settled share-based payment transactions	**3.2**	1.1
Charged in respect of cash settled share-based payment transactions	**3.8**	1.1
	7.0	2.2
Analysis of amounts recognised in the balance sheet:		
Liability in respect of cash settled share-based payment transactions	**4.5**	3.0

The key elements of each scheme along with the assumptions employed to arrive at the charge in the income statement are set out below. Where appropriate the expected volatility has been based on historic volatility considering daily share price movements over periods equal to the expected future life of the awards and the risk free rate is based on the Bank of England's projected nominal yield curve with appropriate duration.

Croda International Plc Sharesave Scheme ('Sharesave')

The Sharesave scheme, established in 1983 and renewed in 2013, grants options annually in September to employees of the Group at a fixed exercise price, being the market price of the Company's shares at the grant date discounted by up to 20%. Employees then enter into a savings contract over three to five years and, subject to continued employment, purchase options at the end of the period based on the amount saved. Options are then exercisable for a six month period following completion of the savings contract. As the option is equity settled, under IFRS 2 charges are only made in respect of options granted after 7 November 2002. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

Grant date	**2015**	2014
Share price at grant date	**2749p**	2203p
Exercise price	**2232p**	1763p
Number of employees	**526**	506
Shares under option	**73,116**	84,201
Vesting period	**Three years**	Three years
Expected volatility	**25%**	25%
Option life	**Six months**	Six months
Expected life	**–**	–
Risk free rate	**1.0%**	1.4%
Dividend yield	**2.4%**	2.9%
Possibility of forfeiture	**7.5%p.a.**	7.5% p.a.
Fair value per option at grant date	**629.5p**	515p
Option pricing model	**Black Scholes**	Black Scholes

A reconciliation of option movements over the year is as follows:	Number	2015 Weighted average exercise price (p)	Number	2014 Weighted average exercise price (p)
Outstanding at 1 January	**214,597**	**1918**	224,916	1801
Granted	**73,116**	**2232**	84,201	1763
Forfeited	**(8,774)**	**1957**	(13,363)	1997
Exercised	**(64,054)**	**1911**	(81,157)	1421
Outstanding at 31 December	**214,885**	**2025**	214,597	1918
Exercisable at 31 December	**5,300**	**1942**	4,721	1432
For options exercised in year, weighted average share price at date of exercise		**2867**		2336
Weighted average remaining life at 31 December (years)	**2.4**		2.4	

Croda International Plc International Sharesave Plan (2009) ('International')

The International scheme, established in 1999 and renewed in 2009, has the same option pricing model, savings contract and vesting period as the Sharesave scheme. At exercise, employees are paid a cash equivalent for each option purchased, being the difference between the exercise price and market price at the exercise date. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

Grant date	**2015**	2014
Share price at grant date	**2749p**	2203p
Exercise price	**2232p**	1763p
Number of employees	**1,416**	1,541
Shares under option	**175,811**	293,225
Vesting period	**Three years**	Three years
Expected volatility	**25%**	25%
Option life	**One month**	One month
Expected life	**–**	–
Risk free rate	**0.9%**	0.7%
Dividend yield	**2.2%**	2.4%
Possibility of forfeiture	**7.5% p.a.**	7.5% p.a.
Fair value per option at 31 December	**846p**	852p
Option pricing model	**Black Scholes**	Black Scholes

A reconciliation of option movements over the year is as follows:

	2015 Number	2015 Weighted average exercise price (p)	2014 Number	2014 Weighted average exercise price (p)
Outstanding at 1 January	**614,865**	**1917**	575,201	1848
Granted	**175,811**	**2232**	293,225	1763
Forfeited	**(39,714)**	**1951**	(74,477)	1915
Exercised	**(129,498)**	**1945**	(179,084)	1443
Outstanding at 31 December	**621,464**	**1999**	614,865	1917
For options exercised in year, weighted average share price at date of exercise		**2890**		2288
Weighted average remaining life at 31 December (years)	**1.9**		2.2	

22. Share-based payments continued

Croda International Performance Share Plan 2014 ('PSP')

The Performance Share Plan 2014 ('PSP') was established in 2014 and replaces the Company's previous Executive long term incentive plans (the Long Term Incentive Plan and the Bonus Co-Investment Plan). The PSP provides for awards of free shares (ie either conditional shares or nil cost options) normally made annually which vest after three years dependent upon an EPS performance related sliding scale (non-market condition) and the Group's total shareholder return (market condition). The PSP is discussed in detail in the Directors' Remuneration Report (pages 57 to 74). Shares (on an after tax basis) are subject to a one year post vesting holding period for awards granted in 2014 and a two year post vesting holding period for awards granted in subsequent years. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

	2015 Market condition	2015 Non-market condition	2014 Market condition	2014 Non-market condition
Grant date	**4 March 2015**	**4 March 2015**	12 May 2014	12 May 2014
Share price at grant date	**2683p**	**2683p**	2512p	2512p
Number of employees	**108**	**108**	107	107
Shares under conditional award	**327,567**	**327,567**	332,276	332,276
Vesting period	**Three years**	**Three years**	Three years	Three years
Expected volatility	**25%**	**25%**	25%	25%
Expected life	**–**	**–**	–	–
Risk free rate	**–**	**–**	–	–
Dividend yield	**2.4%**	**2.4%**	2.5%	2.5%
Possibility of forfeiture	**3.45%**	**3.45%**	7.5%	7.5%
Fair value per option at grant date	**1387p**	**1387p**	1303p	1303p
Option pricing model	**Closed form valuation**	**Closed form valuation**	Closed form valuation	Closed form valuation

A reconciliation of option movements over the year is as follows:

	2015 Number	2015 Weighted average exercise price (p)	2014 Number	2014 Weighted average exercise price (p)
Outstanding at 1 January	**332,276**	**–**	–	–
Granted	**327,567**	**–**	332,276	–
Forfeited	**(14,287)**	**–**	–	–
Exercised	**–**	**–**	–	–
Outstanding at 31 December	**645,556**	**–**	332,276	–
For options exercised in year, weighted average share price at date of exercise				–
Weighted average remaining life at 31 December (years)	**1.8**	**–**	2.4	

Croda International Long Term Investment Plan ('LTIP')

The LTIP was established in 2005 and granted no cost options to senior employees which vest after three years dependent upon an EPS performance related sliding scale (non-market condition) and the Group's total shareholder return (market condition). There were no options granted during the year or prior year and no further options will be granted under the Plan.

A reconciliation of option movements over the year is as follows:

	2015 Number	2015 Weighted average exercise price (p)	2014 Number	2014 Weighted average exercise price (p)
Outstanding at 1 January	**172,402**	**–**	316,889	–
Forfeited	**(92,981)**	**–**	(40,733)	–
Exercised	**–**	**–**	(103,754)	–
Outstanding at 31 December	**79,421**	**–**	172,402	–
For options exercised in year, weighted average share price at date of exercise		**–**		2077
Weighted average remaining life at 31 December (years)	**1.2**	**–**	1.6	

Bonus Co-Investment Plan ('BCIP')

The BCIP was established in 2005 and granted no cost options to senior employees which vest after three years dependent upon an EPS performance related sliding scale. There were no options granted during the year or prior year and no further options will be granted under the Plan.

A reconciliation of option movements over the year is as follows:

	2015 Number	2015 Weighted average exercise price (p)	2014 Number	2014 Weighted average exercise price (p)
Outstanding at 1 January	**205,701**	**–**	412,357	–
Forfeited	**(157,631)**	**–**	(19,471)	–
Exercised	**–**	**–**	(187,185)	–
Outstanding at 31 December	**48,070**	**–**	205,701	–
For options exercised in year, weighted average share price at date of exercise		**–**		2488
Weighted average remaining life at 31 December (years)	**0.3**		0.6	

Croda International Share Incentive Plan ('SIP')

The SIP was established in 2003 and has similar objectives to the Save As You Earn ('SAYE') scheme in terms of increasing employee retention and share ownership. Under the SIP scheme, employees enter into an agreement to purchase shares in the Company each month. For each share purchased by an employee, the Company awards a matching share which passes to the employee after three years' service. The matching shares are allocated each month at market value with this fair value charge being recognised in the income statement in full in the year of allocation.

23. Preference share capital

	2015 £m	2014 £m
The authorised, issued and fully paid preference share capital comprises:		
615,562 5.9% preference shares of £1 (2014: 615,562)	**0.6**	0.6
498,434 6.6% preference shares of £1 (2014: 498,434)	**0.5**	0.5
21,900 7.5% preference shares of £1 (2014: 21,900)	**–**	–
	1.1	1.1

The preference shares have no redemption rights and carry no voting rights other than in certain circumstances affecting the rights of the preference shareholders, details of which are set out in the Company's Articles of Association. The three classes of preference shares rank *pari passu* with each other but ahead of the ordinary shares on winding up. Rights on a winding up are limited to repayment of capital and any arrears of dividends.

24. Shareholders' equity

Investments in own shares represent the Croda International Plc Qualifying Share Ownership Trust (QUEST), the Croda International Plc Employee Benefit Trust (CIPEBT) and the Croda International Plc AESOP Trust (AESOP), which each hold shares purchased on the open market or transferred from Treasury Shares to satisfy the future issue of shares under the Group's share option schemes. As at 31 December 2015 the QUEST had a net amount due from the Company of £4.4m (2014: £3.2m due from the Company) and held 102,808 (2014: 13,489) shares transferred at nil cost (2014: nil cost) with a market value of £3.1m (2014: £0.4m). As at 31 December 2015 the CIPEBT was financed by a repayable on demand loan to the Company of £3.9m (2014: £3.9m) and held 150,105 (2014: 150,105) shares transferred at a nil cost (2014: nil cost) with a market value of £4.6m (2014: £4.0m).

As at 31 December 2014 the AESOP had issued all its previously held shares, as financed by the Company, and thus had no residual loan balance with the Company. All of the shares held by the QUEST and CIPEBT were under option at 31 December 2015 and, except for a nominal amount, the right to receive dividends has been waived.

25. Non-controlling interests in equity

	2015 £m	2014 £m
At 1 January	**6.1**	6.3
Exchange differences	**0.1**	(0.1)
Disposal of interest	**(0.1)**	–
Income/(expenses) allocated to non-controlling interests	**0.4**	(0.1)
At 31 December	**6.5**	6.1

In 2015, the Group disposed of its 60% interest in Croda EPC Thornton Pty Ltd.

26. Related party transactions

The Group has no related party transactions, with the exception of remuneration paid to key management and Directors which is included in note 10.

27. Business combinations

On 4 December 2015, the Group acquired 100% of the issued share capital of Incotec Group BV, an independent innovative seed enhancement business headquartered in the Netherlands, for a total consideration, inclusive of debt, of £104.0m. Operating in one of the fastest growing segments within the crop care market, Incotec has developed and supplied a wide range of proprietary and sustainable technologies for both vegetable seeds and field crops since 1968. Their products and services help to enhance and improve seed performance, allowing greater efficacy and functionality to be delivered directly by the seed to increase farming yields to feed the world's growing population. They will form part of the Group's Crop Care business within the Life Sciences sector.

The acquired business contributed revenues of £5.2m and net profit of £0.5m to the Group for the period from 4 December 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, consolidated pro-forma revenue and profit for the year ended 31 December 2015 would have been £1,130.1m and £182.1m respectively.

The following table summarises the consideration paid in respect of the above acquisition and the Directors' provisional assessment of the fair value of assets acquired and liabilities assumed.

	Total £m
Consideration	**104.0**
Fair value of assets and liabilities acquired	
Intangible assets	**34.7**
Tangible assets	**16.2**
Inventories	**5.5**
Taxation	**(7.5)**
Trade and other receivables	**7.7**
Trade and other payables	**(11.1)**
Total identifiable net assets	**45.5**
Goodwill	**58.5**

Acquisition-related costs of £2.0m have been charged to administration expenses in the adjustments column of the consolidated income statement for the year ended 31 December 2015.

The goodwill is attributable to the workforce and the profitability of the acquired business. It will not be deductible for tax purposes.

During 2015, the Group completed its fair value review of the 2014 acquisitions of AM Coatings BV and JD Horizons limited. This review did not identify any changes to the asset base nor goodwill.

28. Contingent liabilities

The Group is subject to various claims which arise in the course of business. These contingent liabilities are reviewed on a regular basis and where possible an estimate is made of the potential financial impact on the Group.

The Group is also involved in certain legal and environmental actions and proceedings. Whilst the Group cannot predict the outcome of any current or future actions or proceedings with any certainty, it currently believes the likelihood of any material liabilities to be low, and that the liabilities, if any, will not have a material adverse effect on its consolidated income, financial position or cash flows. The Group also considers it has insurance in place in relation to any significant contingent liabilities.

Parent Company Financial Statements

Pages 127 to 135 represent the separate financial statements of Croda International Plc as required by the Companies Act 2006 ('the Act').

These financial statements have been prepared in accordance with the Act and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Company Independent Auditors' Report to the Members of Croda International Plc

Report on the Company financial statements

Our opinion

In our opinion, Croda International Plc's Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015;
- 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.

What we have audited

The financial statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:

- the Company Balance Sheet as at 31 December 2015;
- the Company Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising FRS 101 'Reduced Disclosure Framework'.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)') we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Croda International Plc for the year ended 31 December 2015.

Ian Morrison

Ian Morrison (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

23 February 2016

Company Financial Statements

Company Balance Sheet

at 31 December 2015

	Note	2015 £m	2014 £m
Fixed assets			
Intangible assets	D	**–**	0.2
Tangible assets	E	**1.5**	1.4
Investments			
Share in Group undertakings	F	**437.7**	676.0
Other investments other than loans	G	**0.6**	0.6
		439.8	678.2
Current assets			
Debtors	H	**2,184.4**	39.5
Deferred tax asset	I	**0.2**	0.9
		2,184.6	40.4
Current liabilities			
Creditors: Amounts falling due within one year	J	**(63.6)**	(80.5)
Borrowings	K	**(46.5)**	(58.7)
		(110.1)	(139.2)
Net current assets/(liabilities)		**2,074.5**	(98.8)
Total assets less current liabilities		**2,514.3**	579.4
Non-current liabilities			
Borrowings	K	**(218.0)**	(137.5)
Retirement benefit liabilities	L	**(0.8)**	(4.5)
		(218.8)	(142.0)
Net assets		**2,295.5**	437.4
Capital and reserves			
Preference share capital	23	**1.1**	1.1
Ordinary share capital	21	**14.0**	14.0
Called up share capital		**15.1**	15.1
Share premium account		**93.3**	93.3
Reserves		**2,187.1**	329.0
Total shareholders' funds		**2,295.5**	437.4

The financial statements on pages 129 to 135 were approved by the Board of Directors on 23 February 2016 and signed on its behalf by

Anita Frew
Chairman

Jez Maiden
Group Finance Director

Company Statement of Comprehensive Income

for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit for the year		**1,942.2**	125.9
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post employment benefit obligations	L	**2.5**	(4.5)
Tax on items that will not be reclassified		**(0.5)**	(0.1)
		2.0	(4.6)
Items that may be reclassified subsequently to profit or loss:			
Currency translation		**0.5**	(2.9)
Other comprehensive income/(expense) for the year		**2.5**	(7.5)
Total comprehensive income for the year		**1,944.7**	118.4

Company Statement of Changes in Equity

for the year ended 31 December 2015

	Note	Share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m
At 1 January 2014		15.1	93.3	0.9	2.1	293.3	404.7
Profit for the year attributable to equity shareholders		–	–	–	–	125.9	125.9
Other comprehensive expense		–	–	–	–	(7.5)	(7.5)
Transactions with owners:							
Dividends on equity shares		–	–	–	–	(88.1)	(88.1)
Share-based payments		–	–	–	–	1.3	1.3
Consideration received for sale of own shares held in trust		–	–	–	–	1.1	1.1
Total transactions with owners		–	–	–	–	(85.7)	(85.7)
Total equity at 31 December 2014		**15.1**	**93.3**	**0.9**	**2.1**	**326.0**	**437.4**
At 1 January 2015		15.1	93.3	0.9	2.1	326.0	437.4
Profit for the year attributable to equity shareholders		–	–	–	–	1,942.2	1,942.2
Other comprehensive income		–	–	–	–	2.5	2.5
Transactions with owners:							
Dividends on equity shares	8	–	–	–	–	(90.9)	(90.9)
Share-based payments		–	–	–	–	3.1	3.1
Consideration received for sale of own shares held in trust		–	–	–	–	1.2	1.2
Total transactions with owners		–	–	–	–	(86.6)	(86.6)
Total equity at 31 December 2015		**15.1**	**93.3**	**0.9**	**2.1**	**2,184.1**	**2,295.5**

Of the retained earnings, £533.2m (2014: £326.0m) are realised and £1,650.9m (2014: £nil) are unrealised. Details of investments in own shares are disclosed in note 24 of the Group financial statements.

Notes to the Company Accounts

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

A. Accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015, the Company has adopted FRS 101 'Reduced Disclosure Framework' and has ceased to apply all UK Accounting Standards issued prior to FRS 100. Therefore the recognition and measurement requirements of EU-adopted IFRS have been applied, with amendments where necessary in order to comply with the requirements of the Companies Act 2006 ('the Act'). The financial statements have been prepared under the historical cost convention, in compliance with the provisions of the act and the requirements of the Listing Rules of the Financial Conduct Authority.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under the standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are provided in the Group financial statements of Croda International Plc.

Going concern

The financial statements which appear on pages 129 to 135 have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence.

Principal accounting policies

The accounting policies which have been applied by the Company when preparing the financial statements are in accordance with FRS 101. FRS 101 is based on the recognition and measurement requirements of EU-adopted IFRS, under which the Group financial statements have been prepared against. As a result, the accounting policies of the Company are consistent with those used by the Group as presented on pages 91 to 97, except for those relating to the recognition and measurement of goodwill and the recognition of revenue, which are not directly relevant to the Company financial statements.

The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 116 and 117.

B. Profit and loss account

Of the Group's profit for the year, £1,942.2m (2014: £125.9m) is dealt with in the profit and loss account of the Company which was approved by the Board on 23 February 2016 but which is not presented as permitted by s.408 Companies Act 2006. A Statement of Comprehensive Income has however been present for better understanding of the transition adjustments.

Included in the Company profit and loss account is a charge of £0.1m (2014: £0.1m) in respect of the Company's audit fee.

Detailed information concerning Directors' remuneration, interests and options is shown in the table within the Directors' Remuneration Report which is subject to audit on pages 57 to 74 which forms part of the Annual Report and Accounts.

C. Group restructuring

During the year ended 31 December 2015, a group restructuring was undertaken and a new company was created called Croda Investments No 3 Limited. Croda Overseas Holdings Limited and Croda Europe Limited, both subsidiaries of Croda International Plc, were then sold by Croda International Plc to Croda Investments No 3 Limited resulting in a profit on disposal of £1,850.9m. As at 31 December 2015, £1,650.9m remained unrealised.

D. Intangible assets

	Other Intangibles £m
Cost	
At 1 January 2015	0.8
Additions	–
At 31 December 2015	**0.8**
Accumulated amortisation	
At 1 January 2015	0.6
Charge for year	0.2
At 31 December 2015	**0.8**
Net book amount	
At 31 December 2015	**–**
At 31 December 2014	0.2

E. Tangible assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2015	1.7	1.5	3.2
Additions	–	0.4	0.4
Disposals	–	(0.3)	(0.3)
At 31 December 2015	**1.7**	**1.6**	**3.3**
Accumulated depreciation			
At 1 January 2015	1.1	0.7	1.8
Charge for year	–	0.2	0.2
Disposals	–	(0.2)	(0.2)
At 31 December 2015	**1.1**	**0.7**	**1.8**
Net book amount			
At 31 December 2015	**0.6**	**0.9**	**1.5**
At 31 December 2014	0.6	0.8	1.4

F. Share in Group undertakings

	Shares £m	Loans £m	Total £m
Cost			
At 1 January 2015	420.5	280.8	701.3
Exchange differences	–	(3.2)	(3.2)
Additions	245.6	112.3	357.9
Amounts repaid	(330.1)	(262.9)	(593.0)
At 31 December 2015	**336.0**	**127.0**	**463.0**
Impairment			
At 1 January 2015 and **31 December 2015**	(25.3)	–	(25.3)
Net book value			
At 31 December 2015	**310.7**	**127.0**	**437.7**
At 31 December 2014	395.2	280.8	676.0

The undertakings which affect the financial statements are listed on pages 136 to 138.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

G. Other investments other than loans

	Other investments £m
Cost or valuation of net equity	
At 1 January 2015 and **31 December 2015**	**0.6**

Available for sale financial assets comprise unlisted investments included at Directors' valuation based on appropriate attributable net assets.

H. Debtors

	2015 £m	2014 £m
Amounts owed by Group undertakings	**2,177.3**	3.2
Corporation tax	**6.4**	35.2
Other receivables	**0.5**	0.7
Prepayments	**0.2**	0.4
	2,184.4	39.5

The amounts owed by Group undertakings are current and have no fixed date of repayment. Of the amount in 2015, £2,176.0m will attract interest from 1 January 2016 at a floating rate based on the main facility agreement. The remainder will continue to be interest free.

I. Deferred tax

The deferred tax asset in the balance sheet is attributable to the following:

	2015 £m	2014 £m
Retirement benefit obligations	**0.2**	0.9
The movement on deferred tax balances during the year is summarised as follows:		
At 1 January 2015	**0.9**	1.2
Deferred tax (charged)/credited through the profit and loss account	**(0.2)**	(0.2)
Deferred tax (charged)/credited directly to equity	**(0.5)**	(0.1)
At 31 December 2015	**0.2**	0.9

Deferred tax assets have been recognised in all cases where such assets arise, as it is probable that the assets will be recovered.

J. Creditors: Amounts falling due within one year

	2015 £m	2014 £m
Amounts falling due within one year		
Trade payables	**0.3**	0.1
Taxation and social security	**1.0**	1.1
Amounts owed to Group undertakings	**52.9**	75.1
Other payables	**3.1**	3.4
Accruals and deferred income	**6.3**	0.8
	63.6	80.5

The amounts owed to Group undertakings are interest free, unsecured and have no fixed date of repayment.

K. Borrowings

The Company's objectives, policies and strategies in respect of financial instruments are outlined in the accounting policies note on page 96 which forms part of the Annual Report and Accounts. Short term receivables and payables have been excluded from all of the following disclosures.

	2015 £m	2014 £m
Maturity profile of financial liabilities		
2014 Club facility due 2020	**218.0**	137.5
Bank loans and overdrafts repayable on demand	**46.5**	58.7
	264.5	196.2
Repayments fall due as follows		
Within one year		
Bank loans and overdrafts	**46.5**	58.7
	46.5	58.7
After more than one year		
Loans repayable		
Within two to five years	**218.0**	137.5
	218.0	137.5

L. Retirement benefit obligations

As part of the transition to FRS 101 (see notes A and Q), the Company now recognises its share of the UK pension fund assets and liabilities. A full reconciliation of the Group retirement benefit obligation can be found in note 11 of the Group financial statements on pages 104 to 108. The table below shows the movement in the obligation during the year.

	2015 £m	2014 £m
Opening balance:		
Assets	**47.0**	40.1
Liabilities	**(51.5)**	(46.1)
Net opening retirement benefit liability	**(4.5)**	(6.0)
Movements in the year:		
Service cost	**(0.5)**	(0.5)
Interest cost	**(0.1)**	(0.2)
Contributions	**1.8**	1.7
Actuarial movement	**2.5**	0.5
Closing balance:	**(0.8)**	(4.5)

M. Share-based payments

The total charge for the year in respect of share based remuneration schemes was £3.1m (2014: £1.3m). The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The key elements of each scheme along with the assumptions employed to arrive at the charge in the profit and loss account are set out in note 22 to the Group financial statements.

N. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £89.1m (2014: £79.2m).

O. Dividends

Details of dividends are disclosed in note 8 of the Group financial statements.

P. Related party transactions

The Company has taken advantage of the exemption available under FRS 101 from disclosing transactions with other Group undertakings. There were no other related party transactions during the year. Information on the Group can be found in note 26 on page 124 of the Group financial statements.

Q. Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition, and made those changes in accounting policies and other restatements required for the first time adoption to FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 'First time adoption of International Financial Reporting Standards'.

Reconciliation of equity

	Note	At 1 January 2014 £m	At 31 December 2014 £m
Total equity as previously reported under UK GAAP		**403.5**	441.0
Retirement benefit liability	(i)	**(6.0)**	(4.5)
Deferred tax	(i)	**1.2**	0.9
Intangible assets	(ii)	**0.4**	0.2
Tangible assets	(ii)	**(0.4)**	(0.2)
Total net adjustment due to transition to FRS 101		**(4.8)**	(3.6)
Total equity as restated under FRS 101		**398.7**	437.4

Explanation of reconciling items:

(i) Under UK GAAP, the Company accounted for its share of the UK pension scheme assets and liabilities as though the scheme was a defined contribution scheme and charged the contributions paid each year to the profit and loss account. In line with FRS 101, the UK pension scheme assets and liabilities have now been allocated on a proportional basis to the relevant companies including Croda International Plc. This has been accounted for in line with IAS 19 (Employee benefits) and the impact on the respective Company balance sheets in respect of the retirement benefit liability and related deferred tax asset is shown above

(ii) Under IAS 38 intangible assets, computer software has been reclassified from tangible assets to intangible assets.

Related Undertakings

Related undertakings of Croda International Plc

All companies listed below are owned by the Group and all interests are in ordinary share capital, except where otherwise indicated. All subsidiaries have been consolidated(ii). All companies operate principally in their country of incorporation.

Principal operating companies	Incorporated and/or principally operating in	Group beneficial interest %	Principal activities
Croda Argentina SA	Argentina	100.0	Sale and distribution of speciality chemicals
Incotec Argentina S.A	Argentina	100.0	Manufacture and sale of seed treatment services and products
Croda Australia(iii)	Australia	100.0	Sale and distribution of speciality chemicals
Kriset Pty. Ltd	Australia	90.0	Manufacture and sale of seed treatment services and products
Croda Belgium BVBA	Belgium	100.0	Sale and distribution of speciality chemicals
Croda do Brasil Ltda	Brazil	100.0	Manufacture, sales and distribution of speciality chemicals
Incotec America do Sul Tecnologia em Sementes Ltda.	Brazil	99.9	Manufacture and sale of seed treatment services and products
Kraide Tecnologia em Produtos Agricolas Ltda.(ii)	Brazil	50.0	Manufacture and sale of seed treatment services and products
Croda Canada Ltd	Canada	100.0	Sale and distribution of speciality chemicals
Croda Chile Ltda(vii)	Chile	100.0	Sale and distribution of speciality chemicals
Croda China Trading Company Ltd	China	100.0	Sale and distribution of speciality chemicals
Croda Sipo (Sichuan) Co., Ltd	China	65.0	Manufacture, sales and distribution of speciality chemicals
Incotec (Beijing) Agricultural Technology Co. Ltd	China	100.0	Manufacture and sale of seed treatment services and products
Incotec (Tianjin) Agricultural Technology Co. Ltd	China	100.0	Manufacture and sale of seed treatment services and products
Croda Colombia(iii)	Colombia	100.0	Sale and distribution of speciality chemicals
Croda Chocques SAS	France	100.0	Manufacture of speciality chemicals
Croda France SAS	France	100.0	Sale and distribution of speciality chemicals
Crodarom SAS	France	100.0	Manufacture, sales and distribution of speciality chemicals
Incotec France SARL	France	100.0	Sale and distribution of seed treatment services and products
Sederma SAS	France	100.0	Manufacture, sales and distribution of speciality chemicals
Croda GmbH	Germany	100.0	Sale and distribution of speciality chemicals
Croda Hong Kong Company Ltd	Hong Kong	100.0	Sale and distribution of speciality chemicals
Croda India Company Private Ltd(i) (vii)	India	100.0	Manufacture, sales and distribution of speciality chemicals
Integrated Coating and Seed Technology India Pvt. Ltd	India	100.0	Manufacture and sale of seed treatment services and products
PT Croda Indonesia (iv) (v)	Indonesia	100.0	Manufacture, sales and distribution of speciality chemicals
Croda Pars	Iran	100.0	Sale and distribution of speciality chemicals
Croda Italiana S.p.A.	Italy	100.0	Sale and distribution of speciality chemicals
Incotec Mediterranean Srl	Italy	100.0	Sale and distribution of seed treatment services and products
I.R.B. – Istituto di Richerche Biotechnologiche S.p.a.	Italy	100.0	Manufacture, sales and distribution of speciality chemicals
Croda Japan KK(i)	Japan	100.0	Manufacture, sales and distribution of speciality chemicals
Incotec Japan Co. Ltd	Japan	97.5	Manufacture and sale of seed treatment services and products
Incotec Kedah (M) Sdn. Bhd	Malaysia	51.0	Manufacture and sale of seed treatment services and products
Incotec Malaysia Sdn. Bhd	Malaysia	100.0	Sale and distribution of seed treatment services and products
Croda México SA de CV	Mexico	100.0	Sale and distribution of speciality chemicals
Croda Nederland B.V.	Netherlands	100.0	Manufacture of speciality chemicals
Incotec Europe B.V.	Netherlands	100.0	Manufacture and sale of seed treatment services and products
Croda Peruana S.A.C	Peru	100.0	Sale and distribution of speciality chemicals
Croda Poland Sp. z o.o.(i)	Poland	100.0	Sale and distribution of speciality chemicals
Croda Russia(iii)	Russia	100.0	Sale and distribution of speciality chemicals
Croda Singapore Pte Ltd(i) (vi)	Singapore	100.0	Manufacture, sales and distribution of speciality chemicals
Croda (SA) (Pty) Ltd	South Africa	100.0	Sale and distribution of speciality chemicals
Incotec South Africa (Pty.) Ltd	South Africa	100.0	Manufacture and sale of seed treatment services and products
Croda Korea(iii)	South Korea	100.0	Sale and distribution of speciality chemicals
Croda Ibérica SA	Spain	100.0	Manufacture, sales and distribution of speciality chemicals
Croda Nordica AB	Sweden	100.0	Sale and distribution of speciality chemicals
Incotec Sweden AB	Sweden	100.0	Sale and distribution of seed treatment services and products
Croda (Thailand) Co., Ltd(i)	Thailand	100.0	Sale and distribution of speciality chemicals

Principal operating companies	Incorporated and/or principally operating in	Group beneficial interest %	Principal activities
Croda Kimya Ticaret Limited Şirketi	Turkey	100.0	Sale and distribution of speciality chemicals
Croda Middle East FZE	UAE	100.0	Sale and distribution of speciality chemicals
Croda Europe Ltd (vi)	UK	100.0	Manufacture, sales and distribution of speciality chemicals
Croda Inc	USA	100.0	Manufacture, sales and distribution of speciality chemicals
Incotec Integrated Coating and Seed Technology, Inc	USA	100.0	Manufacture and sale of seed treatment services and products
Sederma Inc	USA	100.0	Sale and distribution of speciality chemicals

Principal holding companies	Incorporated and/or principally operating in	Group beneficial interest %	Principal activities
Croda Holdings France SAS	France	100.0	Holding company
Incotec Group B.V.(i)	Netherlands	100.0	Holding company
Incotec Holding B.V.(vi)	Netherlands	100.0	Holding/Research and IP company
Croda Overseas Holdings Ltd	UK	100.0	Holding company
Croda Investments Inc	USA	100.0	Holding company

Other companies	Incorporated and/or principally operating in	Group beneficial interest %	Principal activities
AG Property Holdings Pty Ltd(i)	Australia	100.0	Dormant
Croda EPC Thornton Pty Ltd(iv) (v)	Australia	60.0	Dormant
Croda Head Office Pty Ltd(i)	Australia	100.0	Dormant
Crodamazon Ltda	Brazil	100.0	Dormant
Croda Trading (Shanghai) Co., Ltd	China	100.0	Dormant
Croda Spol. s.r.o	Czech Republic	100.0	Sale and distribution of speciality chemicals
Sederma GmbH	Germany	100.0	Sale and distribution of speciality chemicals
Cowick Insurance Services Ltd(i)	Guernsey	100.0	Captive Insurance Company
Croda Magyarorszag Kft(i)	Hungary	100.0	Sale and distribution of speciality chemicals
AM Coatings BV(vi)	Netherlands	100.0	Dormant
Incotec Field Crops Europe B.V.	Netherlands	100.0	Dormant
Incotec Ornamentals Europe B.V.	Netherlands	100.0	Dormant
Incotec Analytical Lab Europe B.V.	Netherlands	100.0	Dormant
Unicorn Power BV	Netherlands	100.0	Dormant
Uniqema BV	Netherlands	100.0	Holding company
Brookstone Chemicals Limited	UK	100.0	Dormant
Cowick Hall Trustees Limited	UK	100.0	Dormant
Croda (CPI) Limited	UK	100.0	Holding company
Croda (Goole) Limited	UK	100.0	Dormant
Croda Application Chemicals Limited	UK	100.0	Dormant
Croda Bakery Services Limited	UK	100.0	Dormant
Croda Bowmans Chemicals Limited(vi)	UK	100.0	Dormant
Croda CE Limited	UK	100.0	Dormant
Croda Chemicals Limited	UK	100.0	Dormant
Croda Colloids Limited	UK	100.0	Dormant
Croda Cosmetics & Toiletries Limited(i) (vi)	UK	100.0	Dormant
Croda Cosmetics (Europe) Limited(iv)	UK	100.0	Dormant
Croda Distillates Limited(i)	UK	100.0	Property holding company
Croda Enterprises Limited	UK	100.0	Dormant
Croda Fire Fighting Chemicals Limited	UK	100.0	Dormant
Croda Food Services Limited	UK	100.0	Dormant
Croda Hydrocarbons Limited	UK	100.0	Dormant
Croda Investments Limited	UK	100.0	Holding company
Croda Investments No 2 Limited	UK	100.0	Holding company
Croda Investments No 3 Limited	UK	100.0	Holding company

Other companies	Incorporated and/or principally operating in	Group beneficial interest %	Principal activities
Croda JDH Limited	UK	100.0	Dormant
Croda Leek Limited	UK	100.0	Dormant
Croda Limited	UK	100.0	Dormant
Croda Pension Trustees Limited	UK	100.0	Dormant
Croda Polymers International Limited(i)	UK	100.0	Holding company
Croda Resins Limited	UK	100.0	Dormant
Croda Solvents Limited(iv) (v)	UK	100.0	Dormant
Croda Trustees Limited	UK	100.0	Dormant
Croda Universal Limited	UK	100.0	Dormant
Croda World Traders Limited(i) (vi)	UK	100.0	Dormant
John L Seaton & Co Ltd	UK	100.0	Dormant
Southerton Investments Limited(i)	UK	100.0	Dormant
Sowerby & Co Limited	UK	100.0	Dormant
Technical and Analytical Services Limited(i)	UK	100.0	Dormant
Uniqema Limited(i)	UK	100.0	Dormant
Uniqema UK Limited(i)	UK	100.0	Dormant
Croda Finance Inc	USA	100.0	Dormant
Croda Inks Corp	USA	100.0	Dormant
Croda Storage Inc	USA	100.0	Dormant
Croda Synthetic Chemicals Inc	USA	100.0	Holding company
Incotec Holding North America, Inc	USA	100.0	Holding company
Mona Industries Inc	USA	100.0	Dormant
Uniqema Americas LLC	USA	100.0	Dormant
Croda Chemicals Zimbabwe Pvt Ltd	Zimbabwe	100.0	Dormant
Croda Zimbabwe (Pvt) Ltd	Zimbabwe	100.0	Dormant

In some jurisdictions in which we operate, share classes are not defined and in these instances, for the purposes of disclosure, we have classified these holdings as 'ordinary'

Classifications Key
(i) Companies owned directly by Croda International Plc
(ii) Company not consolidated
(iii) Branch office
(iv) A Ordinary
(v) B Ordinary
(vi) Preference including cumulative, non-cumulative and redeemable shares
(vii) No share capital, share of profits

Shareholder Information

Corporate Calendar

2016 Annual General Meeting	27 April 2016
2015 Final ordinary dividend payment	2 June 2016
2016 Half year results announcement	26 July 2016
2016 Interim ordinary dividend payment	4 October 2016
2016 Preference dividend payments	30 June 2016
	31 December 2016
2016 Full year results announcement	28 February 2017

Investor relations

Shareholders can now get up to date information on Stock Exchange announcements, key dates in the corporate calendar, the Croda share price and brokers' estimates by visiting our corporate web site at **www.croda.com** and clicking on the section called 'Investor'.

Shareholders can receive shareholder communications electronically by registering on the Registrars' website, **www.capitashareportal.com** and following the instructions. To register shareholders will require their investor code (IVC): this is an 11 digit number starting five or six zeros and can be found on your dividend tax voucher or your share certificate. Receiving corporate communications by email has a number of benefits including being more environmentally friendly, reducing unnecessary waste, faster notification of information to shareholders and eventually leading to a reduction in company costs.

Shareholders who register on the above website can also check their shareholding, view their dividend history, elect for the dividend reinvestment plan, register changes of address and dividend mandate instructions.

Share price information

As well as being available on our website, the latest ordinary share price is available on the Financial Times Cityline service (0905 817 1690) (calls cost 75 pence per minute from a BT landline and the average duration is 1 minute per stock quote. Cost from other networks or mobile phones may be higher).

The middle market values of the listed share capital at 31 December 2015, or last date traded*, were as follows:

Ordinary shares	3042.5p
5.9% preference shares	95p*
6.6% preference shares	105p*

Capital gains tax

The market value of the listed share capital at 31 March 1982 were as follows:

Ordinary shares	77.5p
Deferred ordinary shares	40.5p
5.9% preference shares	42.5p
6.6% preference shares	47.5p
7.5% preference shares (estimated)	45.0p

Dividend reinvestment plan ('DRIP')

Ordinary shareholders may wish to know about this plan, which allows you to use your dividends to buy further shares in Croda. The DRIP is provided by Capita Asset Services, a trading name of Capita IRG Trustees Ltd which is authorised and regulated by the Financial Conduct Authority.

For information and an application pack please call 0371 664 0381 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. From outside the UK dial +44 208 639 3402). Alternatively you can email shares@capita.co.uk or log on to **www.capitashareportal.com**.

Overseas shareholders – choose to receive your next dividend in your local currency

If you live outside the UK, Capita has partnered with Deutsche Bank to provide you with a service that will convert sterling dividends into your local currency at a competitive rate. You can choose to receive payment directly to your local bank account or alternatively you can be sent a currency draft.

You can sign up to this service on the Share Portal (by clicking on 'your dividend options' and following the on-screen instructions) or by contacting the Customer Support Centre. For further information contact Capita:

By phone – UK- 0871 664 0385 (calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate). From overseas +44 20 8639 3405. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

By email – ips@capita.co.uk

Share dealing

A simple and competitive service to buy and sell shares is provided by Capita Asset Services.

There is no need to pre-register and there are no complicated application forms to fill in and by visiting **www.capitadeal.com** you can also access a wealth of stock market news and information free of charge. For further information on this service, or to buy and sell shares, visit **www.capitadeal.com** or call 0371 664 0445 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. From outside the UK dial +44 371 664 0445).

Share dealing continued

This is not a recommendation to buy or sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up, and you are not guaranteed to get back the amount that you originally invested. Terms, conditions and risks apply. Capita Asset Services is a trading name of Capita IRG Trustees Limited which is authorised and regulated by the Financial Conduct Authority. The service is only available to private shareholders resident in the European Economic Area, the Channel Islands or the Isle of Man.

Capita Asset Services is a trading name of Capita Registrars Limited and Capita IRG Trustees Limited. Share registration and associated services are provided by Capita Registrars Limited (registered in England and Wales, No. 2605568). Regulated services are provided by Capita IRG Trustees Limited (registered in England and Wales, No. 2729260), which is authorised and regulated by the Financial Conduct Authority.

UK shareholders – Stocktrade

Telephone dealing 0131 240 0414 quoting 'Croda Dial & Deal service'.

For further information visit **www.stocktrade.co.uk/croda**.

Relating to beneficial owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Asset Services, or to the Company directly.

Share fraud warning

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority ('FCA') has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

Protect yourself

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- → Get the name of the person and organisation contacting you
- → Check the Financial Services Register at **www.fca.org.uk** to ensure they are authorised
- → Use the details on the FCA Register to contact the firm
- → Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date
- → Search the list of unauthorised firms and individuals to avoid doing business with.

Remember: if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Report a scam

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Secretary and Registered Office

T M Brophy (Company Secretary)
Cowick Hall, Snaith, Goole,
East Yorkshire DN14 9AA

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Fax: +44 (0)1405 861767
Website: **www.croda.com**
Registered in England number 206132

Registrars

Capita Asset Services
The Registry, 34 Beckenham Road,
Beckenham, Kent, BR3 4TU

Tel: 0871 664 0300 (from UK) – calls cost 12p per minute plus network extras; lines are open 9.00am to 5.30pm, Monday to Friday
+ 44 203 728 5000 (from overseas)

Fax: + 44 (0)1484 601512

Website: **www.capitaassetservices.com**
Email: shareholderenquiries@capita.co.uk

Independent Auditors

PricewaterhouseCoopers LLP, Leeds

Merchant Bankers

Morgan Stanley & Co. International plc
J P Morgan Cazenove

Solicitors

Freshfields Bruckhaus Deringer LLP

Stockbrokers

Morgan Stanley & Co. International plc
J P Morgan Cazenove

Financial PR Advisers

Teneo Strategy

Five Year Record

Earnings

	2015 £m	2014 £m	2013 £m	2012 £m	2011^ £m
Turnover	**1,081.7**	1,046.6	1,077.0	1,051.9	1,028.0
Adjusted operating profit[1]	**264.2**	248.4	264.6	255.1	222.1
Adjusted profit before tax[1]	**254.7**	235.4	251.4	238.3	221.9
Profit after tax	**181.1**	165.2	177.9	164.2	151.3
Profit attributable to ordinary shareholders*	**181.4**	165.2	177.4	150.9	156.1
	%	%	%	%	%
Adjusted operating profit as a % of turnover[1]	**24.4**	23.7	24.6	24.3	21.6
Adjusted return on invested capital (ROIC)[1]	**21.4**	21.2	23.8	23.8	23.7
Effective tax rate	**28.0**	28.0	28.9	31.1	31.8
	pence	pence	pence	pence	pence
Adjusted earnings per share[1]	**135.0**	125.2	132.2	121.9	111.7
Ordinary dividends per share	**69.0**	65.5	64.5	59.5	55.0
	times	times	times	times	times
Net debt/EBITDA	**0.8**	0.6	0.7	0.7	0.8
EBITDA interest cover**	**44.7**	33.4	36.4	36.8	33.4

[1] Before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition and the tax thereon where applicable

* Total Group figures, all other figures are continuing operations only

** Excluding pension scheme net financial income

^ Restated for IAS19 revised

Summarised Balance Sheet

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Intangible assets, property plant and equipment and investments	**799.4**	633.5	602.9	552.3	560.6
Inventories	**221.6**	201.0	192.8	170.5	164.6
Trade and other receivables	**156.1**	145.0	136.7	162.9	145.7
Trade and other payables	**(161.7**	(129.4)	(129.1)	(139.2)	(164.3)
Capital employed	**1,015.4**	850.1	803.3	746.5	706.6
Tax, provisions and other	**(70.0)**	(54.2)	(45.9)	(28.7)	(10.4)
Retirement benefit liabilities	**(78.8)**	(126.7)	(135.8)	(165.8)	(198.9)
	866.6	669.2	621.6	552.0	497.3
Shareholders' funds	**600.8**	482.9	413.1	344.2	266.1
Non-controlling interests	**6.5**	6.1	6.3	0.1	0.1
	607.3	489.0	419.4	344.3	266.2
Net debt	**259.3**	180.2	202.2	207.7	231.1
	866.6	669.2	621.6	552.0	497.3
Gearing (%)	**42.7**	36.9	48.2	60.3	86.8

Glossary of Terms

12 Principles of Green Chemistry	Set of principles that when used in the design, development and implementation of chemical products and processes, enables scientists to protect and benefit the economy, people and the planet
Adjusted	Before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition and the tax thereon where applicable
AGM	Annual General Meeting
API	Active Pharmaceutical Ingredient
BCIP	Bonus Co-Investment Plan
Business Areas	Personal Care, Health Care, Crop Care, Geo Technologies, Home Care, Polymer Additives, Lubricants, Coatings and Polymers, Industrial Chemicals
CARE	Career Average Revalued Earnings
CEN	European Committee for Standardisation
CGU	Cash Generating Unit
CHP	Combined Heat and Power
CO_2	Carbon Dioxide
Code	Financial Reporting Council's Corporate Code
Constant Currency	Current year results in local currency translated to Sterling at the prior year average foreign exchange rate
CPI	Consumer Price Index
CPNI	Centre for the Protection of National Infrastructure
CPS	Croda Pension Scheme
CSPO	Certified Sustainable Palm Oil
DPS	Dividend Per Share
DRIP	Dividend Reinvestment Plan
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
EBT	Employee Benefit Trust
EFfCI	European Federation for Cosmetic Ingredients
EO	Ethylene Oxide
EPS	Earnings Per Share
EXCiPACT	Certification scheme for pharmaceutical excipient suppliers
FCA	Financial Conduct Authority
FDA	US Food and Drug Administration
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
GDP	Graduate Development Programme
GHG	Greenhouse Gas
GHG emissions – scope 1	Greenhouse Gas emissions from sources that we own or control
GHG emissions – scope 2	Greenhouse Gas emissions that are a consequence of our activities, but occur at sources owned or controlled by another entity
GMP	Good Manufacturing Practices
GRI	Global Reporting Initiative
HMRC	HM Revenue & Customs
HR	Human Resources

IA	Investment Association
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ILO	Internal Labour Organisation
ISO	International Organisation for Standardisation
IT	Information Technology
KPI	Key Performance Indicator
LDG	Leadership Development Group
LMS	Learning Management System
LTI	Lost Time Injury
LTIP	Long Term Incentive Plan
Market sectors	Personal Care, Life Sciences, Performance Technologies, Industrial Chemicals
Mass balance	One of the Roundtable on Sustainable Palm Oil's certification standards
Material Areas	Our 10 most important sustainability areas
Net debt	Borrowings and other financial liabilities less cash and cash equivalents
NPP	New and Protected Products
OHSAS	Occupational Health & Safety Advisory Services
PKO	Palm Kernel Oil
PO	Palm Oil
PRR	Process Risk Review
PSM	Process Safety Management
PSP	Performance Share Plan
R&D	Research and Development
Return on sales	Adjusted operating profit divided by revenue
ROIC	Adjusted operating profit after tax divided by the average invested capital for the year for the Group. Invested capital represents the net assets of the Group, adjusted for earlier goodwill written off to reserves, net debt, retirement benefit liabilities, provisions and deferred taxes
RPI	Retail Price Index
RSPO	Roundtable on Sustainable Palm Oil
SAP EHS module	Safety, Health and Environment module in the SAP reporting system
SAYE	Save As You Earn
SHE	Safety, Health, Environment
SHEQ	Safety, Health, Environment, Quality
SIP	Share Investment Plan
SMEs	Small and Medium Enterprises
STEM	Science, Technology, Engineering and Mathematics
Te	Tonnes
Te CO_2e	Tonnes Carbon Dioxide Equivalent
TSR	Total Shareholder Return
Underlying	Current year results in local currency translated to Sterling at the prior year average foreign exchange rate excluding acquisitions
VOC	Volatile Organic Compound
WACC	Weighted Average Cost of Capital

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Designed by
CONRAN DESIGN GROUP

This Report is printed on a combination of Infoset Plus and Inaset Plus Offset. Both materials are Forest Stewardship Council® (FSC) certified, containing a mix of post-consumer waster and are produced at mills that hold the ISO 14001 environmental management standard.

Printed in the UK by Pureprint Group using vegetable inks printing technology. Pureprint Group is ISO 9001:2000, ISO 14001, EMAS and FSC certified.

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