CRODA

Annual Report & Accounts 2013

Contents

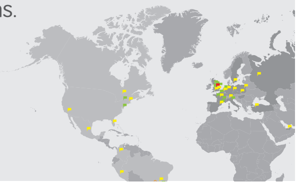
Review of the Year

Our Chairman and Group Chief Executive's review of the year and an insight into what lies ahead.

P02

Who, What, How, Where

Our business operations, approach and global locations.



P06

How we Identify Market Opportunities

The global drivers and mega trends that will challenge and drive our future growth.

P12

Mega Trends

Beauty & Ageing

Health & Wellbeing

Ingredient Sustainability

How we Embrace Opportunities to Create Value

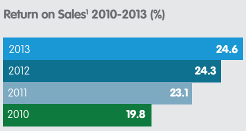
Our Business Model
The way we structure our business to deliver our strategy and protect the value we create.
P14

Our Strategy
The strategic objectives that build on our business model and will help us to grow.
P16

Our Executive Team
An insight into our future from the people behind the strategy.
P18

How we Performed in 2013

Our Group Finance Director's review of the year and our Key Performance Indicators.



P20

How we Approach Risk

The way we manage our key risks to help us achieve our strategy and protect our people, communities and reputation.

P24

How we Build Sustainability into Everything we do

The ten Material Areas driving our sustainability agenda.

P28

Directors' Report

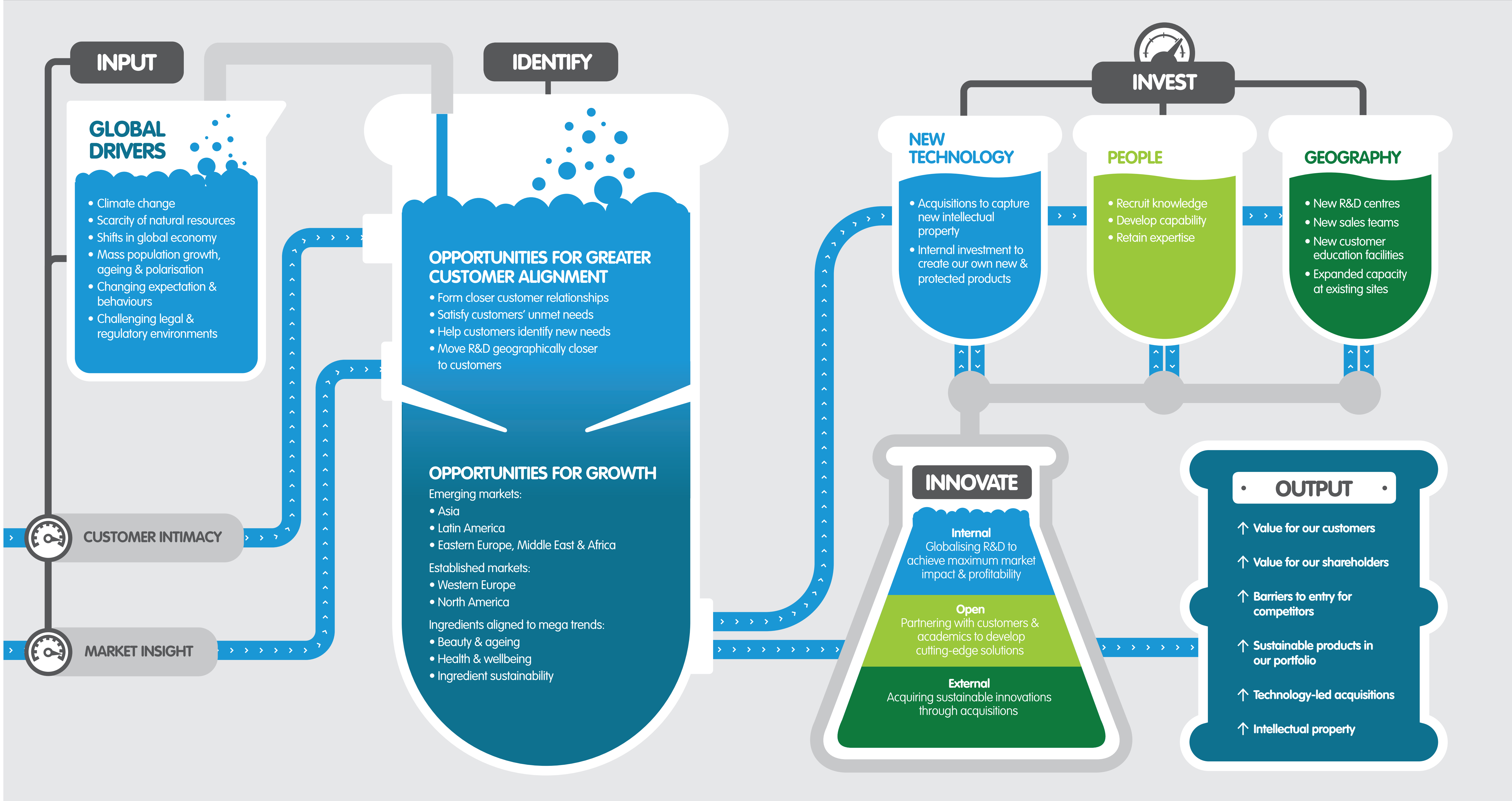
Our Board
Meet the team responsible for the overall leadership of the Group.
P34

Corporate Governance
How we manage our business within a dynamic governance framework.
P36

Remuneration Report
How our remuneration policy aligns with business strategy.
P52

Croda at a Glance

We are a global leader in manufacturing and marketing speciality chemicals, which makes us the name behind the high-performance ingredients that go into some of the biggest, most successful brands in the world; we deliver innovation our customers can build on.



Look out for...

P10 Page reference for related information

Further information within our Sustainability Report (SR)

Our Highlights

Revenue*

£1,077.0m +2.4%

2012: £1,051.9m

P92

Group Energy from Non-Fossil Fuel Sources*

24.4% +9.2% points

2012: 15.2%

P29

Adjusted Operating Profit**

£264.6m +3.7%

2012: £255.1m

P92

Employee Training Hours

122,212 +31.9%

2012: 92,668

P32

Dividend Per Share

64.5p +8.4%

2012: 59.5p

P98

Share Scheme Membership

65% +10% points

2012: 55%

P32

Adjusted Earnings Per Share**

132.2p +8.3%

2012: 122.1p

P97

7-11 Year Olds Reached by UK STEM Programme

1,428 +275.8%

2012: 380

P33

Accreditations

* Continuing operations

** Continuing operations before exceptional items, acquisition costs and amortisation/write off of intangible assets arising on acquisition

Chairman's Statement

In another year of demanding market conditions, Croda continued its track record of pre-tax profit and earnings per share growth. From a strategic perspective, we have made real progress, maintaining our focus on innovation and developing our business in both existing and emerging markets.

Martin Flower, Chairman

Sectors P06

Acquisitions P10

Corporate Governance P36

With record sales of New and Protected Products (NPP) across the business, acquisitions in North America and China, three more R&D laboratories, two more customer training centres and further investment in our global sales force, our platform for sustainable, organic growth is much stronger.

Full Year Results

Despite 2013 seeing little change to the demanding market environment that we experienced throughout 2012, Croda continued to make further progress with sales, margins and profits reaching record levels. Turnover from continuing operations increased by 2.4% to £1,077.0m (2012: £1,051.9m). Adjusted operating profit[1] grew by 3.7% to £264.6m (2012: £255.1m) and we saw Group return on sales on the same basis increase to 24.6% (2012: 24.3%). The sales performance was mixed with strong growth seen in NPP, slower growth in areas where we have less differentiation from our competitors and declines in commodity sales. Our ongoing success in being able to improve the quality of our business mix can be clearly seen in robust margins and the overall increase in profitability.

Adjusted pre-tax profit[1] increased 5.4% to £251.4m (2012: £238.5m) and earnings per share on the same basis[1] increased by 8.3% to 132.2p (2012: 122.1p), boosted by a lower tax charge. On an unadjusted basis, pre-tax profit increased 5.0% to £250.1m (2012: £238.3m) and earnings per share from continuing operations improved by 7.6% to 131.2p (2012: 121.9p).

Sector Performance

Consumer Care sales increased by 1.2% over the year to £593.2m (2012: £586.4m) with good growth in Western Europe being the highlight and weak trading in EEMEA* together with adverse currency translation in Asia being the major negatives. Health Care had the highest increase in turnover. We saw marginal growth in Personal Care whilst in Crop Care, sales for the year as a whole were flat versus 2012 but were much stronger in the second half, reversing the declines seen at the interim stage. Overall, higher margin NPP sales saw double-digit growth, a 3.2% rise in adjusted operating profit[1] to £191.3m (2012: £185.3m). The improving quality of our product mix helped increase return on sales to 32.2% (2012: 31.6%).

In **Performance Technologies**, sales rose by 1.1% to £387.1m (2012: £382.8m) with a very strong performance in Asia eroded by declines in EEMEA* and Europe. Again we achieved double-digit NPP growth, supporting an adjusted operating profit[1] increase of 5.9% to £63.0m (2012: £59.5m). Return on sales improved to 16.3% (2012: 15.5%), representing further progress towards our medium term target of 20%. All business areas apart from Coatings & Polymers achieved sales growth.

The acquisition of Sichuan Sipo Chemical Co. Ltd ('Sipo') was the main reason behind **Industrial Chemicals'** 16.9% sales increase to £96.7m (2012: £82.7m). As expected, Sipo made only a small contribution to profit in the second half, and adjusted operating profit[1] for the year was flat at £10.3m (2012: £10.3m). Consequently, return on sales reduced to 10.7% (2012: 12.5%).

Turnover from operations increased from **£1,051.9m** to

£1,077.0m +2.4%

Adjusted pre-tax profit[1] increased from **£238.5m** to

£251.4m +5.4%

Foundations for Sustainable Growth

During 2013, we have placed significant emphasis on expanding our resources in two key strategic areas, both of which continue to set Croda apart from the competition and help us to increase customer trust and loyalty.

The first is innovation which, whether in our ingredients, processes or the mindset of our people, has always been at the heart of Croda's business; we want customers to partner with us because they value our innovation. In 2013, we have made significant progress to enhance our offering by both developing our own technologies and successfully acquiring new technology. We are in an strong position to generate future growth through innovation.

The second is bringing our business closer to our customers, both in terms of understanding their needs and how we position our sites globally. Increasingly, this has meant focusing on the emerging markets of Asia, Latin America and EEMEA*. We have made significant progress expanding our business in all these markets, increasing our operational capability in terms of new and expanded R&D facilities, sales and customer training centres and manufacturing sites. We have also continued to recruit and retain people with excellent commercial and technical expertise. All of this will allow us to achieve faster growth in these emerging markets in the future.

Acquisitions

During 2013 we acquired a 65% share in Chinese speciality chemicals manufacturer Sipo for £30.3m. Sipo has brought with it new technology within an excellent facility, and moved us closer to our customers in this key territory, strengthening our existing operations and overall position in Asia. We also acquired, for £7.8m, the global Specialty Chemicals business of Florida-based Arizona Chemical and with it world-leading technology that enhances our leadership in speciality ingredients from renewable resources. We look forward to generating value from the combination of these exciting new businesses and Croda's established global sales and marketing network.

Sustainability

Customers and consumers are putting an ever-greater value on sustainability, which means there is a strong commercial justification for our long-established commitment to increasing our sustainability credentials in every area of our business. We were delighted to be listed as one of the top Global 100 Most Sustainable Corporations in the World for a second consecutive year. This result is testament to Croda's performance to sustainability and the central role it plays in the Group's growth strategy. We are proud of our commitment in this area and it has brought us new business, illustrating how our strategy is good for growth as well as for the environment.

Board Appointments

In January 2014, we announced the appointment of Dr Helena Ganczakowski as a Non-Executive Director with effect from 1 February 2014. Helena spent 23 years at Unilever and brings with her a wealth of experience in consumer marketing and innovative product development. We are delighted to welcome her to the Croda Board. Stanley Musesengwa will retire from the Board on 24 April 2014 following the AGM after seven years as a Non-Executive Director, at which point Steve Williams will take over as Chairman of the Remuneration Committee. We wish Stanley well and thank him for the valuable role he has played over the last seven years.

Dividend

We continue to be a highly cash generative business. This has allowed us to maintain our progressive dividend policy whilst also funding the significant investment and operational needs of the business. Effective management of these cash flows has led to net debt reducing slightly over the course of the year, despite spending £38.1m on acquisitions and over £40m of pension deficit funding. In line with our dividend policy, we propose a final dividend of 35.5p making the total dividend payable in respect of 2013 64.5p, an increase of 8.4% in line with the underlying growth in earnings per share.

Outlook

While the current year has started in line with our expectations, global trends are unpredictable and our forward visibility remains limited. Currency translation is expected to have an adverse impact on profit growth in 2014. If last year's results had been translated using closing rates as at December 2013, pre-tax profits for 2013 would have been approximately £9m lower. However, we still expect to achieve constant currency sales and profit growth in 2014 characterised by:

- Improvement in margins in Performance Technologies, progressing towards our target of 20% return on sales
- NPP sales growth
- Strong cash generation

The Board is confident that Croda has the right strategy in place to deliver our medium term growth targets.

Martin Flower
Chairman

[1] Continuing operations before exceptional items, acquisition costs and amortisation/write off of intangible assets arising on acquisition
* Eastern Europe, Middle East and Africa

Chief Executive's Statement

Despite a weak macro global economic environment, Croda delivered a solid result in 2013. This performance underlines the resilience of our business model, which focuses on using our global reach to target fast-growing niche, mature and emerging markets with our high-value, highly innovative products.

Steve Foots, Group Chief Executive

Real Progress Against our Strategy

In Martin's Statement, he talks about how, in 2013, we focused on innovation and emerging markets as two key strategic areas to drive future sustainable growth. We made real progress with our strategy, in particular with our new product development as evidenced by a record number of launches in both our Consumer Care and Performance Technologies business segments. I would like to provide some more detail to emphasise the progress we have made.

In **innovation**, we have seen a significant acceleration in new product development resulting in more product launches than ever before. In particular, we saw a double-digit increase in sales of our New and Protected Products (NPP) in both Consumer Care and Performance Technologies. The acquisition of Arizona Chemical's polymer business has provided us with valuable new technologies and a rich patent portfolio, which we expect to have a very positive impact on our business around the world.

Technology capture is on the increase. Our Technology Investment Group has identified a number of new technologies that we would like to acquire to satisfy unmet needs, and the team is now working hard to make this a reality.

In **emerging markets**, we have significantly increased our presence with the acquisition of Sipo, our first manufacturing investment in China. One of the main attractions of Sipo is the newly commissioned, but not yet fully utilised site. In an important market, this has given us the local footprint we need to support our sales growth, primarily in Performance Technologies. We have also opened three new R&D laboratories and two sales offices and customer training centres in Asia, Latin America and Africa, which will allow us to be more responsive to our fast-growing customer base in these markets.

Continued Strong Demand for our Products

So, we have seen a year of increased innovation, global co-ordination and investment into emerging markets. The continuing strong demand for our new and protected products bears witness to the effectiveness of our strategy which continues to focus on differentiation, innovation and investment for a sustainable future.

Solid Sector Performance

Consumer Care sales increased by 1.2% over the year to £593.2m (2012: £586.4m), with good underlying growth and favourable currency translation in Western Europe countered by extremely weak sales in EEMEA*, adverse currency translation in Asia and only marginal growth overall in other markets. Higher margin NPP sales saw double-digit growth, supporting a 3.2% rise in adjusted operating profit[1] to £191.3m (2012: £185.3m). The improving quality of our product mix helped increase return on sales to 32.2% (2012: 31.6%).

Innovation P08
Strategy P16
Sustainability P28

- Health Care had the highest increase in turnover, with a strong performance in excipients offsetting a weak Omega 3 market in nutritional supplements.
- Personal Care was mixed, with only marginal growth overall:
  - Sederma skin actives, IRB plant stem cells and Arizona polyamides all made excellent progress and sales activity for our new acrylic polymers platform was encouraging.
  - Performance elsewhere was disappointing, caused by lower levels of customer reformulation activity.
- Crop Care sales were flat, characterised by:
  - A tough first half of the year due to inclement weather in the USA and Northern Europe restricting the early planting season.
  - Improving demand in the second half.

Performance Technologies sales rose by 1.1% to £387.1m (2012: £382.8m) with a very strong underlying performance in Asia eroded by declines in EEMEA* and Western Europe. Again, growth was enhanced by a double-digit improvement in sales of innovative new products, helping achieve an adjusted operating profit[1] increase of 5.9% to £63.0m (2012: £59.5m). Geo Technologies led the sales growth and improvements were seen in all business areas apart from Coatings & Polymers. Return on sales improved to 16.3% (2012: 15.5%), representing further progress towards our medium term target of 20%.

Industrial Chemicals - Another year of progress helped by the acquisition of Sipo, sales of speciality products and an increase in volume availability of our co-streams. We saw a 16.9% sales increase to £96.7m (2012: £82.7m), adjusted operating profit[1] was flat at £10.3m (2012: £10.3m) and with Sipo having little time to make a meaningful contribution to profit, return on sales reduced to 10.7% (2012: 12.5%).

Our Global Performance

In 2013 we saw sales growth in all our five geographical reporting regions, with the exception of EEMEA*. Supported by favourable currency translation the strongest growth was achieved in Western Europe, which was up 3.6%, and North America, up 3.0%. Adverse currency translation reduced our reported turnover growth in Asia and Latin America. It is pleasing to see healthy sales progress in China, Brazil and Mexico where we have targeted recent investment but this was offset by weak sales across EEMEA* and in Argentina and Venezuela.

A Sustainable Business

Yet again, we have made excellent progress against a number of our sustainability targets. More and more, as customer and consumer demand for renewable ingredients continues to increase, our sustainable approach is becoming an important differentiator for our business and therefore a significant means of generating growth.

We were extremely pleased to achieve a number of new sustainability accreditations in 2013, including:

- CDP Climate Disclosure Leader 2013: one of 41 businesses who have demonstrated leadership in climate change transparency through good internal data management and understanding of climate-change-related issues affecting the company.
- Gold EcoVadis CSR Rating which recognises our environmental and social practices, and our influence within our supply chain.

We also maintained our Global 100 Most Sustainable Corporations and FTSE4Good accreditations.

Our People... At the Heart of Everything we do

Croda is a global company with a presence in 34 countries and one extremely talented and dedicated team of individuals. As a knowledge business, our dependence on the expertise of our people is particularly high and we work hard to attract, recruit and retain the best. I am once again pleased to report that our retention rates around the world remain very high and our people continue to show their commitment to long-term careers with Croda through, for example, increasing participation in our savings-related share schemes.

I would like to take this opportunity to thank my colleagues around the world for their continued hard work and dedication to our business. We could not have achieved these results without them.

S. Foots

Steve Foots
Group Chief Executive

[1] Continuing operations before exceptional items, acquisition costs and amortisation/write off of intangible assets arising on acquisition
* Eastern Europe, Middle East and Africa

Who We Are & What We Do

Consumers may not know our name, but the products that millions of people use everyday rely on our ingredients to perform: from hair and beauty to pharmaceuticals, lubricants and more. We create the innovations that help our customers to build million and billion-pound brands.

Structured to Meet Customer Needs and Harness Market Opportunities

Our business is split into three segments aligned to our target markets: Consumer Care, Performance Technologies and Industrial Chemicals. In all three, our focus is on developing and delivering innovative ingredients, which could be the active ingredients with unique performance claims, or the element that gives the product the right feel or function.

Often, the Croda element of a finished product is a small percentage, but it will be that percentage that makes the difference.

Growth is supported across the three business segments by our business focussed in-house R&D teams and our Technology Investment Group (TIG), which exist to identify and integrate new technology.

Our Market Place P12
Note 1 - Segmental Analysis P92

Consumer Care

This low-volume, high-value business addresses fast-growing, niche markets. It consists of our global business in:

- **Personal Care**, including hair care, skin care, sun care and colour cosmetics applications.
- **Health Care**, including human pharmaceuticals and dermatology, nutrition and animal health.
- **Crop Care**, including additives for herbicides, fungicides and insecticides.

Success is driven by our intellectual property, including patented technologies. We also differentiate ourselves from the competition through our ability to build and maintain exceptional customer relationships, and through our innovative, sustainable processes.

Medium Term Targets

- Sales to grow 5-10% (assumes 1-2 times market growth).
- Maintain current Return on Sales.

Revenue 2013
£593.2m +1.2%

Adjusted Operating Profit[1] 2013
£191.3m +3.2%

Return on Sales
32.2% +0.6%points

Performance Technologies

The focus is on numerous niche markets where volumes are larger than Consumer Care but margins are still high. Key areas and ingredient applications include:

- **Lubricants**, for engine oils, fuel additives and hydraulic fluids.
- **Polymer Additives**, for injection moulding, PVC, printing inks and thermal paper.
- **Coatings & Polymers**, for adhesives, sealants, plastics, foams and advanced ceramics.
- **Geo Technologies**, for dispersants used in oilfields and emulsifiers used in mine explosives.
- **Home Care**, for laundry and fabric care, polishes and vehicle care.

Customers are looking for patented, differentiated technologies from us, because we understand their needs and work hard to satisfy them.

Medium Term Targets

- Sales to grow 4-8% (assumes 1-2 times market growth).
- Return on Sales to increase to 20%.

Revenue 2013
£387.1m +1.1%

Adjusted Operating Profit[1] 2013
£63.0m +5.9%

Return on Sales
16.3% +0.8%points

Industrial Chemicals

With lower margins and higher volumes, this segment targets a wide range of important industrial markets. The ingredients we produce are largely based on renewable raw materials, with the majority coming as a result of manufacturing products for our Consumer Care and Performance Technologies operations. This supports our sustainability credentials through the use of materials that would otherwise need to be disposed of.

Medium Term Targets

- Maximise profitability.

Revenue 2013
£96.7m +16.9%

Adjusted Operating Profit[1] 2013
£10.3m unchanged

Return on Sales
10.7% –1.8%points

Technology Investment Group (TIG)

2013 has seen the first full year of TIG in action. Led by our Chief Technology Officer and Board member Keith Layden, TIG has been established to find exciting new ways to deliver the innovation that will drive our growth. By understanding customer and market needs, we identify the new technologies that will fulfil those needs, bringing them into the business through internal or external investment, including mergers and acquisitions.

Arizona Chemical, Speciality Chemicals Business
Led by the Technology Investment Group this acquisition, completed in 2013, brought with it a portfolio of patent-protected, class-leading oil gelling polymers. With sales into existing Croda applications and the potential for expansion into many more, the acquisition further strengthens Croda's position as a leader in speciality ingredients from renewable resources.

[1] Continuing operations before exceptional items, acquisition costs and amortisation/write off of intangible assets arising on acquisition

How We Operate

Like our customers, we are driven by the desires of the consumer and our aim is to identify, anticipate and satisfy their unmet needs. We do this by working intimately with our customers and by focusing on constant, sustainable innovation.

From our technologies and processes, to our locations around the world, our business is built around our customers. Working in close partnership with them, we not only anticipate, understand and satisfy their needs, but also provide the inspiration that can help them achieve even greater success.

We achieve this customer intimacy through:

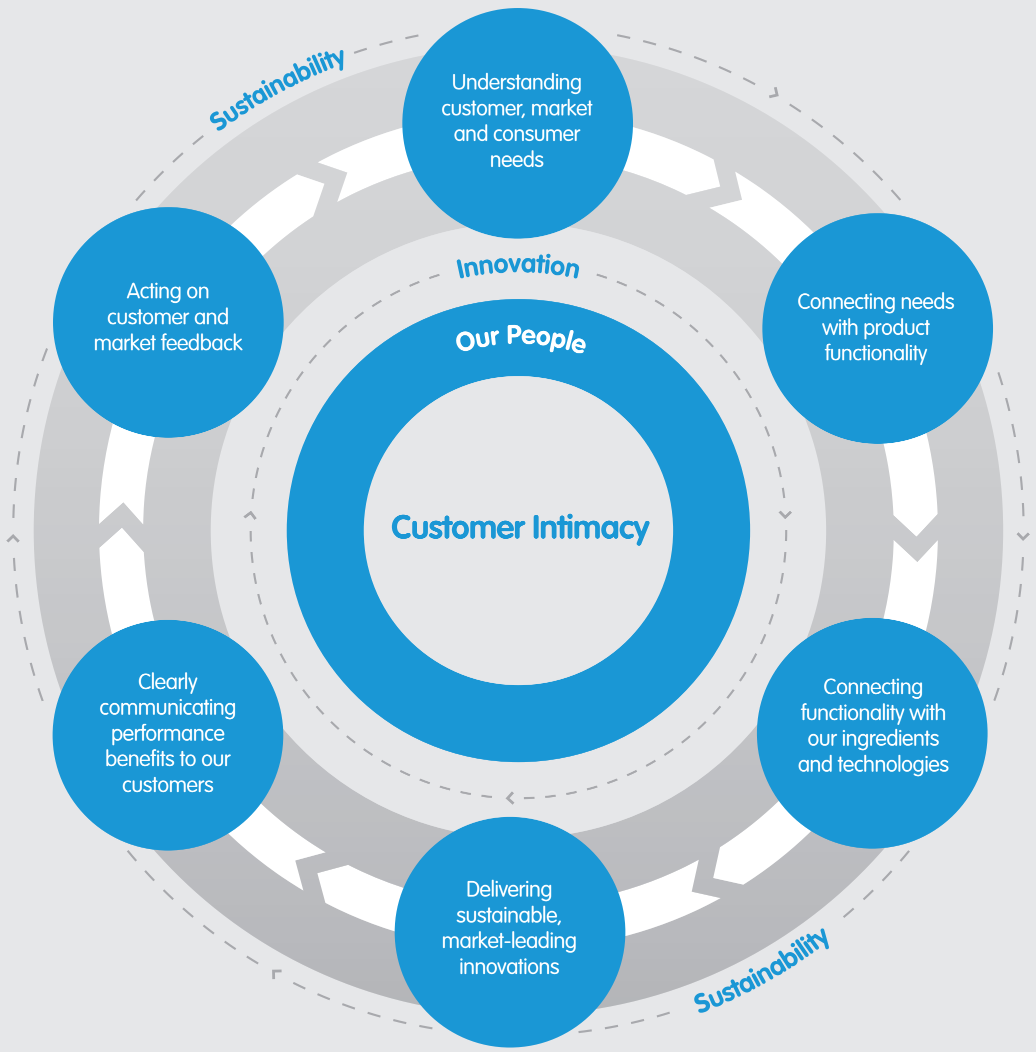
Understanding
Using our in-depth knowledge of our customers' needs, we can deliver targeted innovation and create value, helping them to build strong brands.

Geography
Understanding comes from close customer collaborations, and it is a simple fact that we can develop better relationships and be more responsive to our customers when we are located nearby.

This combination of having an intimate understanding of our customers and the right people in the right place ensures that we can deliver the innovations that will enable our customers to build strong brands, which in turn drives our sustainable business growth.

Business Model P14
Sustainability P28

Delivering Sustainable Innovation with Our Customers



Our People

3,545*	34	1
People	Countries	Team

Our business depends upon the expertise and dedication of our people. At every point, our people are central to our intimate relationships, working with customers both directly and indirectly to meet their needs. This is why we work hard to recruit the best and to source the specialist knowledge we require.

Once we have found the right people we want to keep them, which means investing in our workforce, providing them with the right balance of remuneration, benefits, and opportunities to develop and grow their careers with us.

We enjoy great diversity in our workforce, which can lead to new, better ways of working and thinking, driving ideas and innovations. It also allows us to better represent the diversity of the communities in which we operate.

Innovation

Creating new intellectual property and know how, whilst maximising the potential of existing patents is the lifeblood of our business. Innovation plays a critical role across our operations from the way we run our business, to how we work with our customers to deliver ingredients to market. It is all about differentiating ourselves from the competition. It is how we protect our current and future sales and how we improve Group margins.

Sustainability

Whether driven by our own business ethics, consumer demand or government policy, sustainability spans every area of our business. We are fully committed to: using renewable raw materials and environmentally sensitive processes; producing ingredients that help improve the sustainable credentials of end products; looking after our people and the communities in which we operate.

This makes us a business that our customers want to work with, with the assurance that we have a strong future ahead.

Delivering Innovation Across the World

Being close to our customers during the creative process strengthens our relationship and gives us the edge over the competition. It also allows us to:

- react more quickly to market requirements;
- improve the efficiency and value creation of our innovation processes;
- work in partnership with customers on specific new product developments;
- better educate our customers in the benefits of working with Croda.

In 2013, to bring our customers closer to our innovations we have made significant investment into our facilities including:

- New R&D Centre, São Paulo, Brazil
- New R&D Centre with New Claims Testing hub, Singapore
- New R&D Centre, Shanghai, China
- New Customer Training Centre, Singapore
- New Customer Training Centre, São Paulo, Brazil.

Delivering Innovative Ingredients

1. Internal Innovation: R&D

Our primary route where we invest the most in our people and technologies to:

- globalise our R&D to ensure that each innovation achieves maximum market impact;
- move closer to our customers by investing in new and expanded R&D facilities.

2. Open Innovation: Partnering

Seeking partnerships with:

- customers in order to develop desired solutions;
- world-leading academic institutions to remain at the cutting edge;
- developers of emerging technologies from small and medium enterprises (SMEs).

3. External Innovation: Acquisitions

Identify and invest to:

- find new opportunities through our Technology Investment Group (TIG);
- acquire sustainable and specialist technologies.

* Number of employees as at 31 December 2013.

Where We Operate

Croda is a global company with locations around the world, specifically chosen to facilitate close customer working. We are constantly investing in our existing markets and expanding into emerging markets to give our customers around the world the best, most responsive service.

Global trends, including a growing, ageing population, emerging markets, climate change and a shift in people's expectations and behaviours, give us a golden opportunity over the next decade for growth. To take advantage of this opportunity we have to focus more than ever on taking our business to where our potential new customers are. As you can see we continue to invest heavily in bespoke facilities, expertise and our global teams to align our business more closely than ever with our customers.

Western Europe

Employees
55% of Group Total
1,933*

Total Revenue
38% of Group Total
£414.8m

10 Manufacturing Sites 9 Sales Offices

Eastern Europe, Middle East & Africa

Employees
2% of Group Total
71*

Total Revenue
7% of Group Total
£74.4m

0 Manufacturing Sites 6 Sales Offices

North America

Employees
13% of Group Total
474*

Total Revenue
26% of Group Total
£277.3m

2 Manufacturing Sites 3 Sales Offices

Latin America

Employees
6% of Group Total
206*

Total Revenue
11% of Group Total
£115.9m

1 Manufacturing Sites 7 Sales Offices

Asia Pacific

Employees
24% of Group Total
861*

Total Revenue
18% of Group Total
£194.6m

5 Manufacturing Sites 10 Sales Offices

Leading the World in Plant Cell Culture

Italian based Istituto di Ricerche Biotechnologiche (IRB) is the world leader in plant cell culture, a key new sustainable technology with an important role to play in Croda's future. Following their integration into our speciality active ingredients brand, Sederma, we can use our knowledge, expertise and global positioning to bring IRB technology to all of our customers.

Solar Power at Atlas Point

A $2.3m investment generating 5% of the site's electricity.

Improving Customer Service in Latin America

Last year we opened a number of Customer Training Centres, including one in São Paulo, Brazil. Close to the head offices of several of our key global and regional accounts, this new facility will help us to increase customer contact to strengthen relationships and better educate customers about our products.

Investing in our First Manufacturing Site in China

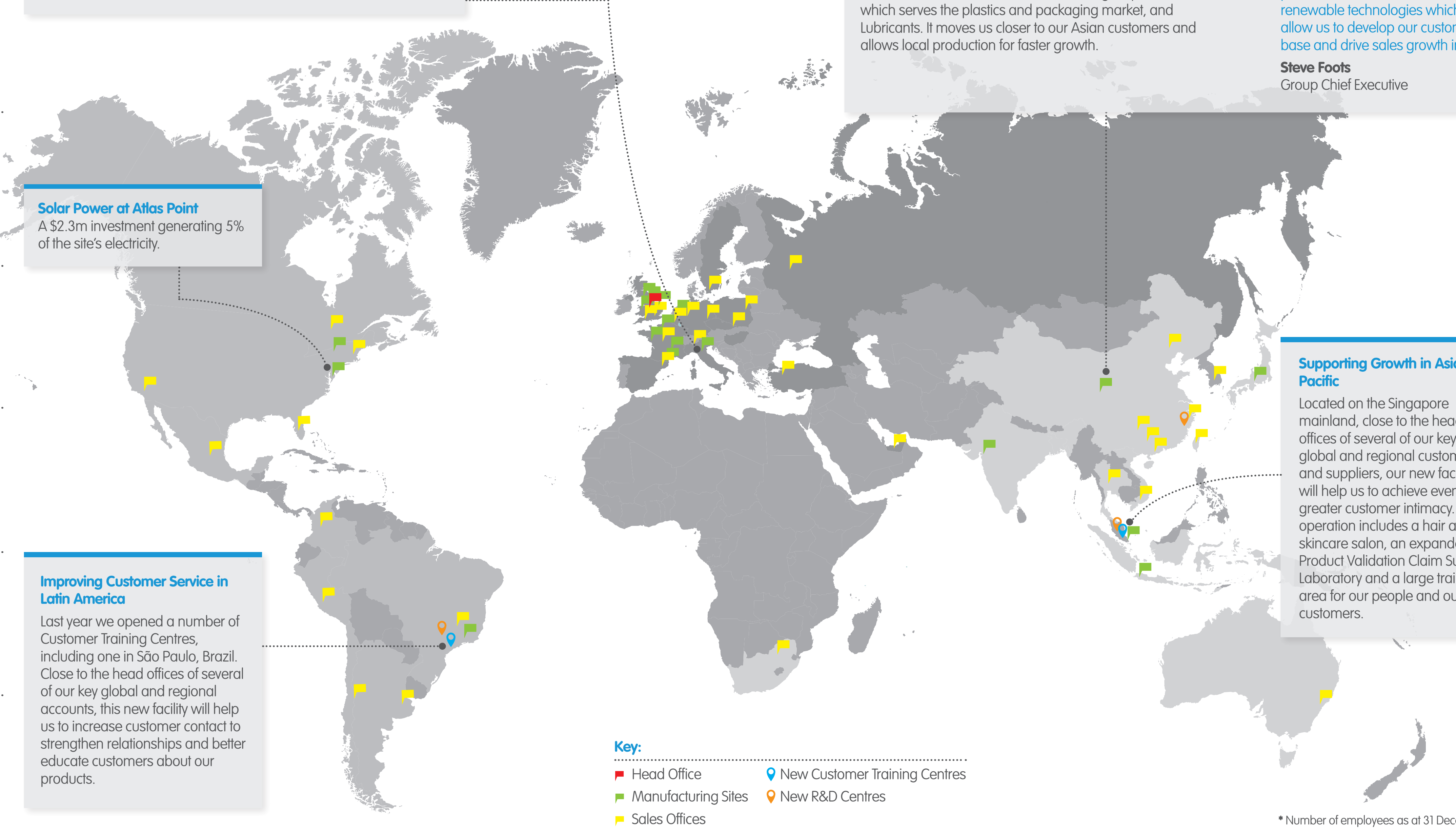
In 2013, we underlined our commitment to the critical Asian region by acquiring a 65% stake in Sipo in Sichuan Province, China. Sipo specialises in producing ingredients using naturally derived, renewable raw materials. The acquisition brings with it new technology that will expand our portfolio across a number of core sectors, including Polymer Additives, which serves the plastics and packaging market, and Lubricants. It moves us closer to our Asian customers and allows local production for faster growth.

"Sipo's manufacturing capabilities together with our marketing expertise and sales force infrastructure are an exciting combination. We will have a stronger platform in niche markets and renewable technologies which will allow us to develop our customer base and drive sales growth in Asia."

Steve Foots
Group Chief Executive

Supporting Growth in Asia Pacific

Located on the Singapore mainland, close to the head offices of several of our key global and regional customers and suppliers, our new facilities will help us to achieve even greater customer intimacy. The operation includes a hair and skincare salon, an expanded Product Validation Claim Support Laboratory and a large training area for our people and our customers.



Key:
- Head Office
- Manufacturing Sites
- Sales Offices
- New Customer Training Centres
- New R&D Centres

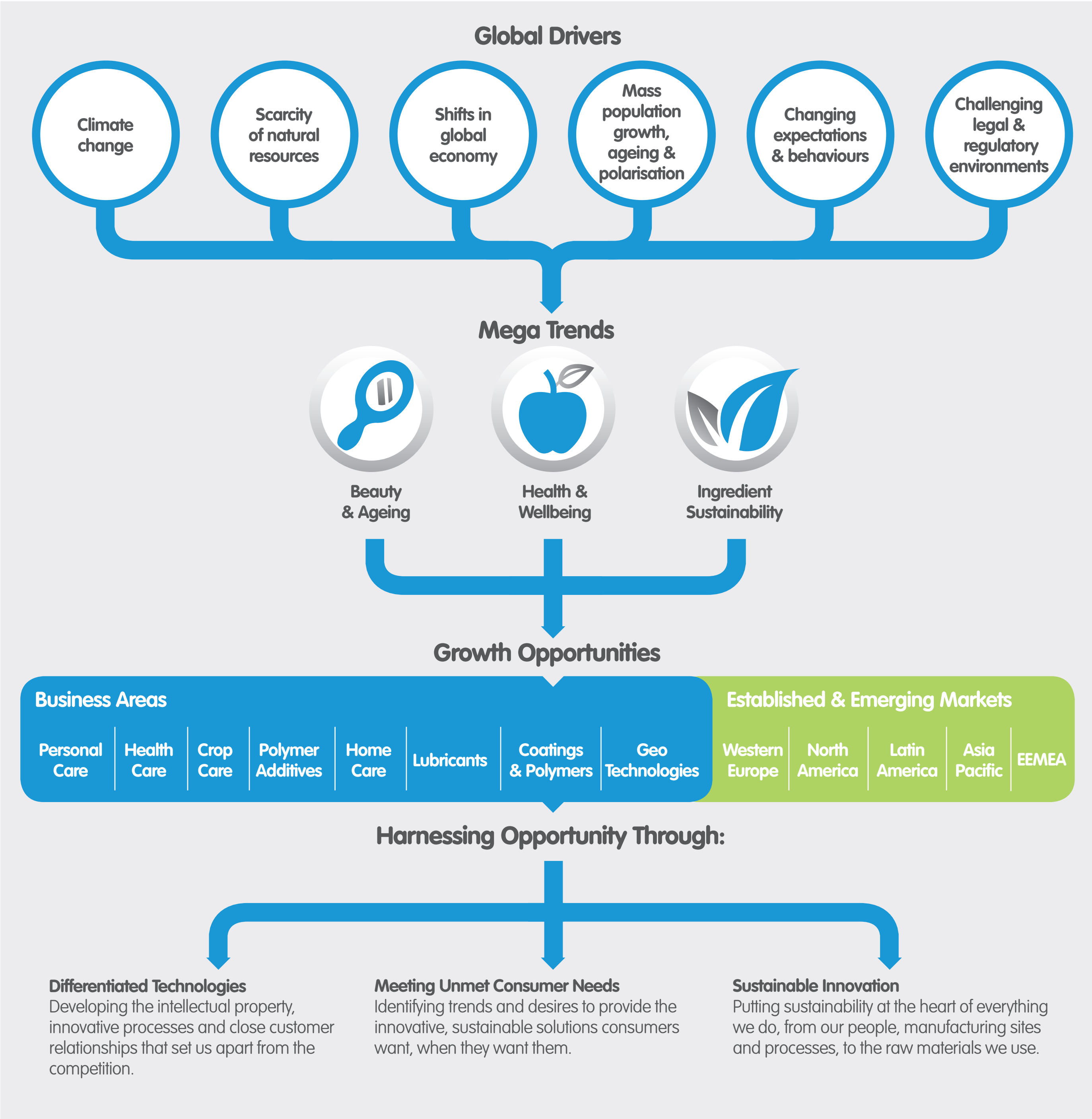
* Number of employees as at 31 December 2013.

Our Market Place

The world is changing. Trends such as a growing, ageing population, shifts in the global economy, the emergence of new markets and climate change present us with many exciting business opportunities.

These trends are what we term 'global drivers', influencing change and opportunity. Stemming from them, we have identified three unstoppable 'mega trends' within Croda's space.

Our future innovations, investments and commercial activities must enable us to maximise value from the opportunities these trends create; they will be the catalyst of our sustainable business growth.



Mega Trends Driving Growth

Croda is a leader in natural specialities, with around 70% of our raw materials coming from renewable, natural sources. This puts us in an excellent position to benefit from the growing trend in natural based consumer products.

1. Beauty & Ageing

This powerful mega trend is central to our business. With numerous niche markets occurring in Personal Care, many new opportunities are being created, particularly around the global driver of an ageing population. For example:

- Tailoring anti-ageing and beauty products for different age groups, such as sun protection for teenagers and increasing collagen for middle age and mature years.
- Anti-ageing crossover into hair care, restoring youthful shine and condition.
- New functional formats offering multiple benefits in one product, such as BB (beauty balm) and CC (colour corrector) creams.

2. Health & Wellbeing

We are seeing a shift from treatment to prevention. Developed markets recognise that large state and individual care bills may be reduced through diet and lifestyle choices, while emerging markets have identified that prevention is cheaper than the cure. Opportunities to grow include the following:

- Nutritional and functional foods that give added benefits, such as omega oils and supplements to help improve joints.
- Over-the-counter medicines to prevent or treat minor problems.
- Greater focus on the lucrative pet care market, particularly topical treatments for dogs and cats.

3. Ingredient Sustainability

Population growth and increasing consumption of goods is putting an ever greater strain on natural resources, resulting in increased pressure from consumers and governments for more sustainable products. This represents a huge opportunity for us to further differentiate our business from our competitors through:

- Sustainable manufacturing processes and ingredients produced using renewable raw materials across each of our businesses.
- The efficiencies our ingredients provide, such as our rheology modifiers that help concentrated laundry washing liquids to work at lower temperatures, reducing energy and resource use.

Global Drivers of Opportunity

The population is growing, ageing and becoming more polarised, in terms of greater gaps in wealth and health. We are seeing changes in people's expectations and behaviours, often driven by the internet and social media. The balance in the world economy is shifting and new markets are emerging. Climate change and the scarcity of natural resources are increasing the focus on sustainable manufacturing. All of this is a challenge to our business. It also provides incredible opportunity to reach even greater heights, by aligning our business and innovations ever more closely with our changing customer base.

Additional Challenges and Opportunities

Regulation

External regulation, which Croda is actively helping to shape, is growing in all our niche markets. This is a positive for our business as we have a proven track record in delivering not just product quality but also the proof of performance in the form of comprehensive claims substantiation data. This is an opportunity to strengthen our edge over the competition and increase barriers to others entering our markets.

Competition

The breadth of our business means that we do not have one big competitor that spans all of our markets. Instead we have direct competitors in each of our niche markets. Here, we succeed by differentiating our business through our intellectual property, ever-closer customer alignment and our sustainability credentials. We are thus uniquely positioned to take our products into a variety of interesting markets.

See SR

Our Business Model

Our changing marketplace offers opportunities for growth and success. By harnessing and maximising the potential of these opportunities, we create value for our business and shareholders.

How we Create Value

What is a business model? For us, it is how we structure our business to deliver our strategy. It shows how, through constant investment in our people, manufacturing sites, processes and technology platforms, we can achieve greater growth and success.

The customer is at the heart of this model. We respond to our customers' unmet needs by building intimate relationships with them. This enables us to develop innovative ingredients that create value for our customers and our shareholders.

Regulatory

The external influences that are crucial to our business operations.

Employees

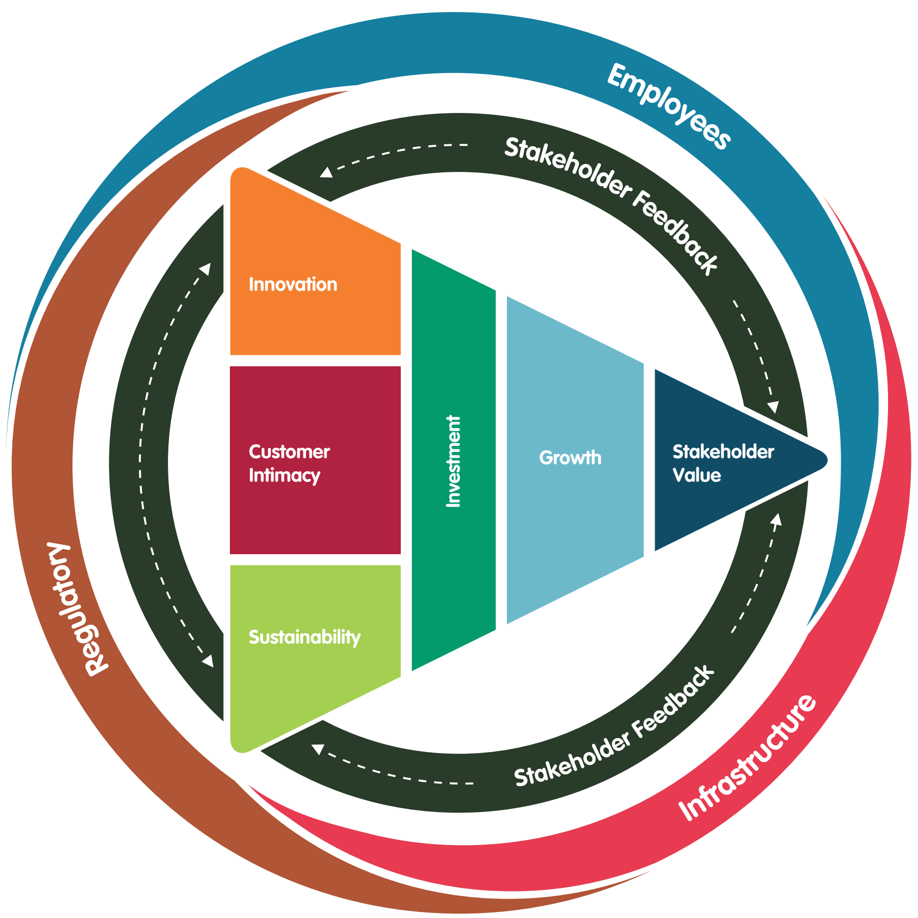
Talented individuals working as one team across the globe.

Infrastructure

The right processes and premises in the right places.

Stakeholder Feedback

The process of understanding shareholder, customer and consumer needs is a crucial and ongoing part of our business model.



Key Performance Indicators P22
Our Risks P24

Innovation

Capturing leading-edge technologies, knowledge and expertise, and building rich patent portfolios.

Customer Intimacy

Moving ever closer to our customers, in terms of location, knowledge and understanding, to better identify and respond to their needs.

Sustainability

Sourcing renewable raw materials, developing responsible manufacturing processes, looking after our people and the communities in which we operate.

Investment

Centred on niche market focus, specialisation of Performance Technologies, new technology capture, expansion in high-growth markets and development of our people.

Growth

Constant investment and innovation, supported by the right people, using the right processes and the right materials in the right places, allows us to achieve sustainable business growth.

Stakeholder Value

We strive to deliver greater value to our shareholders, with a commitment to financial growth and high returns.

We deliver value to our customers and their consumers through high-quality ingredients based on market-leading innovation.

We create sustainable value by minimising our environmental impact, investing in our people and communities, and through our renewable ingredients.

How we Protect Value

Having created value, it is crucial that we identify and effectively manage the risks that could have an adverse affect on our business model and prevent us from achieving our strategic objectives (see pages 16 and 17). At the heart of this lies our ability to operate sustainably, safely and legally; if we cannot do this we risk not having a business at all. We identify and regularly review the key specific risks to our business; those which pose the biggest threat to us.

We then put in place measures and controls to effectively manage risk and protect the value we create.

Our risk management framework, including the key risks we have identified in 2013, are managed in line with our business model and are discussed on pages 24 to 27.

Increasing Barriers to Entry

We protect value by increasing barriers to entry, making it harder for other companies to compete and succeed in our markets. We achieve this through:

Intellectual Property

We seek to protect our inventions by the filing of patents covering the major relevant geographical regions of the world. In particular, we focus on protecting the applications of our new products so that our customers are required to purchase from us in order to apply the materials in their products.

Market Diversity

No single major competitor services the same breadth of markets that we do. This gives us an edge as we can adapt our diverse technologies and products for a wider range of different niches to maximise their value.

Sustainability

Around 70% of our raw materials come from natural sources, allowing us to capitalise more on the growing desire for natural based ingredients.

Quality

We are helping to shape the regulations that govern quality in our markets, regulations that can serve as a barrier for those seeking to compete alongside us. We have the ability to comply with and exceed standards, as well as providing the proof of our excellence.

Customer Intimacy

We have our own dedicated, science-focused sales force who understand our customers and are able to develop strong, close relationships with them. Through our 35 sales offices, virtually all Group turnover is managed directly by our own people.

Flexible Manufacturing

As we sell small, but valuable, quantities of products, we do not always have to invest a lot of capital to create value. We are able to run our manufacturing sites at lower occupancy levels than for a typical chemical company thus ensuring that we can be more responsive to our customers' needs.

See SR

Our Strategy

Our overarching strategic goal is to be a global team serving our customers with superior and differentiated technologies. To guide the direction of our strategy, we have established a set of principles and objectives.

Strategic Principles

- **To consolidate our global leadership** as the number one supplier of speciality ingredients from natural and sustainable sources to our chosen markets.
- **To target niche markets** that are growing rapidly and where customers value our innovation.
- **To supply customers both large and small** and continue to expand our direct selling model globally.
- **To work as one global team** to deliver outstanding results.

Key Strategic Objectives

Our strategic objectives build on how we create value and represent specific points of focus within each of our business model areas. The broader context involves many more goals and initiatives, again in each of the business model areas, all of which will help to make us a partner of choice for our customers. To help us measure our progress against the strategic objectives outlined here, we have established clear targets and Key Performance Indicators (KPIs), which you will find detailed on page 22.

Employees

Key strategic objective:

Recruit, motivate and retain high-calibre employees

Our employees are central to our success. We are a knowledge business so finding the right people is not easy. When we do recruit new talent we need to keep it within our Group by:

- Being seen as an employer of choice;
- Providing a balanced rewards package and career development opportunities; and
- Creating a strong culture of effective performance management.

To read more about our People strategy, please turn to page 32.

Regulatory

Key strategic objective:

Develop and improve the effectiveness of our SHEQ (Safety, Health, Environmental and Quality) systems

We have a dedicated SHEQ committee that meets every quarter to:

- Review our SHEQ risks;
- Report on how SHEQ is being controlled and managed; and
- Monitor defined and agreed KPIs.

This is all part of our wider risk management framework.
For more details please turn to page 24.

Infrastructure

Key strategic objective:

Expansion into emerging markets

Emerging markets present us with a huge opportunity for growth. We need to align ourselves closely with customers in these markets to become their partner of choice, which means for each such market:

- Increasing our manufacturing footprint; and
- Scaling up our resources.

To read more about our emerging market opportunities and our wider focus on ensuring that we have the right processes in the right places, please turn to page 10.

Sustainability

Key strategic objective:

Minimise our environmental impact

The ever-increasing demand for more sustainable products and manufacturing processes fits perfectly with the natural chemistry that spans every facet of our business. We are continually seeking to make our products and processes more sustainable through:

- Sourcing renewable raw materials;
- Driving down energy and water use throughout all our manufacturing and business operations;
- Reducing waste to landfill; and
- Increasing our use of renewable energy.

Our broader sustainability strategy also encompasses our long-term business sustainability and social responsibility.

To read more about our sustainability performance, please turn to page 28.

See SR

Customer Intimacy

Key strategic objective:

Increase barriers to entry

We become our customers' partner of choice by:

- Understanding their needs and innovating to satisfy those needs;
- Becoming an essential part of their team; and
- Differentiating ourselves from the competition through our excellence, knowledge, quality, service, loyalty, and trust.

All of these ways of creating value increase the barriers for competitors to enter our markets.

Customer Intimacy also means moving geographically closer to our customers. To read more, please turn to page 8.

Stakeholder Value

Key strategic objective:

Increase shareholder value

At Croda, we aim to create value for shareholders through improved returns and capital growth. These objectives will be achieved by remaining true to our strategic principles and objectives, including:

- Successful new product development;
- Ever-closer customer alignment;
- An increasing focus on emerging markets; and
- Long-term business sustainability.

The way we increase customer and consumer value is through our Innovation and Customer Intimacy objectives.

Innovation

Key strategic objective:

Increase new product innovation

We are targeting our fastest growth from focused new product launches into new niches: all driven by the powerful mega trends shaping our markets (see page 13). Our strategy is to:

- Ensure that we have the technical resources in place, in terms of talented chemists, biochemists and engineers;
- Accelerate the capture of new technologies through external acquisitions;
- Escalate our major internal innovation projects; and
- Maximise the potential of new patents across our international selling network.

To read more about how Croda delivers innovation, please turn to page 8.

Investment

Our entire strategy is underpinned by constant, targeted investment. To continue to succeed, to fight decline in our existing markets and to achieve penetration in emerging markets, we will target 70% of our spend at:

- Increasing capacity in our major product groups;
- Capturing new technology, including investing in biotechnology at our UK Ditton site and acquiring IRB in 2012. Biotechnology is a potentially disruptive process technology that can be used as a route to more sustainable existing products and complex materials that cannot be produced using classical chemical processes; and
- Reducing energy, including investment into solar power, reducing water use and the amount of waste sent to landfill.

We will be looking to significantly increase our levels of capital expenditure per year into technology investments, including mergers and acquisitions, and investments into emerging markets, as prioritised by our strategy.

Growth

Key strategic objective:

Maintain an efficient balance sheet and ensure profitability

We aim to achieve this through:

- ensuring that the new business we bring in generates growth;
- focusing on higher returns for greater profitability;
- putting all forms of funding to the most effective use; and
- making sure we have ready access to cost-effective, flexible funding.

Stakeholder Feedback

To provide our shareholders, customers and consumers with the sustainable value they seek and expect, we need to understand their needs in great detail. Feedback is an essential part of this and we are continually gathering information from all our stakeholders to input into every area of our business model.

Our Executive Team

Meet the people behind the strategy, share their insights into what the future has in store for our business, and how we are all working together to achieve even greater success.

"Our Executive Team have worked together to establish our strategic objectives and have overall responsibility for driving progress against our targets. Through their leadership and constant focus, we can achieve the sustainable growth that our business is capable of."

Steve Foots, Group Chief Executive

"North America remains a fast-growing market with many exciting business opportunities. Our ability to provide customer value through innovation and sustainability is unrivalled. From the latest anti-ageing ingredients, to environmentally friendly materials that support oil and gas recovery, we add value to what our customers do by improving the performance of their products, while minimising the potential impact on the environment."

Kevin Gallagher, President North America

"Our vision statement makes reference to all functions being valued equally, which goes some way to explaining why, at Croda, finance is very much seen as a business partner, rather than merely a support function. The robustness of our systems and controls ensure that we are able to provide timely and accurate information to the business to both measure performance and, more importantly, to support the speed of our decision-making process; a vital factor in our continuing success."

Graham Myers, Group Financial Controller

"Our aim is to drive profitability forward through improving our mix of products, driving sales of new and protected products into fast-growing niches, and investing in growth outside Europe by strengthening local teams and moving production closer to our customers. Supported by the Technology and Investment Group (TIG), we are also increasingly seeking to make targeted technology acquisitions."

Maarten Heybroek, President Performance Technologies & Industrial Chemicals Europe

"Growth in all market sectors in Asia Pacific continues to be robust despite currency headwinds. Our recent acquisition of Sipo in China and further investment in Singapore provides us with a much stronger platform in niche markets. This will allow us to develop our customer base further and drive strong sales growth in this very important region."

David Barraclough, President Asia Pacific

"Leveraging the strength of our world-class manufacturing facilities is key to the success of our strategy. We expect significant growth in emerging markets and new product launches, and continue to invest in new processing technologies. Our global manufacturing footprint and supply chain must be aligned and ready to deliver. Our manufacturing teams around the world will continue to provide the excellent service that sets us apart from our peers."

Stuart Arnott, President Global Operations

"Latin America represents significant opportunity for growth across all our core market sectors, but it also has unique requirements in terms of product functionality and service. Developing a broader manufacturing base for key products within the region, alongside enhancing local provision of applications, R&D, customer service and quality, will help to continually strengthen our customer relationships and support mutual business growth."

Nick Challoner, President Latin America

"Our corporate strategy sets out how we will drive the future growth of our business. We must ensure that we have good management and governance to support this growth as we: expand into emerging markets; seek to capture new technologies through targeted mergers and acquisitions; and continue to identify and mitigate the major risks to our strategy."

Tom Brophy, Group General Counsel and Company Secretary

"Consumer Care Europe comprises a highly innovative portfolio of products providing consumer-facing benefits to our customers. A strong pipeline of new projects, the exploitation of new technology from recent acquisitions, such as Arizona Chemical, our investment in Acrylic Polymer manufacturing and our increasing presence in high growth territories all add up to an increasingly positive outlook for 2014 and beyond."

Sandra Breene, President Consumer Care Europe

"Innovation is the cornerstone of our business. Continuing to be recognised by our customers as the leading innovator in our markets is the exciting challenge that drives us forward. Innovation is not just about developing new products and new performance claims, it includes every aspect of the business and any element of our operations that differentiates us from our competitors. It is all about our people: their motivation, knowledge, engagement and creativity."

Keith Layden, Chief Technology Officer

"We have spent a number of years developing a SAP platform at the core of our global operations. Now it is fully operational we have the opportunity to extract information on all aspects of our business, particularly sales, margin and cost trends by customer, product, region and business unit. We are developing innovative ways of extracting this data in a readily digestible form for all users to understand the key trends driving our business."

Sean Christie, Group Finance Director

How We Performed

2013 has been another year characterised by strong financial performance, with good growth in pre-tax profits and earnings per share, a reduced pension deficit and lower borrowings; all achieved in the context of a demanding marketplace that looks set to continue.

Sean Christie, Group Finance Director

Note 8 - Earnings Per Share P97

Note 12 - Retirement Benefits P99

Note 20 - Borrowings P108

Note 28 - Acquisitions P120

After concerted efforts last year to expand our resources, we now have the people and facilities we need to support our growth plans and expect to see steady improvements in sales growth in the future.

Improved Sales and Business Mix

Continuing sales increased by 2.4% in 2013 compared to the year before, with a decline in underlying sales of 0.2% masked by favourable currency translation and acquisitions. Our overall mix of business improved, with a 10.8% increase in New and Protected Product (NPP) sales. We also experienced slightly stronger sales progress in the second half of the year than the first.

Increased Profitability Overall

Adjusted operating profit grew 3.7% to £264.6m (2012: £255.1m) with return on sales reaching 24.6% (2012: 24.3%). We saw profit growth in both our Consumer Care and Performance Technologies business segments, achieving our highest ever return on sales figures in each sector. Compared to 2012, Industrial Chemicals profits were flat.

The reduced pension deficit led to a lower funding cost and borrowings reduced slightly. As a result net interest costs were £3.4m lower than in 2012.

The result of this increase in operating profit and reduction in financing costs has been an increase in adjusted pre-tax profit of 5.4% to £251.4m (2012: £238.5m). Total pre-tax profit, including acquisition costs and amortisation of acquired intangible assets, grew by 5.0% to £250.1m (2012: £238.3m).

Earnings Per Share and Dividend Performance

Falling corporation tax rates in the UK and a more favourable mix of overseas earnings further reduced our tax rate to 28.7% (2012: 31.1%). Consequently, adjusted earnings per share from continuing operations grew a little more than profits, up 8.3% to 132.2p. On an unadjusted basis, earnings per share from continuing operations increased by 7.6% to 131.2p.

Dividends were increased in line with earnings growth.

Accounting for Acquisitions

The acquisitions of Sipo and Arizona's Specialty Chemicals business 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 we have chosen to introduce the definitions "Adjusted operating profit", "Adjusted pre-tax profit" and "Adjusted earnings per share". In each case we exclude acquisition costs, amortisation or write off of intangible assets arising on acquisition and exceptional items. The Group Income Statement has been produced in a columnar format to further aid this analysis.

Goodwill

This year's acquisitions have increased the carrying amount of goodwill in the Group balance sheet to £229.3m (2012: £206.5m). The goodwill relates predominantly to the value in the commercial and other synergies arising from the combination of the acquired technologies and products with Croda's established global sales, marketing and R&D networks.

Debt and Liquidity

Free cash flow was up 38.0% at £249.0m (2012: £180.5m) helped by tight control of working capital. Net debt reduced by £5.5m in 2013 to £202.2m

(2012: £207.7m), despite significantly increasing our pension deficit funding contribution to £41.2m (2012: £24.7m). Capital expenditure was £46.6m (2012: £52.7m), the cash effect of our targeted mergers and acquisitions was £54.9m, including inherited borrowings, and dividend pay-outs totalled £83.6m. Our main banking facilities run to May 2015, however we plan to refinance these loans during 2014.

Capital Expenditure

Capital expenditure was 1.3 times depreciation at £46.6m (2012: £52.7m), with the biggest spends resulting from enhancing our manufacturing capability in North America and Singapore. The amount of expenditure was lower than originally planned for 2013. This was due in part to project phasing, but also because of our response to the lower than expected market demand we encountered in 2012 and 2013. We do expect to spend significantly more on capital expenditure in 2014, as the phasing benefits seen in 2013 reverse and we commence work on a number of major new capital projects.

Retirement Benefits

We made deficit funding contributions in 2013 totalling £41.2m (2012: £24.7m). This, along with strong equity markets and slightly increased discount rates, has resulted in the IAS19 pension deficit falling to £135.8m at 31 December 2013 (2012: £165.8m). The major element behind the £41.2m deficit funding contribution was a payment into the UK fund of £38.4m. The amount of funding for the UK scheme will be lower in the next two years at around £20m per annum.

KPIs

We made further progress during 2013 towards our medium term target for Performance Technologies of 20% return on sales. All other financial targets were again achieved in 2013.

Performance against a selection of our KPIs is shown in the following table:

	Target	2013	2012
Return on sales[1]	^	**24.6%**	24.3%
EPS growth[1]	+5-10%	**+8.3%**	+8.2%
Post tax ROIC	>WACC*†	**23.8%**	23.8%
Debt/EBITDA	<3x	**0.7x**	0.7x

[1] Continuing operations before acquisition costs and amortisation of intangible assets arising on acquisition

^ Separate targets for Consumer Care (maintain at current levels), Performance Technologies (achieve 20% in the medium term) and Industrial Chemicals (maximise profitability)

† WACC: Weighted average cost of capital. 2013 average 6.3% (2012:6.8%)

* Excluding IAS19 credit

A more detailed review of our strategic KPIs can be found on pages 22 and 23.

Sean Christie
Group Finance Director

Atlas Point, North America

A $2.3m solar installation project will generate around 5% of the site's electricity, equivalent to the power used by 130 homes, and reduce annual CO_2 emissions by more than £1.4m. Atlas Point already generates 70% of the site's power requirements by channelling methane gas from a nearby landfill. Since we acquired the plant in 2006, we have invested $100 million into upgrading the facility. Over the next three years, we plan to invest $50 million more to enhance and expand the site ready for further growth.

Adjusted operating profit grew from **£255.1m** to

£264.6m +3.7%

Return on sales increased to

24.6% +0.3% points

How We Performed

Our Key Performance Indicators (KPIs) have been chosen by our Board to measure our Group's progress. A selection of our KPIs are shown below, each one relates to one of our strategic objectives, which in turn relate to a different area of our business model.

Strategic Objective: Increase new product innovation

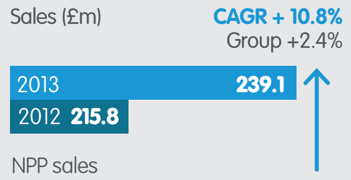
On track

KPI: New and Protected Products (NPP) sales, as a proportion of total 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.

Comment: Our focus on NPP sales is nothing new and we have a proven track record of bringing new products to market. We have, however, sought to bring greater focus by introducing more rigorous reporting of NPP sales, with a particular emphasis on NPP as a proportion of total sales. It is pleasing to report that in the two years since we started reporting this KPI, NPP sales have grown at a rate of 10.8% compared to total sales growth of 2.4% per annum across the same period.

Target: Increase the proportion of Group sales from NPP.



Strategic Objective: Expansion into emerging markets

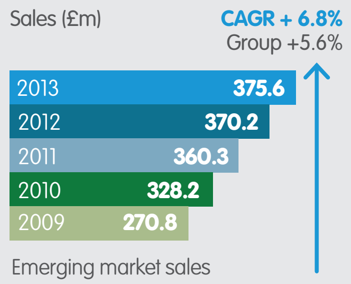
On track

KPI: Emerging market sales, as a proportion of total Group sales.

KPI definition: The percentage of sales growth into Eastern Europe, Middle East and Africa (EEMEA), Latin America and Asia.

Comment: Our definition of 'emerging markets' covers all our activity in Asia, Latin America and EEMEA. While some of the territories within these regions are reasonably well developed, they still represent areas where we believe sales growth could outstrip those of our more traditional markets. As outlined on page 11 we have increased our presence in each of these key regions and look forward to better than Group average sales growth from emerging markets in years to come.

Target: Increase the proportion of Group sales from emerging markets.



Strategic Objective: Increase shareholder value

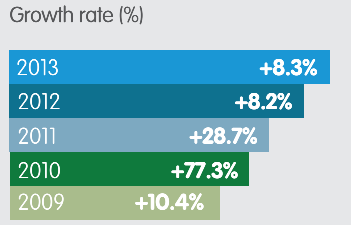
On track

KPI: Earning Per Share (EPS) growth.

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

Comment: Our headline EPS figure has grown from 51.2p in 2009 to 131.2p this year; a compound growth rate of 20.7%. We are proud of this return and of the value we have created for our shareholders but equally, we realise that expectations remain high for growth in the coming years. We firmly believe that the strategy we have outlined in the preceding pages will stand us in good stead to deliver EPS growth in our 5-10% target range in the medium term.

Target: 5-10% EPS growth p.a.



Strategic Objective: Increase barriers to entry

On track

KPI: Return on sales.

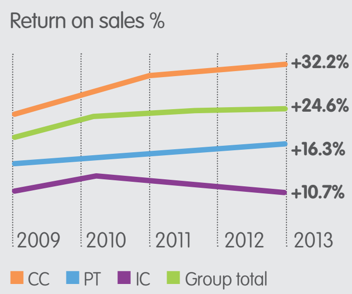
KPI definition: Operating profit as a % of Group sales.

Comment: Yet again we have reported record operating profit returns. In Consumer Care, returns are steady around the 32% level and our target remains to keep returns at this level in challenging market conditions. In Performance Technologies, we continue to make solid progress towards our medium term target of 20%. As each business continues to find innovative ways of addressing customer needs, we remain confident of further improvement in overall returns.

Target: Consumer Care (CC) maintain current levels.

Performance Technologies (PT) achieve 20% in the medium term.

Industrial Chemicals (IC) maximise profitability.



Strategic Objective: Minimise our envrionmental impact

On track

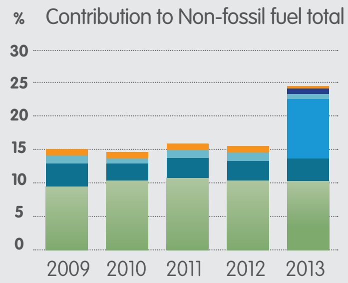
KPI: Non-fossil fuel energy %.

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

See SR

Comment: With contributions from many of our sites in 2013, most notably Atlas Point (see page 21), progress toward the 2015 non-fossil fuel content target has been dramatic. Looking to the future, we have a number of active capital projects around the world that will advance us yet further. The 25% target is within reach.

Target:
>25% by 2015.



Strategic Objective: Recruit, motivate and retain high calibre employees

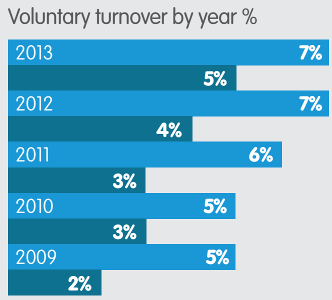
On track

KPI: Voluntary turnover by year %.

KPI definition: The number of employees who have voluntarily left the organisation throughout the year as a percentage of total average employees.

Comment: Voluntary turnover has remained stable during the year, while turnover from resignations alone is up fractionally but still at a healthy level. Both figures demonstrate the commitment and engagement of our people to Croda.

Target:
Total voluntary employee turnover less than 10%.



Strategic Objective: Maintain an efficient balance sheet and ensure profitability

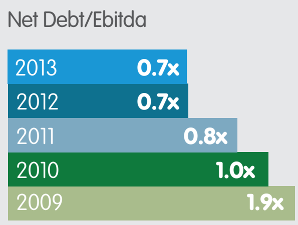
On track

KPI: Net debt/Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA).

KPI definition: Total debt as a ratio of EBITDA.

Comment: We remain a highly cash-generative business with strong free cash flow. This allows us to continue investing for growth without creating an unmanageable debt burden. Net debt is less than 1 times EBITDA and comfortably within our covenant of 3 times. With continued cash generation and EBITDA growth, we are confident of hitting this KPI target in the coming years.

Target:
<3 times.



Strategic Objective: Develop and improve the effectiveness of SHEQ systems.

Not on track

KPI: Lost Time Injury (LTI) rate.

KPI definition: Injuries which result in an absence from work of one day or more, divided by number of hours worked multiplied by 100,000 hours.

Comment: Our performance was disappointing in 2013, with regard to both employee performance and particularly to contractor performance, which was particularly poor in Asia where we are now taking measures to improve contractor selection and management. As well as focusing on underperforming sites, we will continue to improve our investigation and training programmes. We remain convinced that these efforts will result in a sustainable improvement.

Target:
LTI rate consistently < 0.2 per 100,000 hrs worked.

Our Risks

Effective management of our risks and opportunities helps us to achieve our strategic objectives, protects our people, local communities and our reputation, and demonstrates good corporate governance. It is essential to creating and protecting value for our shareholders and customers in line with our business model.

Our Risk Management Framework

We implement a structured risk management framework across the Group. This includes a standard set of risk categories and definitions, together with a process to analyse and manage risk which are interpreted at all levels of the organisation.

We rank risks by combining their economic, operational or environmental impact and how likely they are to occur. We do this both before and after we identify ways to mitigate the risks. The table below illustrates how we allocate risk management responsibilities within this framework.

Top Down

Bottom Up

Board Of Directors

- Ensures maintenance of a sound system of internal control and risk management.
- Defines risks and monitors risk exposures.
- Ensures nature and extent of risks we take are aligned with strategic objectives.
- Determines risk appetite.

Audit Committee

- Reviews the adequacy and effectiveness of the Group's internal controls and risk management systems.
- Reviews the reliance placed by management on mitigating controls of key risks, including both internal and external assurance.
- Supports the Board in monitoring risk exposures by directing Internal Audit to perform reviews over key risk areas.

Risk Management Committee

- Considers external and emerging risks and their relevance to the Group.
- Assesses all risk reviews to identify Group-wide impacts and trends.
- Evaluates whether risks have escalated and require further attention.
- Evaluates controls and procedures to mitigate all risks.
- Features, for each key risk, a nominated Executive Commitee member who has responsibility for ensuring best practice and continuous progress for their risk.

Regions & Functions

- Include finance, legal, SHEQ, regional businesses and IT.
- Manages risks involved in day-to-day operations through Regional Boards & steering groups.
- Undertakes a full review of risks and mitigating controls over these, at least half yearly.
- Allocates an owner to monitor and manage each risk.
- The SHEQ Commitee meets every quarter to review and report on SHEQ risks, controls, audits and KPIs.

Manufacturing & Selling Locations

- Manages the risks involved in day-to-day operations at each location.
- Undertakes a full review of risks, and mitigating controls over these, at least annually.
- Allocates an owner to monitor and manage each risk.

Internal Audit

- Supports the Audit Committee by providing assurance over the effectiveness of the mitigating controls identified for key risks.
- Reports to the Audit Committee on a quarterly basis.
- Group Risk and Control Manager co-ordinates reporting and provides updates to both the Audit Committee and the Board.

How Our Risk Management Process Evolved in 2013

In 2013 we undertook a risk assurance mapping exercise for each of the key risks. This involved documenting on a single page, the governance and policy frameworks; business, management and external controls; reporting and monitoring processes undertaken to mitigate each risk to an acceptable level. The exercise also allowed us to identify whether controls were adequate and appropriate and that there were no gaps in control. The results of the exercise were shared with the Board and the Audit Committee and will form the basis of Internal Audit work in 2014.

Also in 2013, we clarified the split of responsibility for risk management between the Board and the Audit Committee, and we have further integrated risk identification into the strategy process.

For more information please see the Audit Committee report on pages 45 to 49.

Risk and Sustainability

As part of our sustainability strategy, we have identified ten Material Areas that identify the opportunities around the global drivers of change, the three market mega trends and the related risks. Together, they will help us to turn potential negatives into positives and drive our future growth.

Our Market Place P12
Material Areas P28
See SR

Our Key Risks

Risks affect every area of our business. Their exact nature and potential impact is changing all the time. Regular reviews mean we can identify the risks that could knock our strategy off course and put in place controls to mitigate their negative effects.

Our risks fall into two main areas:

Fundamental Risks: those that, if we did not successfully manage them, would mean we would not have a business at all. They refer to our ability to operate a sustainable, safe and legal business.

Strategic Risks: those that arise as a result of our strategic objectives.

The table on pages 26 and 27 shows the key risks that we have identified in 2013 and the change in risk ranking compared with 2012. These risks represent the Board and Excecutive Committee's view of the risks posing the biggest threat to our business, scoring highest on our pre-control risk table. They are all related to the different sections of the business model and are driven by business objectives. Of course we face other risks and uncertainties, but these have either been assessed as lower risk and so are not included here, or are beyond the direct control of the Group. All risks remain under regular review by the Board and the Risk Management Committee and if their possible impact or the likelihood of occurence changes, they would be reclassified as a key risk.

Additional Priority Change Since 2012

The 'Currency exchange rate movements' risk is no longer viewed as a key risk in 2013 (though remaining under regular review). Although exchange rate movements can have a significant impact on reported results, given the nature of currency fluctuations it is unlikely that there would be a sustained material impact over a period of years. Whilst we believe we implement pragmatic controls to manage this risk, we also recognise that to a large extent this risk, along with other macroeconomic risks, is largely outside our control.

Risk Initiatives

The understanding and mitigation of our key risks to a level with which the Board is comfortable is always a business priority and to help us do this in 2013 we introduced a number of key risk management initiatives, including:

- Increasing focus in emerging markets by appointing an Managing Director of Eastern Europe, Middle East and Africa, as part of a broader strategy to create new director positions in other key markets.
- New and expanded R&D facilities, sales and customer training facilities in emerging market locations.
- Increasing chemical regulatory compliance by rolling out SAP Environment, Health and Safety software globally, and reviewing the impact of the K-REACH chemicals management system.
- Addressing the risk of increasing raw material shortage through ongoing review of sustainable supply arrangements for key raw materials.
- Ensuring that we have the talent our business depends upon by training and developing new regional sales and marketing teams to support our growth in emerging markets, and holding regular network meetings for our engineers.
- Establishing the Technology Investment Group to explore new and exciting ways of bringing new technologies into the Group.
- Strengthening our product portfolio by acquiring Sipo and the speciality chemicals business of Arizona Chemical.
- Working towards ISO27001 certification (Information Security Management standard).

Our Risks

Key Risk	How it Could Impact Our Business	How We Respond
Product and technology innovation	We operate in competitive markets where product innovation is key to our success. Failing to deliver innovation could result in a lack of competitive products, erosion of margins and/or loss of market share.	We have unrivalled understanding of, and contact with, our customers. This allows us to ensure that our innovation is market led and relevant to our customers' needs. We have 18 R&D centres globally to ensure that innovation can take place close to the customer. P16
Identification and integration of merger and acquisition targets	To meet our strategic objectives we must pursue acquisitions. Realising anticipated benefits from these acquisitions depends on how well we integrate them and how well they perform in relation to our expectations.	We have established policies and put processes in place to: • manage acquisitions and the associated due diligence prior to acquisition; • integrate acquired businesses; and • monitor performance. P16
Revenue generation in established markets	Our core markets are subject to increasing competition. Loss of business to competitors resulting from failure to adequately differentiate ourselves in these markets could have an adverse effect on our financial position.	We have specialised commercial sales teams worldwide and a commitment to protect existing business with competitive and considered pricing policies. Each market sector prepares and regularly updates a strategic plan to review potential new opportunities. P16
Revenue generation in emerging markets	One of our key strategic aims is for rapid growth in emerging markets. Failure to deliver on this objective may have an adverse effect on our growth.	Each market sector prepares a strategic plan to review potential new opportunities. Resource levels in sales, marketing and R&D are being increased in the fastest growing regions. We are committed to moving manufacturing closer to our target customers in those regions by constant, targeted investment. P16
Product liability claims	We sell into a number of highly regulated markets. Non-compliance with quality regulations could expose the Group to product liability claims and reputational damage.	Quality management procedures are in place for each site and all manufacturing sites hold ISO9001 standards. Major sites have also been audited against GMP (Good Manufacturing Practice) standards.
Chemical regulatory compliance	As a global chemical producer, we operate in a highly regulated environment. Violation or incomplete knowledge of these regulations could limit the markets into which we can sell, or subject the Group to fines or penalties.	We have a highly knowledgeable global regulatory team who work to a single set of policies and procedures, and ensure that forthcoming changes to both regional and application regulations are well understood and applied.
Bribery act breach by us or our agents or distributors	This risk has moved into our key risks since 2012 as a result of our business strategy to continue to move into emerging (and therefore potentially higher risk) regions and markets.	Policies and procedures have been rolled out globally which are monitored and their effectiveness covered in audit reviews. Global training has been given.

Key:

Risk increase Risk decrease No change

Business Model:

This icon highlights which area of the busines model each risk affects. Please refer to pages 14 and 15 for more information.

Key Risk	How it Could Impact Our Business	How We Respond
Major site safety incident	Significant operational problems could have an adverse effect on Croda's financial position. We rely on the continued operation of our manufacturing sites.	We operate strict internal safety and maintenance programmes which are audited by our Group SHEQ Internal Audit team and are considered by the Group SHEQ Steering Committee (Executive level). We also have business continuity plans in place. P16
Major environmental incident	Violations of safety, health and environmental regulations could limit operations and expose the Group to liability, cost and reputational impact.	We maintain compliance with national and international safety standards and strict environmental policies and procedures. These are audited by both our Group SHEQ Internal Audit team and external organisations. P16
Global raw material shortage	Interruption in the supply of key raw materials would significantly impact operations and our financial position. This could arise from implementation of new, more rigorous legislation or from market shortage.	Wherever possible we multisource our key raw materials and/or purchase them under medium to long-term contracts. We manage our raw material stock levels taking these considerations into account. P16
Employee recruitment, retention and motivation	We rely on knowledgeable and specialised employees whose vision and experience is critical to our success. The lack of an appropriately skilled workforce or comprehensive succession plans would adversely impact our ability to perform.	Our global talent review process continues to identify employees in key roles for succession planning, and succession planning is considered by the Board annually. To reward and motivate staff, we also have in place: • people development programmes; • remuneration policies. P16
Security of business information and assets	We face increased threat of loss of electronically stored business information as we continue to expand our use of mobile technology and move into emerging markets.	We have a highly experienced Global IT Security Manager. We have policies, procedures and systems in place to restrict access which we monitor and report on regularly and which are subject to internal audit annually.
IT application or system infrastructure failure	Croda relies heavily on IT systems to operate efficiently and to communicate globally. Failure of these systems for a prolonged period of time would have an impact on operations and ultimately our financial position.	Our Global IT Group is highly experienced in network, system and project management. Key systems run on high availability mirrored hardware and there are documented, tested recovery plans for key locations.
Ineffective management of pension fund assets	We have legal commitments relating to the provision of pensions and the operation of our pension schemes. In volatile market conditions, increased future funding requirements may have an adverse effect on our financial position.	The Group's pension schemes are overseen by the Trustees of the funds who take professional actuarial and investment advice, as necessary. Where appropriate, we appoint professional trustees to our schemes.

+ The risk management programme can only provide reasonable but not absolute assurance that key risks are managed to an acceptable level.

Our Sustainability Agenda

Sustainability is not just one part of our business, it is integral to everything we do. From the raw materials we source and the way we use them, to the ingredients we create and the people who produce them, we adopt a truly holistic approach.

As we move closer to our customers across the world, expanding within existing and emerging markets, we must continue to manage our business across the triple bottom line, as a product or service can only be considered truly sustainable when the demands of economy, environment and society are met. We will do this by continuing to:

- invest in truly global and profitable innovation that drives long-term growth and business sustainability;
- innovate our products and technology platforms, and responsibly manage our raw materials and supply chains, so that we continue to minimise our environmental impact;
- set consistent safety and environmental impact standards across our global operations, in order to provide a safe and healthy working environment;
- value a diverse and inclusive workforce and provide tailored development opportunities to enable all employees to reach their full potential;
- ensure fair and equitable employment conditions, providing a stimulating working environment based on respect and partnership;
- be sensitive towards the communities in which we operate and proactively involve ourselves in local initiatives, with a focus on community education projects relating to the nature of our business;
- go beyond compliance, where relevant, to work with legislative and industry bodies, as we strive for demanding standards that reduce environmental and social impacts and improve quality; and
- use all relevant media available to develop open and transparent communication pathways with key stakeholders to help address our Material Areas.

Our Responsibility

In 2011, we established our Materiality Matrix, mapping the most significant sustainability issues to our business success against their importance to our stakeholders. This evolved in 2012, and in 2013 we held a Strategy Review to progress a longer-term sustainability programme aligned with our business strategy.

The Review used the Business in the Community (BITC) Forces for Change (FFC) framework to identify global drivers that could affect our business and sustainability strategy. Preparation was completed across our business with input on the potential opportunities and risks that the global drivers present to our future business success provided by our Executive Committee, senior Leadership Development Group, regional middle management networks, and current and past Graduate Trainees.

Our Global Drivers of Change and Opportunity

These are the global drivers that our Strategy Review established as the most important to our business and that have an input into and impact upon our whole value chain. They are a challenge to our business, but also an incredible opportunity for future growth.

- Mass population growth, ageing and polarisation
- Shifts in global economy
- Changing climate
- Scarcity of natural resources
- Changing expectations and behaviours
- Challenging legal and regulatory environments.

Our 10 Material Areas

Reaching across all aspects of our business, these 10 Material Areas address the global drivers that are most significant to our future business success. They are an evolution of our 2012 Material Issues, now at the core of our longer-term sustainability activity, against which we report our performance.

- Process Safety & Stewardship
- Corporate Knowledge
- Environmental Impact
- Product Design
- Health, Safety & Wellbeing
- Diversity & Inclusion
- Policy & Regulation
- Product Stewardship
- Talent Acquisition & Management
- Community Education & Involvement

See SR

Environmental Impact

Minimise the impact of our operations

The world is increasingly fragile. Climate change is affecting the way we live and the way global businesses operate. As an ethical and responsible business, we continue to minimise our impact on the environment by constantly looking at what we can do, particularly across our manufacturing sites, to alleviate the pressures on a fragile earth.

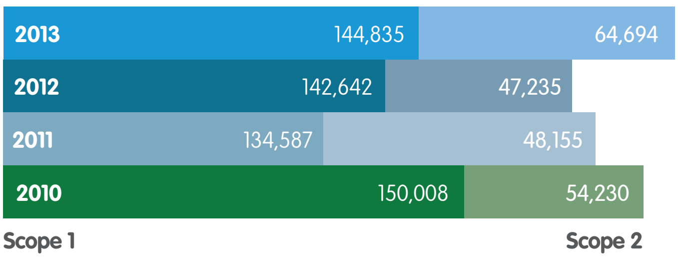
2013 Performance

During 2013, our activities continued to focus on air quality and climate change, water quality and supply and land impact, including waste to landfill and biodiversity. We made some excellent progress against our 2015 targets:

- 24.4% Group energy from non-fossil fuel sources (2015 Target: 25%)
- 41.4% reduction in Group waste to landfill* (2015 Target: 20%)
- 30.9% reduction in Group volatile organic compound (VOC) emissions* (2015 Target: 10%)
- 7.7% reduction in Group water consumption* (2015 Target: 10%)

Due to ongoing energy reduction projects that are yet to be completed and changes in production patterns at key manufacturing sites, we saw an increase in total energy use in 2013 compared to 2012. Whilst this has had a negative effect on our total gross GHG emissions, 734.4Te eq CO_2 per £1m EBITDA in 2013, compared to 701.7Te eq CO_2 in 2012, our increased use of non-fossil fuel during the year means our net Scope 1 GHG emissions have reduced from 142,450Te in 2012 to 123,768Te, a reduction of 13%.

Changes in Total Gross GHG Emission Relative to 2010 Baseline Year For Continuing Operations (Te eq CO_2)



* compared to 2010 baseline

** Scope 1 emissions are reported for CO_2 and VOCs, 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.

Policy & Regulation

Proactively engage in the enhancement of policy and regulation

We safeguard our employees, our customers, our supply chain and our communities by ensuring that we are compliant with policy and regulation requirements across the markets and countries in which we operate. To embrace the challenges of a constantly changing environment, we collaborate with relevant technical committees and industry associations, contributing to, and keeping ahead of, future changes affecting our business.

2013 Performance

At Croda, we have a track record of actively working to increase quality standards in our industry.

- **Going above and beyond compliance**
  This is demonstrated by our current work to ensure that our recent acquisitions in China and Italy meet ISO 9001, ISO 14000 and OHSAS 18001 by the end of 2016.
- **Proactively guiding and influencing the development of policy and regulations**
  Evidenced by our close partnerships with the bodies that establish standards, regulations and legislation, such as:
  - chairing a Scientific Committee at the Consumer Specialty Products Association (CSPA) in North America;
  - chairing a Hard Surface Cleaning committee at the American Society for Testing and Materials (ASTM);
  - working with the European Chemical Industry Council (Cefic);
  - collaborating with the European Standards Agency on carbon content measurement; and
  - participating in invitation only roundtable discussions with UK political parties in relation to proposed employment legislation and policy, such as the living wage.

By sharing our knowledge and expertise, we are helping to develop and raise global quality standards, whilst proactively preparing ourselves to comply with new policies. During 2013, this also included valuable contributions to the global debate on the use of titanium dioxide in nano form in cosmetic products and the safe use of hydrolysed wheat protein in cosmetics.

Our Sustainability Agenda

Product Design

Deliver the most innovative and sustainable ingredients to our customers

There is an increasing focus on, and understanding of, the ingredients that go into the goods used across the world, and more and more consumers want to know that the products they use are sustainable. We aim to use renewable, natural raw materials and scientific innovation to eliminate or minimise impacts on environmental issues. This extends to our role in protecting biodiversity and addressing the effects of climate change.

2013 Performance

During 2013, we made significant progress in leading the way to Sustainable Palm Oil (SPO) derivatives, and continued our focus on assessing the sustainability profile of our new products against the 12 Principles of Green Chemistry and measuring their renewable raw material content.

- Four manufacturing sites are now certified to supply ingredients supporting SPO against the Roundtable on Sustainable Palm Oil (RSPO) Mass Balance module.
- 103 new products were launched in 2013.
- An average new product score of 10 against the 12 Principles of Green Chemistry in 2013, with 32% scoring 12 out of 12.
- 65.2% of all raw materials used in 2013 were derived from renewable natural sources.

Recognising that our ingredients can also have important environmental, social and economic benefits in application, we are beginning to monitor a 13th Principle; Design products that offer environmental benefits during use.

103
new products launched

10
out of 12
is the average score of our new products against the 12 Principles of Green Chemistry

Product Stewardship

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

Product Stewardship refers to the environmental, health and safety impact of the ingredients we sell to our customers throughout their lifecycles and, therefore, throughout the supply chain. It affects all areas of our operations, from sourcing our raw materials in an increasingly fragile environment, to environmentally sensitive manufacturing processes, and clear and comprehensive customer information for safe use and disposal.

2013 Performance

Product quality is at the heart of responsible product stewardship. We must be able to achieve consistently high standards wherever we manufacture our ingredients in order to deliver the performance our customers expect, and to ensure the safety and satisfaction of consumers.

- By the end of 2013 we had 500 of our ingredients in our Ingredient Sustainability database and had begun collecting the data against the 10 metrics that we will measure them on.
- We are actively helping to raise global standards through our work with organisations like the European Commission and the European Federation for Cosmetic Ingredients (EFfCI), and the end of 2013 saw us have 11 of our manufacturing sites EFfCI certified.
- We were one of 41 companies recognised on the CDP Climate Disclosure Leadership Index for our leadership in climate change transparency.
- Excellent progress has been made in obtaining Authorised Economic Operator (AEO) standard, with seven operations approved in 2013 and our remaining European locations expected to follow in 2014.

11
manufacturing sites now EFfCI certified

500
listings in our Ingredient Sustainability database

See SR

Process Safety & Stewardship

Foster the development of safety and quality systems associated with all of our processes

We have a clear responsibility to protect our people, the communities in which we operate and our infrastructure. The consequences of not doing so represent the most significant risk to our business, stakeholders and people. However, the benefits that arise from carefully managed process safety and process stewardship are extensive, having a direct impact on our business growth, reputation and sustainability.

2013 Performance

As a manufacturer of speciality chemicals, with seven of our global facilities classed as major hazard sites, we are committed to an ongoing, robust programme of process safety management and stewardship across our operations. It is how we protect our business and how we ensure the excellent quality that our stakeholders demand of us.

By driving improvement through top-down line management commitment, extensive training, and robust checks and measures across all areas of our business, 2013 saw:

- 100% of all critical actions arising from Process Risk Assessments completed on time;
- global Incident Investigation training implemented a year ahead of schedule; and
- Croda's Hazard Study Leaders' Academy programme achieve external post-graduate certification from the University of Derby, in the UK.

100%
all critical actions arising from Process Risk Assessments completed on time

Croda Hazard Study Leaders' Academy programme endorsed by the University of Derby

Health, Safety & Wellbeing

Empower employees to have health, safety and wellbeing at the forefront of their thinking

As a global manufacturer, we have a responsibility to take care of all our employees across our global operations and we set ourselves extremely high standards, particularly in personal safety management where our aspirational goal is zero harm. For us, health and safety goes further than legal requirements to encompass the total wellbeing of our people and we are continuing to invest in initiatives with this in mind.

2013 Performance

We have now widened our Health & Safety Material Area to include Wellbeing, signalling our intent to actively invest in the general wellbeing of our employees, which often goes over and above legal requirements. In 2013, 94 different health and promotion activities took place across our global operations.

However, the safety of our employees remains the top priority for us and we continually strive to improve upon our injury rate. To help us achieve this, 2013 saw our operations develop a variety of Behavioural Safety Programmes, all of which are being shared globally to encourage best practice.

94
different health promotion activities across the globe

Both USA manufacturing sites awarded OSHA's coveted VPP* status

* Voluntary Protection Program, the highest award from OSHA

Our Sustainability Agenda

Talent Acquisition & Management

Be an employer of choice

Our business is only as good as our people. As a scientific knowledge company, we need to find 'the talent'; the people with the right mix of skills in the places where we need them. We then need to attract talented people to work for us, stay with us and develop rewarding careers with us. By offering the right balance of remuneration, rewards and opportunities, we can capture and keep hold of the critical knowledge that we rely on to drive innovation and growth, so that we can continue to build the committed global workforce that will help us to achieve even greater success.

2013 Performance

All the regions in which we operate now have a dedicated Graduate Development Programme and during 2013 90% of employees across our entire workforce received training, totalling 122,212 hours. Investing in our people to build on their knowledge, skills and abilities is important because:

- it allows us to develop expertise from within, for example, half our Executive Team joined as graduates;
- it provides excellent opportunities for personal and career development; and
- it helps to make us an employer of choice.

Our annual turnover from resignations remained low during 2013 at 4%, and with retention firmly in mind, we continue to develop our company share ownership scheme, Sharesave. In 2013, non-UK enrolment in Sharesave increased from 48% to 60% and in the UK, where we are also able to offer a Share Incentive Plan, levels increased by 3% to 78%. This was a global rise in share scheme membership from 55% in 2012 to 65% in 2013.

90% of our employees received training, totalling

122,212 hours

All regions now have a

Graduate Development Programme

Corporate Knowledge

Safeguard our knowledge and expertise

Corporate knowledge is 'what we know'; about everything from our technologies and products, to our customers and markets. In a world where employees are increasingly mobile and the rate of innovation is continuing to increase, keeping hold of the critical knowledge that helps to generate profit is more important than ever. It can be in people's heads, on computers or filed away in a cupboard. The challenge for any business is how to identify, hold onto, share and develop that critical knowledge to create competitive advantage.

2013 Performance

We employ a wide variety of people who are all experts in their individual job roles, driving the innovation that creates our growth. Our employee retention rates are very high and something that we strive for as a means of keeping critical knowledge within our business. We must recognise, however, that some employees will move on in their careers and all will inevitably retire, so this new Material Area addresses how we manage critical knowledge transfer.

The three key elements of our approach are:

1. **Knowledge Capture**
   Bringing in talent, new technologies and knowledge through our acquisitions and recruitment strategies.
2. **Knowledge Retention**
   Keeping critical knowledge within the business, by recognising and rewarding the expertise of our employees.
3. **Knowledge Transfer**
   Sharing and re-using knowledge to the best effects across our business, maximising opportunities and avoiding any duplication of effort.

Over

32,000

customer reports in client relationship management system, C2G

45% of our marketing, engineering and technical experts communicate on our social media network The Hive

See SR

Diversity & Inclusion

Embrace and empower all individuals

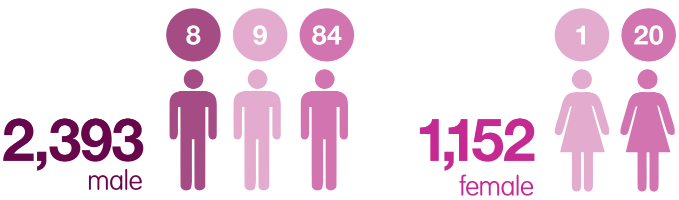
Diversity & Inclusion is not just about complying with policy, it is about creating a culture of mutual respect for mutual benefit. It is therefore not something we do because we are required to, but because it is good for our people and good for our business. We focus on supporting, valuing and respecting diversity in our workforce, and ensuring that all employees feel empowered and included.

2013 Performance

We have a comprehensive diversity policy in place and are committed to ensuring that all of our policies remain consistent with the spirit and intent of the ILO Declaration on Fundamental Principles and Rights at Work. In 2013, we:

- surveyed our European workforce to obtain detailed insights into the perceptions around gender and equality within our business;
- launched a talent review process, which saw the skills and performance of 1,353 employees discussed in a fair and objective way, with 160 managers from around the world being involved in the process;
- continued to work towards our target of every employee having a formal appraisal by the end of 2015; and
- worked hard to prepare for the first global employee engagement survey that will take place in 2014.

2013 Gender Diversity



Executive and Non-Executive Directors*
Executive Committee Members
Regional Board Members and Senior Functional Heads

Gender diversity is a key element of our diversity strategy, and as a direct result of our 2013 gender survey, we will now be running a pilot programme of unconscious bias training with a selection of our middle and senior managers to help avoid stereotyping and unfounded perceptions impacting on the effectiveness of our people management processes.

* In February 2014, Dr Helena Ganczakowski was appointed as a Non-Executive Director

Community Education & Involvement

Support the communities in which we operate, with a primary focus on encouraging young people to work within science and technology

Our 'social licence to operate' is based on the relationships we have with the communities local to our operations. These relationships also have an impact on the people who work for and with us, and on their families and wider communities. As a science knowledge based company, we recognise that we can bring value; not just by providing employment and buying goods and services, but also by actively improving skills, knowledge and lives through our community education and involvement programmes.

2013 Performance

We have a duty and a passion to encourage and enthuse young people about the benefits of a scientific education, which we deliver alongside a variety of community initiatives by our people 'getting involved'.

Community Education
All the regions in which we operate understand the importance of science, technology, engineering and maths (STEM) and make valuable contributions to raising awareness of these subjects. In 2013, 15 out of our 19 operations with Research & Development Centres or a significant engineering team implemented education programmes and our UK STEM Team reached 1,428 students in 59 schools.

Community Involvement
We respond both proactively and reactively to local needs to deliver real benefits. We do this by encouraging open dialogue between our operations and the communities in which they operate; in 2013 this led to 402 reported meetings with local community and stakeholder groups. We also run a highly successful employee volunteer programme called 1% Club, with 4,387 volunteering hours recorded during 2013 by over 20% of our global workforce.

Signed on behalf of the Board who approved the Strategic Report on 5 March 2014.

Steve Foots
Group Chief Executive

Our Board

We rely on our Board to provide us with leadership and inspiration. They help to develop a clear Group strategy, monitor our operational and financial performance against agreed objectives, and ensure that we have the right controls and systems in place to manage risk.


Martin Flower

Martin Flower, Chairman

Appointment: Appointed to the Board in May 2005 and became Chairman at the end of September 2005.
Key strengths and experience: Considerable board and international experience and a broad knowledge of strategic management. Martin formerly held various senior executive positions over 36 years with Coats plc, culminating in a period as Chairman before his retirement in 2004, and he was Deputy Chairman and Senior Independent Director of Severn Trent Plc until June 2006. In 2010 he retired as Chairman of Autogrill Holdings UK Plc (formerly Alpha Group Plc).
External appointments: Chairman of Low & Bonar PLC and Senior Independent Director of Morgan Advanced Materials plc.
Committee membership: Chairman of the Nomination Committee, member of the Remuneration Committee.


Sean Christie

Sean Christie, Group Finance Director

Appointment: Appointed to the Board as Group Finance Director in April 2006.
Key strengths and experience: Extensive experience in financial management and acquisitions and disposals. Sean previously held a number of senior finance positions with Northern Foods Plc, where he was Group Finance Director from 1996 to 2004. He was a Non-Executive Director of KCOM Group plc for eight years until 2007 and a Non-Executive Director of Cherry Valley Farms Ltd from 2006 until the company was sold in 2010.
External appointments: Appointed as a Non-Executive Director of Eminate Limited, a developer of intellectual property and a wholly owned subsidiary of The University of Nottingham, in November 2012.
Committee membership: Chairman of the Risk Management Committee, member of the Group Executive and Group SHEQ Steering Committees.


Nigel Turner

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: Considerable City experience having spent over 35 years as a corporate financier in the UK and USA. Most recently Nigel was the Chairman of Numis Securities Ltd and Deputy Chairman of Numis Corporation plc from December 2005 until his retirement in November 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 in London and New York where he was Managing Director and a member of the Supervisory Board of the Lazard Group.
External appointments: Senior Independent Director of Genus plc since 2008.
Committee membership: Member of the Audit, Remuneration and Nomination Committees.


Helena Ganczakowski

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 runs a consulting business working with a range of organisations helping them to develop and implement strategies.
Committee membership: Member of the Audit, Remuneration and Nomination Committees.


Stanley Musesengwa

Stanley Musesengwa, Non-Executive Director

Appointment: Appointed to the Board in May 2007.
Key strengths and experience: Considerable operational experience in global manufacturing, sales and marketing. Stanley joined the Tate & Lyle Group in 1979 as a refinery manager and subsequently performed a number of different roles in Africa, before becoming Regional Director, Tate & Lyle Africa in 1995. In December 1999 he was appointed Group Chief Executive Officer of Tate & Lyle Europe. He was appointed to the Tate & Lyle Board in April 2003 and took up the position of Chief Operating Officer on 1 May 2003 until his retirement in 2008. Prior to joining Tate & Lyle, Stanley worked for Nestlé.
Committee membership: Chairman of the Remuneration Committee, member of the Audit and Nomination Committees.


Steve Foots

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, 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.
Committee membership: Chairman of the Group Executive Committee, member of the Nomination, Risk Management and Group SHEQ Steering Committees.


Keith Layden

Keith Layden, Chief Technology Officer

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 currently responsible for global Research and Development, and the Technology Investment Group. Previously he held a number of Managing Director roles across Croda's European business.
External appointments: Keith represents Croda as a member of the advisory board for chemistry at the Universities of Nottingham and York, and is a member of the Innovation Strategy Board for Chemistry Innovation. He is a Representative of the Council of the Learning and Teaching Committee, University of Sheffield, and in 2014 was appointed as a Trustee and member of Council at the Royal Society of Chemistry.
Committee membership: Member of the Group Executive, Risk Management and Group SHEQ Steering Committees.


Alan Ferguson

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 6 years as Group Finance Director from 1999. Alan is a Chartered Accountant.
External appointments: Has been a Non-Executive Director of Johnson Matthey PLC since January 2011 and was appointed as a Non-Executive Director of The Weir Group PLC in December 2011. In addition Alan was appointed as a Non-Executive Director of London Mining Plc in March 2013. He chairs the Audit Committees at each of these companies.
Committee membership: Chairman of the Audit Committee, member of the Remuneration and Nomination Committees.


Steve Williams

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: Since 2008, Steve has been a Non-Executive Director of Whitbread PLC where he is also the Senior Independent Director. In addition, Steve is a Non-Executive Director of Eversheds LLP, an international law firm, and a senior advisor 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.
Committee membership: Member of the Audit, Remuneration and Nomination Committees.


Tom Brophy

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 and insurance. 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.
Committee membership: Secretary to the Audit, Remuneration and Nomination Committees, member of the Group Executive, Risk Management and Group SHEQ Steering Committees.

Corporate Governance

The Board is committed to ensuring that it provides entrepreneurial leadership for the Group within a dynamic governance framework that adapts to the changing corporate governance landscape.

Martin Flower, Chairman

Dear Fellow Shareholder,

Since the publication of our last Annual Report, our governance framework has evolved to take account of several important changes to the corporate governance landscape, including the changes in September 2012 to the UK Corporate Governance Code (the "Code") that resulted in enhanced consideration of board diversity and additional reporting requirements for our Audit Committee. The Board is now also required to report that it considers the Annual Report to be fair, balanced and understandable, which we have done on page 77. New rules on remuneration reporting were also introduced, which having gone a long way to early adopting in last year's Annual Report, we have now fully adopted in this year's report.

The Board is committed to high standards of corporate governance and to complying with the provisions of the Code and I am pleased to report that except in one limited respect, the Company has complied with the Code for the period under review. The Board is accountable to the Company's shareholders for good governance and this report, together with the Directors' Remuneration Report, set out on pages 52 to 73, describes how the main principles of governance set out in the Code have been applied by the Company.

In light of Stanley Musesengwa's retirement from the Board in April, the Board, with the assistance of the Nomination Committee, undertook a search for a new Non-Executive Director. We took great care to ensure that the specification for the role was equally suited to both female and male applicants and we appointed a search consultant, Zygos, that had signed up to the voluntary code on diversity. I was therefore delighted to announce in January the appointment of Helena Ganczakowski as a Non-Executive Director of Croda. Helena brings with her a wealth of experience in consumer marketing and innovative product development. I wish Stanley well and thank him for the valuable role he has played over the last seven years. Steve Williams will succeed Stanley as Chairman of the Remuneration Committee.

The actions agreed following the externally facilitated Board effectiveness review in 2012 have progressed well. In 2013 the Board review was conducted using an online survey, the results of which facilitated an evaluation of the effectiveness of the Board and its Committees. The evaluation was once again positive, with some minor areas for improvement identified and agreed. Further details can be found on page 41.

The Board is committed to greater diversity within our business. A greater diversity of ideas, skills, knowledge, experience, ethnicity and gender throughout our organisation is very important for the continuing long-term success of the Company. This also applies when it comes to the composition of the Board to ensure that it is well equipped to lead the business effectively, embraces new ideas and makes good use of differences in experiences, backgrounds and perspectives to satisfy all the different stakeholders we have as a global organisation. During the year, we adopted a Board diversity policy, which included the objective of increasing the female composition on our Board as vacancies arise and suitable candidates are identified, and appointing at least one female Board Director by the end of 2014. A copy of the policy is available on the Company's website (www.croda.com).

The Strategic Report provides an explanation of the Group's business model, the basis on which the Group generates value over the long term and the plan for delivering our strategic objectives. In the coming year, the Board will continue to focus on strategic themes such as innovation, globalisation of manufacturing and emerging markets. The Board will also be focusing on succession planning for the Chief Executive and other senior executive roles.

Martin Flower
Chairman

Leadership

Role of the Board

The Board has ultimate responsibility for the overall leadership of the Group and in this role it oversees the development of a clear strategy for the Group, monitors operational and financial performance against agreed goals and objectives and ensures that appropriate controls and systems are in place to manage risk. It has a formal schedule of matters specifically reserved for it, a full copy of which can be found on the Company's website (www.croda.com). The principal matters reserved for the Board are set out on page 38.

At the date of this report the Board comprises the Chairman, the Group Chief Executive, the Group Finance Director, the Chief Technology Officer and five independent Non-Executive Directors, who have a broad range of business, financial and international skills and experience. This provides an appropriate balance and diversity within the Board. Biographical notes appear on pages 34 and 35.

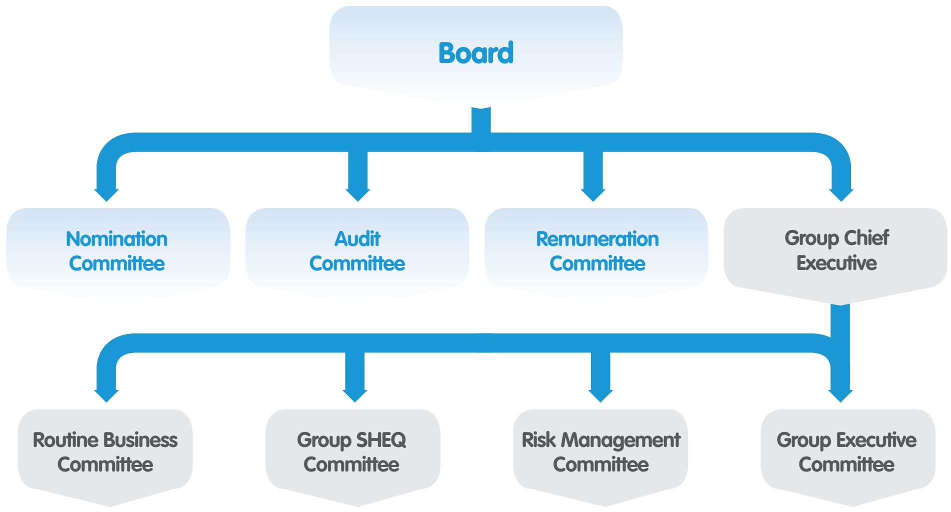
Details of the Company's Board and Committee governance structure are set out to the right. The terms of reference for each Committee of the Board can be found on the Company's website. Membership and activities of the various Committees are summarised on the following pages.

Governance

Membership of the Board as at 31 December 2013 and Attendance (Eligibility) at Board Meetings Held During the Year.

Meetings during the year	**8**
Martin Flower (Chairman)	8 (8)
Sean Christie	8 (8)
Alan Ferguson	8 (8)
Steve Foots	8 (8)
Keith Layden	8 (8)
Stanley Musesengwa	8 (8)
Nigel Turner	8 (8)
Steve Williams	8 (8)

Governance Structure:



The Board has three main Committees: the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee – chaired by Alan Ferguson

Monitors the integrity of the Group's financial statements/announcements, the accounting processes, and the effectiveness of internal controls and risk management. For more information see pages 45 to 49.

Remuneration Committee – chaired by Stanley Musesengwa

Approves the Company's remuneration policy and framework, and determines the remuneration packages for members of senior management. For more information see pages 52 to 73.

Nomination Committee – chaired by Martin Flower

Reviews the structure, size and composition of the Board and its Committees, identifies and nominates suitable candidates for appointment to the Board, and is responsible for succession planning. For more information see page 50.

The day-to-day operational management of the business is delegated by the Board to the Group Chief Executive, who utilises a number of Committees to assist him in this task: the Group Executive 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 51.

Corporate Governance

Matters reserved for the Board

The matters reserved for the Board can be categorised into four broad areas:

1. Matters required by law to be reserved for the Board's decision, such as approval of the report and accounts, appointment of new Directors and declaring dividends.
2. Requirements of the UK Listing, Prospectus and Disclosure and Transparency Rules, such as approval of circulars to shareholders and 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 principal matters reserved for the Board are:

Strategy and Management	• Approval and review of the Group's long-term objectives, commercial strategy and budget.
Financial Reporting and Controls	• Approval of the Group's financial statements. • Recommendation or declaration of dividends. • Approval of treasury policies.
Internal Controls	• Maintenance of a sound system of internal control and risk management.
Public Communication	• Approval of shareholder circulars and significant communications.
Board Membership and Other Appointments	• The size, structure and composition of the Board and its Committees. • Succession planning and appointments to the Board and senior management.
Delegation of Authority	• Approval of the roles of the Chairman and Group Chief Executive and the terms of reference of Board Committees.
Remuneration	• Determination of the remuneration policy for the Directors and other senior executives.
Contracts, Acquisitions, Disposals and Investments	• Approval of material corporate and commercial transactions and commitments.
Policies	• Approval of key Group policies.
Other	• Appointment and removal of the Group's principal professional advisers and external auditors. • Major changes to the rules of the Group's pension schemes.

Role of Chairman, Group Chief Executive and Senior Independent Director

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.

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 the Directors contribute to boardroom discussions and feel comfortable in engaging in healthy debate and constructive challenge.

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. He ensures that there is adequate time dedicated during meetings and throughout the year to discuss all material matters, including strategic, financial, operational, business, risk, HR and governance issues. One of the outputs from the 2013 Board effectiveness review was to move to an agenda programme over two years rather than be constrained by a traditional one year cycle. Freeing up the agenda programme in this way will allow for more time to be spent on agenda items and more time for consideration of unscheduled or unanticipated matters.

The Chairman leads the annual Board effectiveness review process and ensures all new Directors undertake an appropriately tailored induction process. The Chairman is responsible for ensuring effective communication with shareholders and for ensuring the Board develops an understanding of 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.

The Group Chief Executive has day to day responsibility for the effective management of the Group's business and for ensuring the implementation of decisions of the Board. The Group Chief Executive plays a key role in devising and reviewing sustainable strategies for the development of the Group for discussion and approval by the Board. He is tasked with providing regular reports to the Board on all matters of significance relating to the Group's business or its reputation to ensure the Board has accurate, timely and clear information on all matters on which a decision of the Board is required. The Group Chief Executive 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 also ensures any areas of potential conflict between the Executive and Non-Executive Directors are minimised.

The Senior Independent Director's role includes providing a sounding board for the Chairman and acting 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 the Chairman's term of appointment and fees.

Outside the Boardroom

In addition to the formal Board meetings, the Directors attended meetings to review the Group's strategy and attended the Annual General Meeting ("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 and the Non-Executive Directors (excluding the Chairman) met in order to appraise the Chairman's performance.

During the year, each of the Non-Executive Directors undertook a visit to one of the Group's UK sites. In July 2013, Nigel Turner and Alan Ferguson visited our manufacturing facility at Rawcliffe Bridge and held discussions with management in relation to process safety, gaining a fuller understanding of the Group's safety management control framework. In August 2013, Steve Williams and Stanley Musesengwa visited the Company's facility at Leek. The visit was led by the President of our European Consumer Care business and included a site tour, meetings with the management team in relation to the importance of sales and marketing to the business as well as discussion on customers' needs.

The Non-Executive Directors reported back to the Board following their site visits, including recommendations and suggestions for improvements. Further site visits are planned for 2014.

All the Directors are involved in the Group's Leadership Development Programme, attending various sessions, including roundtable discussions on topical business issues chaired by a Director - for example on emerging markets, ethics or risk management, as well as opportunities to interact socially with the employees on the course in team building sessions or at dinners.

Members of the Executive Committee and other senior management across the business are often invited to Board dinners at which the Board discusses topics relevant to the business and its strategy. This enhances the Board's understanding of the business and gives the Directors the opportunity to spend time with the Group's senior management and potential future leaders.

Site visit

At least one Board meeting a year also usually takes place at a Croda operating site. In September, the Board held its meeting at our Gouda manufacturing site in the Netherlands and at our German offices and distribution centre. This allowed the Non-Executive Directors to observe operations at first hand and to meet with the senior management and local employees, gaining an insight into the European business.

Corporate Governance

The Board has an agenda programme that ensures strategic, operational and business, financial, HR and corporate governance items are discussed at the appropriate time at Board meetings during the year.

The Board's activities during the year and priorities for 2014

Some key highlights of the Board's activities during the year, and areas for focus during 2014, are set out below.

Strategy	During the year, the Board met several times to discuss the Group's strategy. The Board was involved at different stages during the development of the strategy, with their detailed views and direction sought mid-way through the year as consideration of the strategy was progressed by senior management. This culminated in the Board's approval of the strategic plan at the Board strategy day at the end of the year. At each Board meeting the Board discusses strategic corporate development and merger and acquisition opportunities. During the year the Board agreed to acquire the Specialty Products business of Arizona Chemical and a 65% equity interest in Sipo, a natural speciality chemicals manufacturer based in Sichuan Province, China. During 2014 the Board will continue to focus on key strategic themes, including innovation, globalisation of manufacturing and emerging markets.
Operations and Business	The Board were given regular updates on Safety, Health and Environment, Corporate Social Responsibility, and IT. Senior managers from across the business also gave presentations on their business. These items will also be discussed in 2014, with presentations already scheduled on Performance Technologies, Geo Technologies and Crop Care.
Finance	The Board regularly monitored the Group's financial performance and approved the financial statements, dividend policy and treasury policies.
HR	In 2013, the Board oversaw the Executive-led root and branch review of the Company's remuneration philosophy, framework and policies. The key conclusions of the review were that while the Company's existing reward practices and policies were perceived to be working, opportunities existed for further development/ enhancement. The Remuneration Committee led a consultation with the Company's major shareholders and investor bodies on the proposed changes to the Company's remuneration policy, further details of which are set out in the Directors' Remuneration Report on page 53. During 2014, the Board will focus specifically on succession planning.
Corporate Governance	As noted on page 36, during the year the Board developed a Board diversity policy. This included agreeing to work towards increasing the female composition of the Board as vacancies arise and suitable candidates are identified, with the objective of appointing at least one female Board Director by the end of 2014. The Board undertook a review of its effectiveness and the effectiveness of its Committees, further details of which can be found on the page opposite. The Board also undertook a detailed review of its compliance with the Corporate Governance Code ('Code') and the UK Listing, Prospectus, Disclosure and Transparency Rules. These items will be reviewed again in 2014.

Board re-election

The Board contains a broad range of skills and experience from different industries and advisory roles, as well as across international markets. These skills support the strategic aims of the Company for the future. Following individual performance assessments, the Board is satisfied that each Director continues to perform effectively, allocates sufficient time to discharge their duties and remains fully committed to their role in the Company.

The Company's Articles of Association require the Directors to offer themselves for re-election at least once every three years and for newly appointed Directors to offer themselves for election at the first AGM after the date of their appointment. However, in accordance with the Code, all Directors (except Stanley Musesengwa who will retire at the AGM) will stand for re-election at the 2014 AGM, with Helena Ganczakowski offering herself for election. Full biographies for the Directors can be found on pages 34 and 35.

Effectiveness

The Nomination Committee

The Nomination Committee Report, which describes the membership of the Nomination Committee, along with its responsibilities, main activities during the year and its priorities for 2014, is set out on page 50.

Board evaluation

The Board undertakes a formal review of its performance and that of its Committees each year. In 2012 we commissioned an externally facilitated review in accordance with the Code, conducted by Sheena Crane, an experienced consultant, with no other connection to the Company. Actions and objectives were agreed based on the feedback and the Board has been successful in implementing the action points. The key actions and progress in meeting them are summarised below:

Key Actions in 2013	Progress
Update the Board agenda programme to include more time for discussion and monitoring of non-financial risks, health and safety, CSR and sustainability.	✓
To develop a Board diversity policy and consider diversity in the context of the wider organisation.	✓
To explore Non-Executive Director succession planning, examining the skills and experience that will be of significant benefit to Croda in the future.	✓
To develop succession planning for the Group Chief Executive.	–
The Remuneration Committee to oversee the Executive-led root and branch review of remuneration and incentivisation throughout the Group.	✓
To be engaged earlier and throughout the year in the strategic planning process and development.	✓
The Chairman and Group Chief Executive to review the overall timetabling of Board and Committee meetings and agenda design to ensure the most efficient use of the Board's time.	✓
The Chairman to create development plans for each Non-Executive Director to ensure they continue to build a deep understanding of the Group's businesses.	✓

During 2013, the Board review was conducted using an online survey, tailored to Croda's activities and current concerns. Separate surveys were also used for the Audit, Remuneration and Nomination Committees. The surveys 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 improvement were identified and agreed.

Key actions for 2014 include:

- to focus on succession planning of senior executive roles;
- to receive more analysis on the competitive environment and on customers;
- to revisit the agreed strategy during 2014, including progress against milestones;
- to move the Board agenda programme to a two year cycle; and
- to receive in-depth technology training from the Chief Technology Officer to align with upcoming Board presentations.

Directors' induction

On joining Croda, Directors receive a tailored induction programme. Helena Ganczakowski is in the process of undergoing her induction to Croda following her appointment to the Board on 1 February 2014.

The purpose of the induction is to provide a new Director with the information they will need to become as effective as possible in their role within the shortest practicable time. It enables the Director to develop an understanding of the nature of Croda, our business and the markets in which we operate, as well as to build a link with our employees and an understanding of Croda's main relationships.

The content of the programme is tailored according to the experience and wishes of the incoming Director, and is based on their experience as a Director of a listed company and knowledge of the industry sector. Information is provided in different forms, including reading material via iPads or hard copy, meetings/briefings with employees and fellow Directors, making use of advisers to deliver briefings and external training courses and site visits.

Time is also spent with the Chairman and Group Chief Executive as well as the Company Secretary, members of the Group Executive Committee and other senior management across the business.

The induction programme is reviewed with the new Director mid-way through the process and following the programme to seek input on any further induction requirements.

Board support

Each Director has access to the Company Secretary for his advice and services. Where necessary, the Directors may take independent professional advice at the Company's expense. Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their positions to the extent permitted by law. These indemnities are qualifying third party indemnities (as defined in section 234 of the Companies Act 2006) and were in force during the financial year and at the date of approval of the financial statements. In addition, the Company maintained Directors' and Officers' liability insurance cover throughout the year.

Training and briefings are available to all Directors on appointment and subsequently as appropriate, 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, presentations from senior managers are made at Board meetings on a regular basis. The Board receives regular briefings from the Company Secretary on governance, legal and regulatory matters and briefings from the Company's professional advisers.

Prior to each meeting, the Company Secretary ensures 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. This year, a new resource centre was added to the portal providing access to a range of 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 as well as information on topics such as risk and insurance.

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 six such Directors, including the Chairman and the Senior Independent Director, Nigel Turner, each of whom has significant commercial experience. Their understanding of the Group's operations is enhanced by regular business presentations and by site visits.

The independence of the Non-Executive Directors is kept under review. The Chairman was independent on his appointment in 2005 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 the Group. The Board does not consider that these roles would affect his judgement in relation to Croda and its business and, therefore, it is the Board's opinion that all the Non-Executive Directors who have 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.

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 34 and 35. The Board is satisfied that these do not interfere with the performance of their respective duties to the Company.

Sean Christie is a Non-Executive Director of Eminate. Details of the payments received in respect of this appointment are set out in the Directors' Remuneration Report on page 73.

During 2013, 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 2 ½ years and 6 ½ years. The Chairman has been a Director for 8 ½ years, having been appointed to the Board in May 2005.

The terms and conditions of appointment of Non-Executive Directors can be viewed on the Company's website (www.croda.com). They can be inspected during normal business hours at the Company's registered office by contacting the Company Secretary and will 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. The Board monitors the extent of any interests and potential conflicts of each Director. In March 2013, Alan Ferguson was appointed to the Board of London Mining Plc, an AIM listed company, as a Non-Executive Director. Prior to accepting the appointment, Mr Ferguson had spoken with the Chairman of the Board about the role and discussed, among other things, his time commitment and any potential conflicts. The Chairman was comfortable that no issues would arise for Croda from Mr Ferguson accepting the role.

External consultants

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

Zygos acts as a search advisor to the Board and Nomination Committee. Zygos has no other connection with the Group.

Accountability

The Audit Committee

The Audit Committee Report, which describes the membership of the Audit Committee, along with its responsibilities, main activities during the year and priorities for 2014, is set out on pages 45 to 49.

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 Turnbull guidance (2005) and in order to discharge this responsibility, the Directors have utilised an organisational structure with clear operating procedures, lines of responsibility, and delegated authority.

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

- Financial reporting, with clear policies and procedures governing the financial reporting process and preparation of the financial statements. A clear framework of controls that are expected to be in place is documented and each reporting location prepares an annual self assessment of compliance with these controls. This is assured via planned internal audit visits, which are approved by the Audit Committee.
- Comprehensive monitoring and quantification of business risks, under the direction of the Risk Management Committee. The Group's approach to risk management is discussed in more detail in the Strategic Report on pages 24 to 27 and in the Group's separate Sustainability Report.
- Capital investment, with detailed appraisal, risk analysis, authorisation and post-investment review procedures.

The Board has discharged its responsibility for reviewing the operational effectiveness of the systems of internal control and risk management throughout the financial year and up to the date of approval of the annual report using 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 who report through the Group Risk and Control Manager to the Audit Committee.
- Reports from the external auditors.

Such a 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. The Board also, where appropriate, ensures that necessary actions have been, or are being, taken to remedy significant failings or weaknesses identified from the review of effectiveness of internal controls.

Relations with Shareholders

Communication with shareholders

The Company recognises the importance of communicating with its shareholders. The Chairman, Executive Directors and other senior management maintain regular contact with existing and potential shareholders to ensure our strategy and trading trends are well understood. Numerous meetings were held with investors during the year 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 and Group Finance Director ensure that shareholders' views are communicated to the Board as a whole through the reporting of feedback from shareholder meetings and the provision of 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, both generally, and in comparison with its sector peers, and investor reaction are discussed.

The Chairman and the Senior Independent Director attended the Company's results announcements as well as the Investor Day in London in November 2013, which covered a number of strategic topics. All of these presentations are webcast live so all shareholders have access to them. The presentations are also available to download. We also answer all investor questions sent to our website.

The Company has not complied with the part of Code provision E.1.1 that provides that "Non-Executive Directors should be offered the opportunity to attend scheduled meetings with major shareholders" and that the "Senior Independent Director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders". The Board considers that there is sufficient dialogue with shareholders through the Group Chief Executive, Group Finance Director and the Chairman, who meet with shareholders on a regular basis. These meetings provide an appropriate mechanism for the views of shareholders to be listened to and the Board is regularly apprised of shareholders' views and key issues. The Board does not believe that it is necessary for the Senior Independent Director or other Non-Executive Directors to attend further meetings with major shareholders. All the Non-Executive Directors are, however, available to attend such meetings if requested by shareholders and the Senior Independent Director would be available to discuss matters relating to the Chairman should the need arise.

The Board believes that its practices are consistent with both the relevant main principle of the Code concerning dialogue with shareholders, and good governance.

During the year we consulted with our major shareholders on the proposed changes to our remuneration policy, details of which are set out in the Directors Remuneration Report on pages 53.

See SR

Corporate Governance

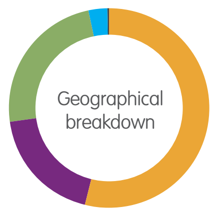
Substantial shareholders

As at 31 December 2013 the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority:

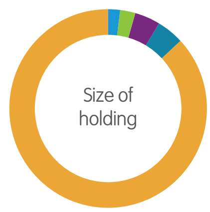
	Number of Shares	% of Issued Capital
Mondrian Investment Partners	5,925,506	4.36%
MFS Investment Management	5,908,433	4.35%
Legal & General Investment Management	4,214,056	3.10%

Investor concentration – Analysis of ordinary shareholders as at 31 December 2013:

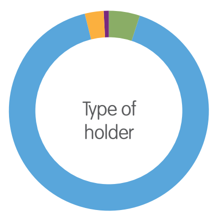
Geographical Breakdown	Number of Shares	% of Issued Capital
UK	75,710,672	54.10%
Europe (excluding UK)	26,333,397	18.82%
North America	33,334,604	23.82%
Asia	4,301,165	3.07%
Rest of World	270,131	0.19%



Size of Holding	Number of Holders	Number of Shares	% of Issued Capital
1-5,000	4,774	2,738,344	1.96%
5,001-50,000	886	3,718,760	2.66%
50,001-100,000	256	5,747,192	4.11%
100,001-500,000	86	6,217,121	4.44%
500,001 upwards	175	121,528,552	86.83%



Type of Holder	Number of Holders	Number of Shares	% of Issued Capital
Private holders	3,321	7,117,123	5.08%
Institutional and corporate holders	2,852	127,574,070	91.16%
Treasury shares	1	4,168,181	2.98%
Shares held in Croda trusts	3	1,090,595	0.78%



Annual General Meeting

The Annual General Meeting ("AGM") provides an opportunity for private shareholders to raise questions with the members of the Board. The Directors are also available to answer questions after the meeting in a more informal setting. The annual report and accounts, including notice of AGM, are sent to shareholders at least twenty working days before the meeting. There is a separate investor relations section on the Company's website (www.croda.com) which includes, amongst other items, presentations made to analysts. The AGM will be held at the Royal York Hotel, Station Road, York, North Yorkshire, YO24 1AA on 24 April 2014 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 Articles of Association of the Company provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Audit Committee

Report of the Audit Committee for the year ended 31 December 2013


Alan Ferguson

Governance

Members and attendance (eligibility) at meetings held during the year ended 31 December 2013.

Meetings during the year*	4
Alan Ferguson (Chairman)	4 (4)
Stanley Musesengwa	4 (4)
Nigel Turner	4 (4)
Steve Williams	4 (4)

*Between 31 December 2013 and the publication of this Annual Report, the Audit Committee met twice with full attendance by the Committee members, including Helena Ganczakowski who attended the February 2014 Audit Committee meeting.

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 2013.

It was a busy year for your Audit Committee as we: delivered on our business as usual work, as set out in our terms of reference; focused on our priorities for 2013, as set out in last year's report; and considered a raft of regulatory guidance issued in final form, or in draft, during the year. In addition, we changed the structure, and partner-level personnel of our external audit team.

From a business as usual perspective there is nothing to bring to your attention as a highlight.

In terms of our priorities for 2013, we noted five last year.

Key Priorities	Progress
To undertake a review of the regulatory changes around audit tendering. We spent a lot of time considering this point, as well as PricewaterhouseCoopers LLP (PwC) service levels, and this is covered in detail below.	✓
To control non-audit fees. These were well controlled and we met our guidance of non-audit fees not exceeding audit fees for the year.	✓
To receive presentations from key members of the operational finance team. We increased the number of meetings held partly to accommodate this new agenda item and have been pleased with the results.	✓
To receive annual reviews on tax and treasury. We received a presentation on the tax strategy and risks in April. It was agreed that reviewing treasury matters is now the responsibility of the Board and this is included as part of the Board's ongoing agenda.	✓
To review the integrated assurance mapping exercise. This was a very successful piece of work and will lead to more focus on this area from Internal Audit during 2014.	✓

In summary, we have delivered what we set out to do and have a clear plan for 2014, and I hope this new style of report gets that message over clearly and concisely. I will be available at the AGM to respond to any questions shareholders may raise on any of the Committee's activities.

The Committee is made up of five Non-Executive Directors. The Board considers that each member of the Committee is independent within the definition of UK Corporate Governance Code (the 'Code') and that we each have relevant financial experience. In addition, I have held a number of senior financial roles, most recently as Chief Financial Officer of Lonmin Plc, and I am chairman of the Audit Committee of two FTSE 100 companies and an AIM listed company. This provides the Board with assurance that the Audit Committee has the appropriate skills and experience and that it meets the Code requirement that at least one member of the Committee has significant, recent and relevant financial experience. The experience of each member of the Committee is summarised on pages 34 to 35.

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

During the year, greater clarity was brought to the split of responsibility between the Board and Audit Committee with regard to risk; the main focus for the Audit Committee is on the level of assurance over mitigating controls.

Whilst these meetings are invaluable, I also meet with the external auditors, the Group Finance Director and the Group Financial Controller at least twice in the year to go through the detail of the year-end and half-year results in advance of the Committee meetings. This helps me better understand the key issues and allows me to make sure enough time is devoted to these during the subsequent meeting.

Responsibilities of the Committee and activities since the publication of the 2012 Annual Report

The Committee assists the Board in fulfilling its responsibility to ensure that the Group's financial systems provide accurate and up-to-date information on its financial position, and supports the Board in its consideration as to whether the Group's published financial statements are fair, balanced and understandable. Key responsibilities of the Committee are to monitor the integrity of the financial statements and results announcements of the Group and review significant financial reporting issues and judgements. The Committee also reviews the adequacy and effectiveness of the Group's internal controls and risk management systems, and the internal audit function. The Committee has a number of responsibilities in relation to the Group's external auditors, including their appointment and removal, assessing their independence and the monitoring of non-audit services. Detailed responsibilities are set out in the Committee's terms of reference, a copy of which can be found in the Governance section of the Company's website (www.croda.com)

Main activities

The Committee met four times during the year and twice between the year-end and the publication of this Annual Report. The key issues covered at the Committee meetings were reported to the subsequent Board meeting. The main activities of the Committee were as follows:

- The Committee monitored the financial statements and results announcements of the Group and reviewed significant financial reporting and accounting issues.
- The Committee reviewed and approved the internal audit plan and considered the results of internal audits, the adequacy of management's response to the matters raised and the time taken to resolve any such matters. The Committee also reviewed specific risk based reviews carried out by internal audit based on themes arising from the previous year's internal audit activity.
- The risk assurance mapping process was further developed in the year, as further described at page 25, and greater clarity was brought to the split of responsibility between the Board and Audit Committee with regard to risk.
- At each meeting the Committee received a report from the Group Risk and Control Manager 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 various types of assurance, both internal and external, applied to these mitigating controls.
- The Committee undertook regular reviews of the Group's material litigation and an annual review of its tax strategy.
- The Committee reviewed the effectiveness of the Group's whistleblowing procedure and approved the introduction, in 2014, of a third party-hosted whistleblowing reporting line in support of the procedure to facilitate anonymous reporting.
- The Committee assessed the performance of the external auditor to confirm the appropriateness of their reappointment and undertook a review of the independence and effectiveness of the external auditor. This was a very significant piece of work in the year and is described in more detail below.
- The Committee reviewed the provision of non-audit services by the external auditor and reapproved the Group's policy in this area.
- The Committee agreed the external audit plan for the year, including the scope and materiality level and the audit fees.
- The Committee received an update on material accounting standards and governance changes that would impact the Group.
- The Committee met with both internal audit and external audit without management being present.

As a result of this work the Committee fully delivered against the requirements as detailed in its terms of reference.

Significant Financial Statement reporting issues

In undertaking its role of monitoring the financial statements and results announcements of the Group, the Committee reviewed whether suitable accounting policies had been adopted and whether management had made appropriate estimates and judgements. With support from the external auditors, the Committee considered a number of significant issues in relation to the financial statements for the year ended 31 December 2013, which are set out below:

Intangible assets: The Committee reviewed the Group's accounting policy on the identification and valuation of intangible assets arising through acquisitions. The underlying methodology had been updated in light of the Group's strategic priority to accelerate new technology capture and the acquisitions made by the Group during the year. Errors in the identification and valuation of acquired intangible assets could lead to a misclassification on the balance sheet and a misstatement in the income statement in future years. The Committee considered the definition of intangible assets, the valuation methodology (and associated assumptions) and the approach to materiality, and reviewed advice from the external auditor, PwC. After due challenge and debate, the Committee agreed to the approach set out by management. For the 2013 year-end the Committee reviewed the reasonableness of assumptions used in testing for impairment and ensured that the previously agreed methodology was appropriately applied.

Inventory: The Committee reviewed the carrying value of inventory, with particular focus where the inventory had been purchased from another Croda company, and its ageing. It considered this was appropriate.

Pensions: The Committee continued to monitor the Group's pension arrangements, and in particular the liability in respect of the defined benefit plans in the UK, 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, fair value, litigation and other legal provisions were considered sufficient to cover estimated costs and were satisfied they were reasonable and appropriate.

Tax: 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 any potentially significant challenges from tax authorities and the level of provisions. The Committee concluded there were no significant issues.

Internal Audit and Risk Management

During the year I met with the Group Risk and Control Manager a number of times outside of the formal meetings to discuss the performance and output of the Internal Audit function as well as to discuss aspects of Risk Management. The Group Risk and Control Manager attended each Committee Meeting and presented an internal audit report that was fully reviewed and discussed, highlighting any major deviations from the annual plan that had been agreed with the Committee.

At each meeting, the Committee considered the results of the audits undertaken by the Internal Auditor and considered the adequacy of management's response to matters raised, including the time taken to resolve such matters. It also focused on where there was a major divergence between the outcome of the internal audit and the scoring of the self-assessment questionnaire, which is completed annually by each business unit. The Committee looked at any recurring themes that were identified as issues across a number of locations; issues such as this do influence our planning for future years audit work. The Committee looked carefully at the IT work being carried out by Internal Audit. Now that we have effectively one Enterprise Resource Planning (ERP) system across the business we can increase our use of data interrogation techniques for example. We also agreed the internal audit plan for 2014, this takes into account a number of factors including the results of previous audits, both external and internal, the self-assessment questionnaire, any recurring themes from 2013 and views of executive management.

In October, the Committee conducted it's annual review of the Internal Auditor, including the audit plans, general performance and relationship with the external auditors. We also reviewed a comparison of our assessed performance against best practice guidance set by the Institute of Internal Auditors. This did not highlight any significant areas for development.

A significant amount of time was spent this year to ensure there was complete clarity with regard to the Committee's and Board's responsibility for Risk Management. The main focus for the Committee has been on looking at what levels of assurance there are over the mitigating controls which reduce the gross levels of exposure to acceptable net levels. A major piece of work was undertaken to identify all areas where assurance is gained over the mitigating controls and Internal Audit have devoted more time to look at the effectiveness of those levels of assurance.

Details on how the business implements its risk management and controls on a Group-wide basis are set out on page 43.

External Auditor's effectiveness

During the early part of year the Committee engaged with management in reviewing the tenure of the lead PwC audit partner. This arose from a discussion on the effectiveness of PwC, the structure of their senior audit team, and the timing of when to tender the audit following the publication of the UK Corporate Governance Code (the "Code") and the provisional findings from the Competition Commission's investigation into the audit services market issued in February 2013.

Following these deliberations, I entered into discussions with PwC, supported by the Group Finance Director, about the different partner models that could serve Croda. Following discussions with the Committee we felt we would be best served by a two partner model, with one partner being London based. Following a number of interviews, the decision was made to appoint a new lead audit partner, Mr Morrison, the Yorkshire and North East Regional Leader based in the Leeds office, supported by Mr Chambers, a London-based partner with considerable FTSE 100 experience. The Committee considered that the appointment would lead to an increase in the depth and breadth of service provided by PwC. As part of the lead audit partner transition plan, Messrs Morrison and Chambers visited several key Group locations and held various meetings with management, reviewing the Group's key accounting policies to enhance their understanding of the Group. Early indications are that the changes are bringing real benefits to Croda.

It was felt this was a better option for Croda, at this juncture, than tendering the audit. At the time of these deliberations the regulatory landscape around audit tendering was still fluid, with best practice around what makes for a good tender evolving. The Committee felt that we would be best served by refining the service provided by PwC before going out to tender.

Following publication of the Competition Commission's final report in October, and the indications coming from the European Audit Reforms as to the possible likely outcomes, the Committee discussed our approach to audit tendering. We fully support the principle of tendering and the approach taken by the FRC, in terms of "comply or explain". However, we disagree with the rules-based approach taken by the Competition Commission and the European authorities. Under the Competition Commission's transitional rules, and the likely European rules, Croda will have to tender its audit by 2020. However, the Committee felt that we should commit to tendering to coincide with the expiry of Mr Morrison's term as lead audit partner, which is when he would sign the 2017 Annual Report, or sooner if considered necessary by the Committee. There are no contractual obligations that restrict our choice of external auditor, although under the proposed European rules we will have no choice other than to rotate PwC off the audit by 2020.

The Committee assessed the effectiveness of PwC as external auditor to the Group. To assist in the assessment, the Committee examined the results of the internal survey completed by all senior financial management across the Group covering their views on the effectiveness of PwC carrying out the 2013 audit, the results of which were positive and an improvement on 2012.

The Committee also took account of the views of the Group Finance Director and Group Financial Controller following the meetings they had with local audit partners when visiting the Group's key jurisdictions to ensure they had a firm grasp of the quality of the individuals and their knowledge and understanding of the business. The Committee also considered the degree to which the auditor was able to assess key accounting and audit judgements, as well as the way it provided constructive challenge and professional scepticism in its dealings with management. We also looked at the Audit Quality Inspection report on PwC to see what the principal findings were arising from the reviews undertaken in order to assess the overall quality of the work carried out by PwC. The report was generally positive, directionally and in tone.

A review of effectiveness also forms part of PwC's own system of quality control.

Following the review, its Committee concluded that the audit was effective and that the effectiveness should be kept under review.

The Committee discussed and approved the external audit plan, including: the assessment of significant audit risks; the scope of the audit (covering circa 84% of the Group's consolidated pre-tax profit); the materiality level (circa 5% of the Group's consolidated pre-tax profit, or £12.5m); and the deminimus reporting threshold (£0.5m). The audit fees were reviewed by the Committee and referred to the Board for approval.

Group Auditors' Report P78
Auditors' Remuneration P93
Company Auditors' Report P122

External Auditors' independence

The Committee and the Board place great emphasis on the objectivity of the Group's external auditors in their reporting to shareholders. Both of the PwC audit partners are present at Audit Committee meetings to ensure full communication of matters relating to the audit as well as to ensure that they are kept fully appraised of all the matters being 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 in order to ensure that audit independence is not compromised. I am required to give prior approval of work carried out by PwC and its associates in excess of predetermined thresholds, which were lowered from £50,000 to £20,000 in 2012 in recognition by the Committee of the level of spend on non-audit services performed by PwC. This lower limit will remain unchanged for 2014 when it is expected that non-audit fees incurred will be lower than in 2013, but will be reviewed in that light for 2015. Part of my review is also to determine that other potential providers of the services have been properly considered.

As first disclosed in the 2010 Annual Report and Accounts, PwC has been providing advisory services in relation to the implementation of the ERP computer system, which increased significantly their non-audit activities from 2011 to 2013. Given the nature of these services, the full Audit Committee considered and approved PwC's appointment back in 2010. This work, undertaken in a number of the Group's less material locations, was finalised in 2013 as the Group completed the roll out of its ERP system to the global sales network. All responsibility for the design and implementation of the ERP system resides with management. This includes managing the system's operation, monitoring its internal controls and ensuring data integrity. PwC's role was restricted to assessing the system's implementation against the design criteria developed by management.

In 2013 the Committee carefully examined the continued use of PwC on the ERP roll-out and we were satisfied that given their continued high performance and excellent knowledge of the Group's systems, it was appropriate. In reaching our decision, we had regard to the fact that a change in provider could extend completion of the roll out programme considerably, that the programme was nearing completion and that PwC's continued role did not compromise their independence as auditor of the Group.

The Committee was very cognisant of shareholder concerns about the recent level of non-audit fees, and I wrote to the key shareholder groups before the 2013 AGM in order to explain our position more fully. As stated in the 2012 Annual Report, it was our intention that total non-audit spend would not exceed total audit spend in 2013, unless we felt this was in the shareholders' interests.

Given this, it is pleasing to report that total non-audit fees in 2013 were £0.7m, which is less than the total audit fees of £0.8m. Of the total of non-audit fees £0.5m related to work carried out in assisting the implementation of the Group's ERP systems (2012: £1.1m). This cost was capitalised in accordance with the Group's accounting policy for intangible assets.

No further non-audit fees will be incurred in relation to the ERP system as PwC have completed their work on this three-year project, so the total non-audit fee spend by PwC will fall again in 2014.

The only significant fees for tax work undertaken by PwC relate to tax compliance in the USA. We believe their detailed knowledge of our operations in the USA is particularly important given the complexities of both Federal and State legislation, which necessitated the completion of thirty five tax returns last year.

The Committee undertook its annual review of the Group's policies relating to external audit, including the policy that governed how and when employees and former employees of the Group's auditors can be employed by the Group. 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.

Priorities for 2014

In addition to our routine business, there are four focus areas for the Committee during 2014:

- With Internal Audit, we will look more closely at how we can continue to develop our systems-based audit approach.
- We will fully review progress made with PwC following the changes in structure and personnel carried out some eight months ago, aiming to satisfy ourselves that the benefits we expect to see are delivered and embedded for the future.
- With regard to risk, we have made great progress during 2013 in setting out a clear roadmap detailing the various types and levels of assurance that are in place to mitigate our key risks, down to a net risk that the Board is comfortable to accept. During 2014, we need to better understand the comfort levels we have over those types and levels of assurance with Internal Audit spending more time and resource in this area.
- As a Committee, we will commit further time in 2014 to better understanding the processes we have in place to mitigate cyber risk; something that management has been focused on for some years.

Alan Ferguson
Chairman of the Audit Committee

Nomination Committee

Governance

Members and attendance (eligibility) at meetings held during the year ended 31 December 2013.

Meetings during the year	4
Martin Flower (Chairman)	4 (4)
Alan Ferguson	4 (4)
Steve Foots	4 (4)
Stanley Musesengwa	4 (4)
Nigel Turner	4 (4)
Steve Williams	4 (4)

Dear Fellow Shareholder,

The Nomination Committee consists of the Chairman of the Board, the Non-Executive Directors and the Group Chief Executive. It meets on an ad-hoc basis and is responsible for nominating, for approval by the Board, candidates for appointment to the Board and succession planning.

Main activities during the year

In accordance with the Code, all Non-Executive Directors with a term beyond six years have been subject to a rigorous review. In January 2013, the Committee recommended the extension of Stanley Musesengwa's term of office for a further one year to May 2014, which would bring his term to seven years. The Nomination Committee felt the extension of his term beyond six years was in the best interest of the Company as Stanley took the lead in overseeing the Executive-led root and branch remuneration review during the year. The Committee also recommended that the Board extend Steve Williams' term of office for a further three years until June 2016 and that he succeed Stanley Musesengwa as Chairman of the Remuneration Committee following Stanley's retirement from the Board in April 2014. Nigel Turner, Senior Independent Director, chaired the Committee in its discussion of Martin Flower's term of office. The Committee recommended the Board extend Martin's term of office as Chairman of the Board for a further two years until September 2015.

The Committee's main activity during the year was the search for a new Non-Executive Director to replace Stanley Musesengwa. The Committee identified the key skills and experience required of the new Non-Executive Director that were aligned with the Company's strategic aims and would complement the existing skills and experience of the current Directors. A role specification was agreed and the Committee retained an external search firm, Zygos, which has no other connection with the Company, to assist in the process of identifying potential candidates for nomination to the Board. Following the successful search, in January 2014 the Committee recommended the appointment of Dr Helena Ganczakowski as a Non-Executive Director, and the Board approved her appointment with effect from 1 February 2014.

As noted on page 36, the Board adopted a Board diversity policy, a copy of which is available on the Company's website site (www.croda.com).

The Committee carried out its customary corporate governance review and was satisfied that the size, structure and composition of the Board and the required time commitment from Non-Executive Directors remained appropriate. It was also satisfied that all the Non-Executive Directors continued to fulfil the criteria of independence and were able to commit the required time for the proper performance of their duties. During the year, the Committee used an online survey to assist with its annual evaluation review. The performance of the Committee was positively rated, with the selection of a new Non-Executive Director being identified as the main priority for 2013.

The key responsibilities of the Committee:

- To review regularly the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- 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 what skills and expertise are therefore needed on the Board in the future.
- Where a Board vacancy is identified, to evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of that evaluation, prepare a description of the role and capabilities required for a particular appointment.
- To Identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- To keep under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation 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.

The Chairman of the Nomination Committee will be available at the AGM to respond to any questions shareholders may raise on any of the Committee's activities.

Priorities for 2014

- Continue to review the balance, experience and skills of the Board.
- Review the term of office of Alan Ferguson, whose initial three-year term expires in June 2014.
- Progress the succession planning for the Group Chief Executive.

Martin Flower
Chairman of the Nomination Committee

Other Committees

The management of the business is delegated by the Board to the Group Chief Executive. He utilises a number of Committees to assist him in this task. With effect from July 2013, several changes were made to the Executive-level Committees. The Finance Committee was disbanded, with its responsibilities being transferred to the Executive Committee. It was also considered appropriate that the Group Chief Executive and Group Finance Director join the Group SHEQ Steering Committee and the Group Chief Executive join the Risk Management Committee. The role of each of the Executive-level Committees is set out below together with a table showing the membership of each Committee during 2013.

Group Executive Committee

The Committee meets monthly 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. The Committee also reviews the monthly operating results, identifies operational and risk issues, and examines capital expenditure proposals.

Risk Management Committee

The Committee's role is to evaluate, propose policies and monitor processes to control the business, operational and compliance risks faced by the Group. It normally meets four times a year.

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 may make decisions with one Executive Director and the alternate for the other Executive Director being present. It attends to business of a routine nature and to the administration of matters, the principles of which have been agreed previously by the Board or the Group Executive Committee.

Committee membership		Group Executive Committee	Risk Management Committee	Group SHEQ Steering Committee
Steve Foots [1]	Group Chief Executive	Chairman	Member	Member
Stuart Arnott	President Global Operations	Member	Member	Chairman
David Barraclough	President Asia Pacific	Member	Member	Member
Sandra Breene	President Consumer Care Europe	Member	Member	Member
Tom Brophy	Group General Counsel and Company Secretary	Member	Member	Member
Sean Christie [2]	Group Finance Director	Member	Chairman	Member
Nick Challoner	President Latin America	Member	Member	Member
Kevin Gallagher	President North America	Member	Member	Member
Maarten Heybroek	President Performance Technologies & Industrial Chemicals Europe	Member	Member	Member
Keith Layden	Chief Technology Officer	Member	Member	Member
Graham Myers	Group Financial Controller	Member	Member	Member

Chairman Member [1] Joined the Risk Management and Group SHEQ Steering Committees in July 2013 [2] Joined the Group SHEQ Steering Committee in July 2013

Remuneration Report


Stanley Musesengwa

Dear Fellow Shareholder,

I am pleased to present the Remuneration Committee's Report providing details of the remuneration of the Directors for the financial year 2013 and of our future remuneration policy.

This is the first time we are reporting to you following the introduction of the new regulations governing the reporting and approval of directors' remuneration. The format this year will include a Policy Report, setting out our future remuneration policy (which will be subject to a binding shareholder resolution at the forthcoming Annual General Meeting (AGM)), and an Annual Report on Remuneration, setting out how we went about implementing our policy over the year to 31 December 2013 and how we intend to implement our policy in the future (which will be subject to an advisory shareholder resolution at the forthcoming AGM).

Performance and reward for 2013

As described in the Strategic Report, 2013 was another year of robust profit growth, despite continuing demanding economic conditions.

The results demonstrate the ability of our business to continue to deliver profit growth in difficult market conditions and, in particular, the strength of the Group's strategy, focusing on innovation and bringing high margin products to market, and the effective leadership of our dynamic management team.

The Remuneration Committee (the "Committee") consider the remuneration paid to our management team to fairly reflect their performance during the year. The annual bonus did not pay out for 2013 performance and the 2011 Long Term Incentive Plan (LTIP) and Bonus Co-Investment Plan (BCIP) awards' performance targets were met in full in so far as they related to Earnings Per Share (EPS), reflecting growth of 50.2% over the three year period ended 31 December 2013. The 50% of the LTIP awards based on total shareholder return were partially met, with the return of 74.9% resulting in Croda being ranked 78th out of the 204 comparator companies over the same three year performance period, to give an additional 31.8% vesting of the total awards.

Remuneration Policy for 2013

The Committee considers that our current remuneration policy of paying competitively against comparable international businesses, with an incentive structure weighted towards long-term performance, continues to serve the business well.

However, executive remuneration has been the subject of a comprehensive review in 2013 as part of a Group-wide review of remuneration. The Committee considered the conclusions of the wide reaching internal review at the same time as developments in investors' best practice expectations and the fact that our current long-term incentive plans are due to expire in 2015.

The key conclusions of the review included that while our model remained broadly 'fit for purpose' with a substantial proportion of the total package weighted towards long-term performance, a number of modifications should be made to bring the package into line with current investors' best practice expectations. These included (i) toughening our approach to deferral of annual bonus (ii) simplifying our long-term incentive structures so that only a single plan will operate in future (iii) introducing a minimum holding period for future vested long-term incentive awards and (iv) increasing our executive share ownership requirements.

Clawback provisions remain part of our on-going future policy since this aspect of current policy is already fully aligned with investors' best practice expectations and provides alignment between executives and shareholders.

In relation to our revised policy, the Committee is comfortable that the arrangements motivate the right types of behaviour across the executive population and do not inadvertently encourage undue risk taking.

Shareholders' views

The Committee continues to take an active interest in shareholders' views and developments in 'best practice' guidance. For example, a number of the changes to be made to our current policy reflect recent developments in best practice, such as the adoption of a minimum holding period for vested shares and the simplification of the Company's long-term incentive plans.

In relation to our 2013 remuneration structure, no major issues were raised by the vast majority of shareholders at last year's AGM and the structure received circa 98% support from the Company's voting shareholders.

The Committee will continue to take the views of shareholders into account when setting remuneration policy in future years.

On behalf of the Board, I would like to thank shareholders for their continued support.

The Committee looks forward to your support of our revised remuneration policy at the forthcoming AGM.

Stanley Musesengwa
Chairman of the Remuneration Committee

Policy Report

This part of the Directors' Remuneration Report sets out the remuneration policy for the Group and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Act').

The policy has been developed taking into account the principles of the UK Corporate Governance Code 2012 ('the Code') and the views of our major shareholders and describes the policy to be applied in relation to the current financial year and future financial years. The Policy Report will be put to a binding shareholder vote at the 2014 AGM and, subject to it receiving majority shareholder support, will be effective immediately from the date of approval for the purposes of complying with the Act (i.e. the Effective Date will be the AGM date). In practice, however, the Committee intends to apply the policy detailed in the Policy Report from the beginning of 2014 and throughout the three-year period that commences from the Effective Date.

Overview of the Remuneration Policy

The key objectives of Croda's 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 Code; and
- 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.

Following a review of remuneration against the above principles during the year, a number of changes were made to the remuneration policy to align current practices with the Group's reward objectives. A summary of the changes is set out below with full details following in the table:

1. A higher annual bonus opportunity for the Group Chief Executive (125% of salary from 100% of salary) has been introduced. No change to the bonus opportunity for other Executive Directors has taken place.
2. The approach to deferral of part of annual bonus has been revised from bonus earned above 50% of salary, to 33% of any annual bonus earned. This reduces the amount of cash received by executives at lower levels of performance vis-à-vis our previous deferral structure.
3. Simplification of the current long-term incentive arrangements, but with no increase to overall potential quantum. Our revised policy will result in only a single Performance Share Plan (PSP) operating (subject to shareholder approval at the 2014 AGM) as opposed to our historic approach of operating a LTIP and a BCIP.

   Historically awards of up to 300% of salary were permitted under the 2005 LTIP and 2005 BCIP, although in practice awards were restricted to a combined 200% of salary. The new PSP will permit awards of up to 200% of salary in normal circumstances (300% in exceptional circumstances such as to compensate in a recruitment situation for awards forfeited on joining the Company).

   In light of the revisions to the long-term incentive structure, tougher EPS performance targets will apply than those operated for awards granted in recent years. Relative Total Shareholder Return (TSR) performance targets will continue to determine vesting of part of future awards.

   In relation to both the EPS and TSR targets, a lower proportion of the total award will vest in future years for threshold performance (25% as opposed to 30%) than has been the case historically. In addition, a general financial underpin has been introduced that will enable the Committee to reduce the EPS and/or TSR vesting result in the event that the Committee does not consider this to be reflective of the underlying financial performance of the Group over the performance period.
4. Future awards granted under the new PSP will be subject to a minimum holding period on vested shares. This will result in a minimum holding period of one-year applying to long-term incentive awards granted in 2014 and a two-year holding period applying to awards granted thereafter, ensuring the incentive drives truly long term thinking and behaviour amongst our senior executives.
5. Higher share ownership guidelines will operate at 200% of salary for the Group Chief Executive and 150% of salary for other Executive Directors (up from the current 100% of salary).

   The current revisions are considered appropriate to better support the Group's current strategy and phase of development and take due account of recent developments with investors' best practice expectations.

Remuneration Report

The table below sets out the 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 for 2014 are as follows: • Group Chief Executive: £600,000 • Group Finance Director: £369,732 • Chief Technology Officer: £295,610 The above salary levels will be eligible for increases under the Remuneration Policy during the three year period from the Effective Date. During this time, 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 (e.g. 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.	In 2013 the maximum cost of providing benefits (based on taxable value of the benefits) was restricted to 7.25% of salary. 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 Share Plan		
To incentivise and reward the execution of the business strategy over the longer term. Rewards sustained growth in (i) profit and (ii) shareholder value.	The Performance Share Plan ("PSP") provides for awards of free shares (i.e. 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 have 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 (e.g. 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 (e.g. 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 equaling, 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. Subject to potential clawback in the event of a material misstatement of results or serious misconduct. The clawback provisions will operate for a three year period following the date on which the awards vest.		
All-Employee Share Plans		
Encourages long-term shareholding in the Company. Provides 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.		

Link to Strategy	Operation	Maximum Opportunity
Pension		
To provide competitive long-term retirement benefit. 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.
Framework used to assess performance and for the recovery of sums paid None.		
Performance Related Bonus		
To incentivise and reward the 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 (for example, 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 clawback in the event of a material misstatement of results or serious misconduct. The clawback provisions will operate for a three-year period following the date on which the bonus is paid.		

Bonus Plan and LTIP 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 plans. These include the following (albeit with quantum and performance targets restricted to the descriptions detailed in the preceding policy table):

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or payment;
- The determination of vesting;
- Dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the Group;
- Determination of a good/bad leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
- The annual review of performance conditions for the annual bonus plan and PSP from year to year.

The Committee also retains the ability to adjust the targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the LTIP if events occur (e.g. material divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

All historic awards that were granted but remain outstanding (detailed on page 69 of the Annual Report on Remuneration), remain eligible to vest based on their original award terms.

Shareholding guidelines

The Committee operates share ownership guidelines which apply to all Executive Directors and members of the Group Executive Committee.

A key conclusion of the review of Executive remuneration undertaken in 2013 was that the current share ownership guidelines should be increased to further align the interests of Executives with shareholders. As a result, the Group Chief Executive will in future be subject to a share ownership guideline of 200% of salary (previously 100% of salary) and other Executive Directors of 150% of salary (also previously 100% of salary).

It is expected that the revised 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. On the exercise of Sharesave options or the vesting of awards from the Company's long-term incentive plans, Executives are required to retain shares awarded representing 50% of the net of tax gain until the ownership target is met or exceeded.

Choice of performance measures and approach to target setting

The performance metrics that are used for annual bonus and long-term incentive plans are a subset of the Group's KPIs.

Under the annual bonus plan, an underlying profit-based objective such as income growth will be used as the primary performance metric. Such a measure will be used as it looks to reward two KPIs that are used within the business, namely the growth in underlying profitability and the efficient use of working capital. Other metrics based on the Group's KPIs may be used in the future where it is felt that they provide clear alignment with the evolving strategy of the Group. In any event, the achievement of profitable growth whilst ensuring that efficient management of capital is fully encouraged and will be central to the Committee's deliberations.

In terms of long-term performance targets, PSP awards vest subject to (i) challenging EPS growth targets that are aligned with the long-term levels of earnings growth targeted by the Group and (ii) relative TSR targets which provide clear alignment of interests between shareholders and executives.

Targets are set based on sliding scales that take account of internal planning and external market expectations for the Group. Only modest rewards are available for delivering threshold performance levels with maximum rewards requiring substantial out-performance of the challenging plans approved at the start of each year.

No performance targets are applied to the all-employee plans which are aimed at encouraging broad based equity ownership.

Further details of the annual bonus metrics to be used for 2014 are set out in the Annual Report on Remuneration. The targets for awards to be granted under the PSP in 2014 are consistent with the policy set out above and are also set out in the Annual Report on Remuneration.

How Executive Directors' Remuneration Policy relates to the wider Group

The Remuneration Policy provides an overview of the structure that operates for the Group Executive Directors and those senior Executives forming the Group Executive Committee (noting, however, that there are some differences in PSP participation and levels of quantum within this group).

The Committee is made aware of pay structures across the wider Group when setting the remuneration policy for Executive Directors. The key difference is that, overall, the remuneration policy for Executive Directors is more heavily weighted towards variable pay than for other employees.

Base salaries are operated under the same policy as detailed in the Remuneration Policy table with any comparator groups used as a reference point being country and/or industry specific. The Committee considers the general basic salary increase for the broader Group and, in particular, the UK based employees when determining the annual salary review for the Executive Directors.

The performance related bonus scheme operates on a tiered basis from 125% of salary down to 30% of salary across the most senior global grades.

Outside of the most senior tiers of Executives, the PSP is not operated as this arrangement is reserved for those anticipated as having the greatest potential to influence Group level performance.

However, the Committee believes in wider employee share ownership and promotes this through the operation of the HMRC tax approved all-employee share schemes which are open to all UK employees. Other similar share schemes are offered in other jurisdictions where local securities laws allow.

How the views of employees are taken into account

The Company, in line with current market practice, does not actively consult with employees on Executive remuneration. The Group has a diverse workforce operating globally in 34 different countries, with various local pay practices, which hinders effective consultation and so the Group Vice President, Human Resources updates the Committee periodically on feedback received on remuneration practices across the Group.

The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the Executive Directors (for example, consideration is given to the overall salary increase budget and the incentive structures that operate across the Group).

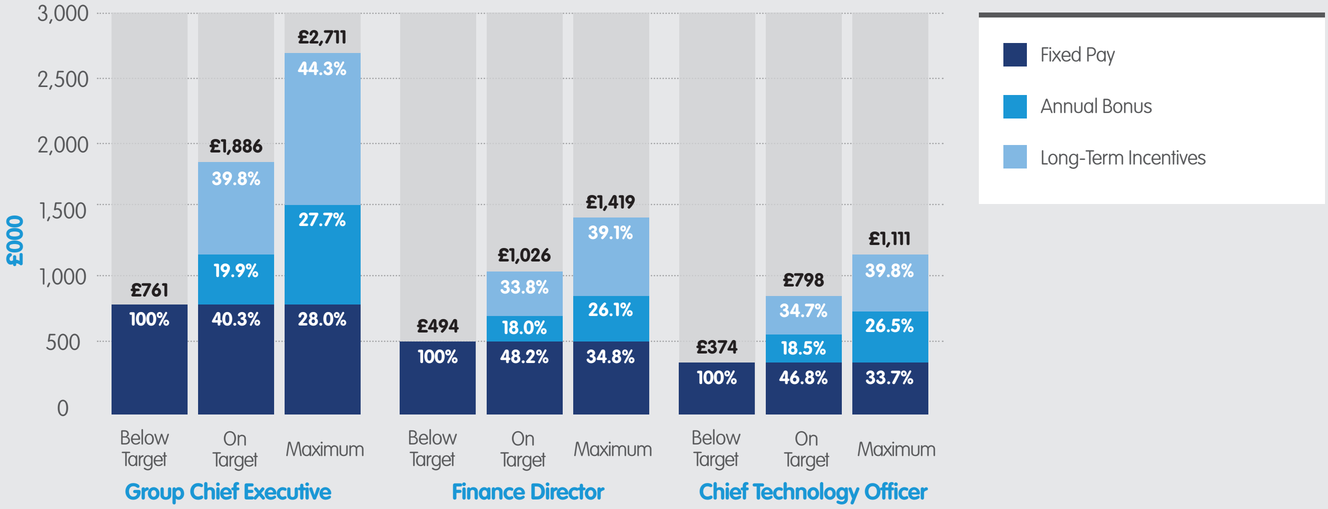
How the views of shareholders are taken into account

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings held with shareholders from time to time, is then considered as part of the Committee's ongoing review of remuneration policy.

Remuneration scenarios for Executive Directors

The Group's policy results in a significant proportion of remuneration received by Executive Directors being dependent on Group performance. The graph below illustrates how the total pay opportunities for the Executive Directors varies under three different performance scenarios: below target, on-target and maximum. When reviewing the graph, it should be noted that it has been prepared based on the policy detailed above and ignores, for simplicity, the potential impact of future share price growth.

Reward scenarios



Assumptions:

Below target = fixed pay only (base salary, benefits and pension);

On-target = 50% payable of the 2014 annual bonus and 62.5% vesting of the 2014 PSP awards; and

Maximum = 100% payable of the 2014 annual bonus and 100% vesting of the 2014 PSP awards.

Salary levels (on which other elements of the package are calculated) are based on those applying on 1 January 2014. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed on page 65) for the year ending 31 December 2013. The pension value is based on the assumptions used to value pensions for the emoluments table (as disclosed on page 65). The Executive Directors can participate in the all-employee share plans on the same basis as other employees. The value that may be received under these schemes is subject to tax approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the graph above.

Recruitment and Promotion Policy

For Executive Director recruitment and/or promotion situations, the Committee will follow the guidelines outlined 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 (e.g. typically around market rates prevalent in companies of comparable size and complexity). Salary levels may be set below this level (e.g. 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 proceeding 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 policy 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 on-going 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 (i.e. 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 to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

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, 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 it to terminate contracts at any time with immediate effect. The Executive Director would be entitled to receive compensation equivalent to up to twelve 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.

Remuneration Report

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 inappropriate to do so) to reflect the proportion of the performance period actually served.

External appointments

Executive Directors are permitted to accept external non-executive appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for non-executive appointments.

Non-Executive Directors' letters of appointment

The Chairman and Non-Executive Directors have letters of appointment for an initial fixed term of three years subject to earlier termination by either party on written notice. In each case, this term can be extended by mutual agreement.

The Non-Executive Directors have no entitlement to contractual termination payments.

The dates of the initial appointments of the Non-Executive Directors are set out in the Annual Report on Remuneration.

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, through their experience, can further the interests of the Group through their 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 responsibility, 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.	Fees for 2014 are: • Chairman: £200,000 • Non-Executive Director base fee: £52,000 • Senior Independent Director: £7,000 • Chairman of the Audit Committee: £10,000 • Chairman of the Remuneration Committee: £10,000 The above fee levels will be eligible for increases during the three year 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 Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.8R of the Listing Rules. The Annual Remuneration Report will be put to an advisory shareholder vote at the 2014 AGM. The information on pages 65 to 71 has been audited.

The Role of the Remuneration Committee

The Committee reviews and approves the annual salaries, incentive arrangements (including setting the performance targets and payments/ vesting events), service agreements and other employment conditions of the Executive Directors and certain members of the Senior Executive Management team designated by the Board. The Committee has delegated responsibility for setting the remuneration of the Chairman. The full terms of reference of the Committee are published on the Company's website (www.croda.com).

Membership and operation

The Committee comprises all Non-Executive Directors including the Chairman and is chaired by Stanley Musesengwa.

Members and attendance (eligibility) at meetings held during the year ended 31 December 2013.

Meetings during the year	**4**
Alan Ferguson	4(4)
Martin Flower	4(4)
Stanley Musesengwa (Chairman)	4(4)
Nigel Turner	4(4)
Steve Williams	4(4)

The Committee invites individuals to attend meetings to provide advice so as to ensure that decisions are informed and take account of pay and conditions in the wider Group. During 2013 these individuals included other directors and employees of the Group, including Steve Foots (Group Chief Executive), Samantha Brook (VP Human Resources), 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 2013 to provide independent advice on remuneration policy and practice. New Bridge Street has no connection with the Company other than in the provision of advice in relation to Executive remuneration and Non-Executive fees. Another subsidiary of Aon plc, the ultimate parent company of NBS, 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 in respect of its services during the year were £71,750+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.

Key Committee activities during 2013

- Determining and agreeing with the Board the remuneration policy for the Executive Directors;
- Overseeing the Executive led root and branch review of remuneration and incentivisation throughout the Group;
- Undertaking a review of Executive remuneration;
- Setting 2014 Executive Director salary levels;
- Determining annual bonus awards in respect of 2012 performance;
- Finalising the annual bonus plan terms for 2013;
- Testing of performance targets for the Company's 2010 long-term incentive awards;
- Determining 2013 long-term incentive award levels, the associated performance targets and granting the awards;
- Considering the corporate governance environment and the newly enforced regulatory changes to voting and reporting on Executive Directors' remuneration; and
- Noting remuneration trends across the Group.

Statement of shareholder voting

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

Votes cast in favour	82,994,568	97.76%
Votes cast against	1,894,930	2.23%
Discretion to third party	5,840	0.01%
Total votes cast	**84,895,338**	**100.00%**
Abstentions	785,408	

During the year, the Committee engaged with the Company's major shareholders in relation to the proposed changes to Executive remuneration.

The feedback received was very supportive of the simplification of our executive pay model. However, as a result of feedback from a number of investors, the Committee have:

- Introduced a general financial underpin to the PSP to enable them to reduce the EPS and/or TSR vesting result in the event that they do not consider these to be reflective of the underlying financial performance of the Group over the performance period; and
- Reduced the percentage of awards that will vest for threshold performance from 30% to 25% with full vesting taking place for equalling, or exceeding, the maximum performance targets (no awards vest for performance below threshold).

The Committee have resolved to keep the incentive plan performance conditions under review and enter into appropriate dialogue should it be considered appropriate to refine them as the Group's future strategy evolves during the three-year policy period.

Implementation of Remuneration Policy for year ending 31 December 2014

Basic Salary
The Executive Directors' base salaries were reviewed during the final quarter of the financial year ending 31 December 2013. The Committee took account of progression in the role as well as a consideration of each individual's developing responsibilities, performance, skills and experience. The Committee also considered the wider pay levels and salary increases being proposed across the Group as a whole.

Executive Director	Salary as at 1 January 2014	Salary as at 1 January 2013	Increase
Steve Foots	£600,000	£550,000	9.1%
Sean Christie	£369,732	£360,714	2.5%
Keith Layden	£295,610	£288,400	2.5%

The increase in salary for Steve Foots, consistent with the Company's policy, represents part of the phasing of the individual's salary towards an appropriate market rate following his promotion to Group Chief Executive at the beginning of 2012. On appointment, his salary was set at around the lower quartile of appropriate market benchmarks. The increase in 2014 is the second step in the process of achieving a market competitive level of base salary with the Committee's intention being to review salary each year, based on performance in post, with a view to achieving an appropriate salary positioning.

The increases awarded to Sean Christie and Keith Layden were consistent with the typical range of salary increases awarded across the Group and reflect the individuals' continued performance.

Pension
Croda has a number of different pension plans in the countries in which it operates. Pension entitlements for Croda's executives are tailored to local market practice, the length of service and age of the participants. The principal pension plan in the UK is a defined benefit scheme 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 the manner in which 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 contributions by direct contribution to the Croda defined benefit pension scheme ("CPS") and/or by way of 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 of £187,500 (the cap will reduce to £150,000 from April 2014). If Steve Foots retires before age 61, a reduction will be applied to the element of his pension accrued after 5 April 2006, and if he retires before age 60 a reduction will also 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 prior to 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.

Sean Christie's Pension Provision
Sean Christie accrues pension benefits under the CPS with an accrual rate of 1/60th and an entitlement to retire at age 65. From 6 April 2011 onwards, pension benefits accruing are based on a capped salary of £187,500 (the cap will reduce to £150,000 from April 2014). If Sean Christie retires before age 65 a reduced pension is payable unless retiring at the Company's request. In the event of death, a pension equal to 50% of the Director's pension would become payable to the surviving spouse. Sean Christie's pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 2.5% per annum.

Sean Christie and Steve Foots are both also entitled to death in service benefits from the CPS.

The above Executive Directors each also receive a cash allowance above a pension benefit cap of £187,500. This payment relates to a change in benefit structure that was made with effect from 6 April 2011 and each individuals' cash supplement above the cap was set to be cost neutral to the Company given defined benefit pension benefits are no longer provided above the £187,500 cap as was the case prior to 6 April 2011. From April 2014 the cap will reduce to £150,000.

Keith Layden's Pension Provision
Keith Layden withdrew from active membership with effect from 6 April 2011 and has a deferred pension with the entitlement to retire from age 60. However, if he retires before age 61 the pension accrued prior to 6 April 2006 would be unreduced from age 60 and the pension accrued between 6 April 2006 and 5 April 2011 would have a reduction applied. The elements of his deferred pension increase each year between the date of his withdrawal and the date he draws his pension by various percentages. Once in payment, the pension will increase in line with Retail Price Inflation (RPI) to a maximum of 10% per annum for pension accrued prior to April 2006 and a maximum of 2.5% for pension accrued thereafter. He is able to draw this deferred pension with Company consent while continuing in employment.

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

Other benefits
Other customary 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 2014, the 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 for 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.

2014 Performance Targets
For the 2014 financial year, the bonus structure will continue to operate on a similar basis to that operated in prior years. The targets operate as a sliding scale with no bonus becoming payable until the previous year's income has been exceeded, through to a maximum bonus becoming payable for delivery of the maximum target. The targets for 2014 are shown below:

Level of Award	Income	% of Bonus Payable
Threshold	At least equivalent to 2013 actual	0%
Maximum	2013 actual 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 to do so (e.g. 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 2014 to be equally as challenging as the range of targets set for the 2013 annual bonus.

As detailed earlier, one of the key conclusions of the 2013 review of Executive remuneration was that the existing approach to deferring bonus earned into the Company's shares (the excess over 50% of salary) should be reworked. From 2014, one-third of any bonus earned will be the subject of a mandatory deferral into the Company's shares for a period of three-years. This approach is considered to provide a clearer link between the achievement of short-term objectives and long-term alignment with shareholders.

The Committee remains comfortable that the structure of the annual bonus does not encourage the pursuit of strategies that may involve 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.

Furthermore, the 2014 annual bonus is also subject to clawback provisions which will enable the Committee to recover the value overpaid to an Executive Director in respect of 2014 performance in the event of a misstatement of the Group's financial results, an error being made in assessing the extent to which performance targets were ultimately achieved or in the event of serious misconduct. The clawback provisions will operate for a three-year period following the date on which the bonus is paid.

Performance Share Plan ("PSP")
Contingent upon shareholder approval of the new scheme at the 2014 AGM, the new PSP will replace the Company's existing Executive long-term incentive plans (i.e. the LTIP and BCIP).

2014 PSP Award Levels
The maximum normal award limit under the PSP is 200% of salary. The quantum of awards for 2014 has been set after taking due account of (i) the need to motivate and retain the Executive Directors and other participants and (ii) the challenging nature of the performance targets set.

It is intended that awards will be granted at the following levels during 2014 (as nil-cost options):

Executive Director	2014 PSP Award (Multiple of Salary)
Steve Foots	200%
Sean Christie	150%
Keith Layden	150%

2014 Performance Targets
In common with awards made in prior years under the previous LTIP, awards under the PSP will be subject to a performance condition which is split into two equal separate parts, each with a separate performance condition. Half will vest dependent on relative TSR measured against the constituents of the FTSE 350 Index (excluding investment trusts) and half will vest dependent on challenging 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 TSR 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 it represents a broad-based index of companies of a similar size and with similar historic volatility of TSR returns to the Company.

The EPS performance targets, which will operate on a graduated scale, are more stretching than those operated for awards granted in recent years. Furthermore, in relation to both the EPS and TSR targets, a lower proportion of the total award will vest for threshold performance (25% as opposed to 30%), than has been the case historically. Vesting of each half of the award is as follows:

TSR Part **Rank of the Company's TSR Against FTSE 350**	**Vesting %**
Below median	**0%**
Median	**25%**
Upper quartile	**100%**
EPS Part **Average adjusted EPS growth over the three year period**	
Below 7% p.a.	**0%**
7% p.a.	**25%**
9% p.a.	**50%**
14% p.a.	**100%**

Straight-line vesting occurs between these points

In addition to the above, a general financial underpin has been introduced that will enable the Committee to reduce the EPS and/or TSR vesting result in the event that the Committee does not consider this to be reflective of the underlying financial performance of the Group over the performance period.

For PSP awards granted in 2014, as a minimum, the after tax number of vested shares must be retained for a one-year holding period. For awards granted in 2015 and beyond, a two-year holding period will apply to the after tax number of vested shares.

PSP awards granted in 2014 to Executive Directors will also be subject to clawback provisions which will enable the Committee to claw back the value overpaid to an Executive Director in respect of performance during the three years ending 31 December 2016 in the event of a material misstatement of the Group's financial results or misconduct. The clawback provisions will operate for a three-year period following the date on which the awards vest.

All-Employee Share Plans
In line with the wider UK employee population, Executive Directors are invited, on the same terms, to participate in the HMRC tax approved UK Sharesave Scheme and the Croda Share Incentive Plan (SIP).

Sourcing of shares and dilution
Awards under all the Group share schemes may be satisfied using either 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, and 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 2013, the headroom under the Company's 5% and 10% limits was 1.52% and 2.50% respectively, out of an issued share capital of 139,949,969 shares.

Service contracts
Steve Foots, Sean Christie and Keith Layden have service contracts dated 16 September 2010, 15 December 2006 and 6 February 2012 respectively which are terminable 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 policy set out on pages 59 and 60.

Chairman and other Non-Executive Directors' remuneration
The fees paid to the Chairman, to the Non-Executive Directors for chairmanship of committees and to the Senior Independent Director were reviewed in January 2014, with changes taking effect from 1 February 2014. The fee structure for the Chairman and other Non-Executive Directors for 2014 is shown in the Policy Report on page 60.

For the Chairman and each Non-Executive Director who served during 2013, the effective dates of their letters of appointment are shown in the table below:

Non-Executive Director	**Original appointment date**	**Expiry date of current term**
Martin Flower	16 May 2005	28 September 2015
Alan Ferguson	1 July 2011	30 June 2014
Stanley Musesengwa	7 May 2007	6 May 2014
Nigel Turner	1 June 2009	31 May 2015
Steve Williams	1 July 2010	30 June 2016

The Chairman's term of office was due to expire in September 2013 after eight years, but the Board agreed that the Chairman's period of office should be extended for a further two years to September 2015 at which time he will retire from the Board. The discussions were led by the Senior Independent Director who consulted with the other members of the Board.

Annual Report on Remuneration (Audited Information)

Directors' Remuneration

The remuneration of the Executive Directors for the year ended 31 December 2013 payable by Group companies was as follows:

Executive Director		Salaries & Fees £	Benefits[2] £	Pension[3] Supplement £	Pension[4] £	Annual Bonus[5] £	Long Term Incentives[6] £	Other[7] £	Total £
Steve Foots	2013	535,000[1]	23,689	72,500	77,909	-	716,108	1,950	**1,427,156**
	2012	*485,000[1]*	*23,193*	*62,500*	*91,500*	*140,000*	*559,900*	*1,955*	*1,364,048*
Sean Christie	2013	360,714	22,928	34,642	66,358	-	945,209	1,501	**1,431,352**
	2012	*350,208*	*23,275*	*32,542*	*41,458*	*98,058*	*1,201,700*	*3,755*	*1,750,996*
Keith Layden	2013	288,400	20,726	57,680	320	-	284,255	1,501	**652,882**
	2012	*272,670*	*18,840*	*54,750*	*250*	*76,276*	*452,800*	*3,755*	*879,341*
Total 2013		**1,184,114**	**67,343**	**164,822**	**144,587**	**-**	**1,945,572**	**4,952**	**3,511,390**

1 Steve Foots' salary net of 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, 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 Directors in 2013 in relation to benefits provided above the final salary pension cap of £187,500, as described on page 62.

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 2013 bonuses for Executive Directors were calculated by reference to the amount by which the income for the year (as defined in the Policy Report on page 56, exceeded the income for 2012 calculated on the same basis (the "base income"). Bonuses for 2013 are payable against a graduated scale once the 2012 income exceeds the base income by more than inflation (defined as the consumer prices index (CPI)), with maximum bonuses due at CPI plus 10%.

Actual income in 2013 was £272.9m against a base of £269.7m. This represents a growth rate of 0.6% less than CPI, hence no bonus is payable.

6 The LTIP awards made in February 2011 reached the end of their performance period on 31 December 2013 and vested at 81.8% of the maximum on 23 February 2014. This level of vesting was triggered as a result of achieving (i) EPS growth of RPI +39.3% over the three year performance period which was above the maximum target of RPI + 24% and thus resulted in maximum vesting in respect of this part of the award and (ii) a three year total shareholder return of 74.9% which was above median level of the FTSE 250 (excluding investment trusts) over the three year period which triggered vesting in respect of 31.8% of this part of the award. The value of the shares due to vest on 23 February 2014 has been estimated using the average share price over the final quarter of the 2013 financial year.

The BCIP awards made in May 2011 reached the end of their performance period on 31 December 2013 and are due to vest at the maximum on 3 May 2014 (subject to continued employment to that date). This level of vesting was triggered as a result of achieving EPS growth of RPI +39.3% over the three-year performance period which was above the maximum target of RPI + 24%. The value of the shares due to vest on 3 May 2014 has been estimated using the average share price over the final quarter of the 2013 financial year.

The figure in the table for 2013 includes LTIP value of £415,712 for Steve Foots, £538,442 for Sean Christie and £157,563 for Keith Layden and BCIP value of £300,396 for Steve Foots, £406,767 for Sean Christie and £126,692 for Keith Layden.

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.

The remuneration of the Non Executive Directors for the year ended 31 December 2013 payable by Group companies was as follows:

Non-Executive Director		Salaries & fees £	Benefits £	Total £
Martin Flower	2013	195,000	504	**195,504**
	2012	*170,000*	*504*	*170,504*
Stanley Musesengwa	2013	60,000	-	**60,000**
	2012	*54,000*	-	*54,000*
Nigel Turner	2013	57,000	-	**57,000**
	2012	*53,083*	-	*53,083*
Steve Williams	2013	52,000	-	**52,000**
	2012	*46,000*	-	*46,000*
Alan Ferguson	2013	60,000	-	**60,000**
	2012	*54,000*	-	*54,000*
Total 2013		**424,000**	**504**	**424,504**

BCIP and LTIP awards granted in 2013

BCIP awards were granted based on Directors' investments of bonuses in the Company's shares. Any bonus earned above 50% of salary was required to be invested into the Company's shares (with this policy changed for 2014 onwards as detailed in the Remuneration Policy table on page 56 with Executives able to elect to defer their entire bonus into the Company's shares. To the extent that bonuses were invested in the Company's shares, the Directors were eligible to receive a BCIP award of equal value to the pre-tax investment of the bonus in the Company's shares. The maximum BCIP award was capped at 100% of salary. The BCIP awards granted on 30 April 2013 were as follows:

Executive Director	Number of BCIP shares awarded	Face/maximum value of awards at grant date*	% of award vesting at threshold (maximum)	Performance period
Steve Foots	5,635	£134,154	30% (100%)	01.01.13 – 31.12.2015
Sean Christie	3,945	£93,919	30% (100%)	01.01.13 – 31.12.2015
Keith Layden	3,068	£73,040	30% (100%)	01.01.13 – 31.12.2015

* Face value/maximum value of award calculated based on the first 30 dealing days of 2013

The 2013 BCIP awards will vest, as in prior years, subject to the achievement of a challenging sliding scale of adjusted EPS targets in excess of RPI. The range of targets set was as follows:

Adjusted EPS growth over the three year period	Proportion of award vesting
Less than RPI + 12%	No vesting
RPI + 12%	30%
RPI + 24%	100%

Straight-line vesting occurs between these points

In addition to BCIP awards, Directors were also eligible to receive LTIP awards up to a value of 200% of salary at grant. In practice, LTIP awards were restricted to 100% of salary or less. The LTIP awards granted on 26 February 2013 were as follows:

Executive Director	Number of LTIP shares awarded	Basis of award granted (% of salary)	Face/maximum value of awards at grant date*	% of award vesting at threshold (maximum)	Performance period
Steve Foots	23,102	100%	£549,996	30% (100%)	01.01.13 – 31.12.2015
Sean Christie	15,151	100%	£360,704	30% (100%)	01.01.13 – 31.12.2015
Keith Layden	8,479	70%	£201,862	30% (100%)	01.01.13 – 31.12.2015

* Face value/maximum value of award calculated based on the first 30 dealing days of 2013

The 2013 LTIP awards, as in prior years, were subject to a performance condition which is split into two equal separate parts.

Half of the award was 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:

Rank of the Company's TSR against the FTSE 350 (excluding investment trusts)	Vesting % (TSR part)
Below median	0%
Median	30%
Upper quartile	100%
Between median and upper quartile	30% - 100% pro rata

Adjusted EPS growth over the three year period	Vesting % (EPS part)
Less than RPI + 12%	No vesting
RPI + 12%	30%
RPI + 24%	100%

Straight-line vesting occurs between these points

Both the LTIP and BCIP, as detailed earlier, will be replaced, subject to shareholder approval, by the PSP being proposed at the 2014 AGM. As a result, no further awards will be granted under these plans.

All employee share plan awards granted in 2013

SIP

Details of shares purchased and awarded to Executive Directors under the UK SIP are shown in the table below. A brief description of the UK SIP is set out in note 23 to the Group financial statements.

Executive Director	SIP shares held 01.01.13	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.13	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.13
Steve Foots	5,358	60	60	5,478	520	4,270
Sean Christie	1,922	60	60	2,042	520	834
Keith Layden	5,358	60	60	5,478	520	4,270

Unrestricted shares (which are included in the total shares held at 31 December 2013) are those held until there is no longer a tax liability if they are withdrawn from the plan.

Sharesave

Details of shares awarded under the UK Sharesave scheme are set out below. The awards were granted on 19 September 2013 and have an earliest exercise date of 1 November 2016 and an expiry date of 30 April 2017.

Executive Director	Exercise price	Number held at 01.01.13	Granted in year	Total number held at 31.12.13
Steve Foots	2141p	344	84	428
Sean Christie	-	463	-	463
Keith Layden	-	463	-	463

Awards held by Directors under the Company's Share Plans

BCIP

Details of the awards held under the BCIP are set out below:

Date of award	Earliest vesting date	Market price at date of award	Number at 01.01.13 (10p shares)	Granted in year	Released in year	Number at 31.12.13 (10p shares)
Steve Foots						
29 April 2010	29 April 2013	990p	9,022	-	9,022	-
3 May 2011	3 May 2014	1881p	12,358	-	-	12,358
30 April 2012	30 April 2015	2262p	9,026	-	-	9,026
30 April 2013	30 April 2016	2474p	-	5,635	-	5,635
			30,406	**5,635**	**9,022**	**27,019**
Sean Christie						
29 April 2010	29 April 2013	990p	17,940	-	17,940	-
3 May 2011	3 May 2014	1881p	16,734	-	-	16,734
30 April 2012	30 April 2015	2262p	14,747	-	-	14,747
30 April 2013	30 April 2016	2474p	-	3,945	-	3,945
			49,421	**3,945**	**17,940**	**35,426**
Keith Layden						
29 April 2010	29 April 2013	990p	5,589	-	5,589	-
3 May 2011	3 May 2014	1881p	5,212	-	-	5,212
30 April 2012	30 April 2015	2262p	8,622	-	-	8,622
30 April 2013	30 April 2016	2474p	-	3,068	-	3,068
			19,423	**3,068**	**5,589**	**16,902**

All outstanding awards under the BCIP were granted as nil exercise price options. To the extent that they vest, they are normally exercisable three to four years from grant.

The performance criteria applying for all these outstanding awards are as follows:

Awards are subject to an EPS growth target. 30% of shares vest for adjusted EPS growth of CPI + 12%, rising on a straight-line basis to full vesting for adjusted EPS growth of CPI + 24%. Awards from 2012 are subject to clawback provisions which enable the Committee to recover the value overpaid to an Executive Director under an award in the event of a material misstatement of the Group's financial results or misconduct that leads to such material misstatement. The clawback provisions will operate for a three-year period following the date on which the awards vest.

LTIP
Details of awards made under the LTIP are set out below:

Date of award	Award price*	Earliest vesting Date	Market price at date of award	Number at 01.01.13 (10p shares)	Exercised in year	Granted in year	Number at 31.12.13 (10p shares)
Steve Foots							
24 February 2010	802p	24 February 2013	900p	13,089	13,089	-	-
23 February 2011	1535p	23 February 2014	1588p	17,102	-	-	17,102
22 February 2012	1929p	22 February 2015	2171p	25,920	-	-	25,920
26 February 2013	2381p	26 February 2016	2567p	-	-	23,102	23,102
				56,111	**13,089**	**23,102**	**66,124**
Sean Christie							
24 February 2010	802p	24 February 2013	900p	28,937	28,937	-	-
23 February 2011	1535p	23 February 2014	1588p	22,151	-	-	22,151
22 February 2012	1929p	22 February 2015	2171p	18,154	-	-	18,154
26 February 2013	2381p	26 February 2016	2567p	-	-	15,151	15,151
				69,242	**28,937**	**15,151**	**55,456**
Keith Layden							
24 February 2010	802p	24 February 2013	900p	12,029	12,029	-	-
23 February 2011	1535p	23 February 2014	1588p	6,482	-	-	6,482
22 February 2012	1929p	22 February 2015	2171p	10,160	-	-	10,160
26 February 2013	2381p	26 February 2016	2567p	-	-	8,479	8,479
				28,671	**12,029**	**8,479**	**25,121**

All outstanding awards under the LTIP were granted as nil cost options. To the extent that they vest, they are normally exercisable from three to four years from grant.

The performance criteria applying for all these outstanding awards are as follows:

50% of the shares are subject to an EPS growth target and 50% to a relative TSR target. TSR for awards made prior to 2013 was measured relative to the constituents of the FTSE 250 Index (excluding investment trusts) and from 2013 relative to the constituents of the FTSE 350 Index (excluding investment trusts). Under the EPS element, 30% of shares vest for adjusted EPS growth of CPI + 12%, rising on a straight-line basis to full vesting for adjusted EPS growth of CPI + 24%. Under the TSR element, 30% of shares vest for median TSR, rising on a straight-line basis to full vesting for upper quartile. Awards from 2012 are subject to clawback provisions which enable the Committee to recover the value overpaid to an Executive Director under an award in the event of a material misstatement of the Company's financial results or misconduct that leads to such material misstatement. The clawback provisions will operate for a three-year period following the date on which awards vest.

*Awards based on average mid-market price for the first thirty dealing days of the year of grant.

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

Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 01.01.13 (10p shares)	Granted in year	Number at 31.12.13 (10p shares)
Steve Foots						
20 September 2011	1 November 2014	30 April 2015	1432p	252	-	252
21 September 2012	1 November 2015	30 April 2016	1942p	92	-	92
19 September 2013	1 November 2016	30 April 2017	2141p	-	84	84
				344	**84**	**428**
Sean Christie						
21 September 2012	1 November 2015	30 April 2016	1942p	463	-	463
				463	**-**	**463**
Keith Layden						
21 September 2012	1 November 2015	30 April 2016	1942p	463	-	463
				463	**-**	**463**

During 2013, the highest mid-market price of the Company's shares was 2816p and the lowest was 2244p. The year-end closing price was 2457p. The year-end mid-market price was 2454p.

Gains made on exercise of share options and LTIPs
The gains are calculated according to 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	29 April 2013	13,089	LTIP	Nil	2491p	325,997
	30 April 2013	9,022	BCIP	Nil	2474p	223,160
						549,157
Sean Christie	29 April 2013	28,937	LTIP	Nil	2491p	720,711
	30 April 2013	17,940	BCIP	Nil	2474p	443,747
						1,164,458
Keith Layden	30 April 2013	5,589	BCIP	Nil	2474p	138,244
	21 May 2013	12,029	LTIP	Nil	2613p	314,258
						452,502

As previously disclosed, Mike Humphrey retired as Group Chief Executive at the end of 2011 and, in line with the rules of the LTIP and BCIP, was treated as a 'good leaver'. Following the vesting on the 2010 LTIP and BCIP awards during 2013 he received shares to the value of £1,884,479 (2012: £2,549,049) and £494,318 (2012: £651,484) following their respective vesting on 24 February and 29 April.

Directors' interests in the share capital of the Company

The interests of the Directors (all of which were beneficial), who held office at 31 December 2013, are set out in the table below:

	Legally owned		LTIP awards (unvested)	BCIP awards (unvested)	Sharesave (unvested)	SIP		Total	% of salary held under shareholding guideline
	31.12.13	31.12.12				Restricted	Unrestricted	31.12.13	(100% of Salary)
Executive Director									
Steve Foots	114,300	95,670	66,124	27,019	428	1,208	4,270	**213,349**	>100%
Sean Christie	220,371	193,688	55,456	35,426	463	1,208	834	**313,758**	>100%
Keith Layden	68,493	64,486	25,121	16,902	463	1,208	4,270	**116,457**	>100%
Non-Executive Director									
Martin Flower	27,925	25,925	-	-	-	-	-	**27,925**	-
Stanley Musesengwa	15,000	15,000	-	-	-	-	-	**15,000**	-
Nigel Turner	15,000	15,000	-	-	-	-	-	**15,000**	-
Steve Williams	10,774	10,524	-	-	-	-	-	**10,774**	-
Alan Ferguson	2,500	2,500	-	-	-	-	-	**2,500**	-

There have been no changes in the interests of any Director between 1 January 2014 and the date of this report, except for the purchase of 10 SIP shares and 10 matching shares by Steve Foots and Keith Layden during January and February 2014. Sean Christie purchased 11 SIP shares and 11 matching shares during the same period.

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 2013 £000	Single Remuneration Figure 2013 £000[1]	Single Remuneration Figure 2012 £000
Steve Foots	14 September 2033	106	150	154
Sean Christie	20 October 2022	34	101	74
Keith Layden	18 October 2020	107	58	55

[1] the value of all pension savings made during the financial year inclusive of cash supplement on behalf of Directors. Further information on pensions can be found on page 62. Steve Foots and Sean Christie are also entitled to death in service benefits from the CPS. Keith Layden has a separate agreement which provides death in service benefits outside of the CPS.

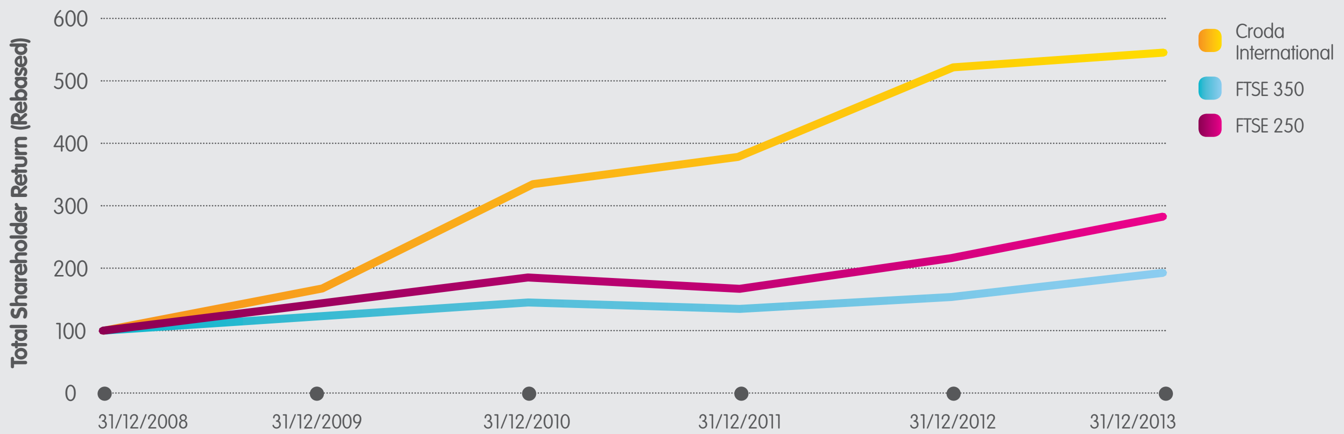
Notes

Members of the CPS have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in this table. During 2013, Steve Foots was paid £72,500 (2012: £62,500), Sean Christie was paid £34,642 (2012: £32,542) and Keith Layden was paid £57,680 (2012: £54,750) 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, the full provision. Accordingly, for Steve Foots and Sean Christie benefits above this cap are now provided by a salary supplement in lieu of pension benefits above the cap of £187,500. The cap will reduce to £150,000 in April 2014.

Other Unaudited Information

Performance graph

The graph below shows the value, by 31 December 2013, 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 Indices.



This graph shows the value, by 31 December 2013, of £100 invested in Croda International plc on 31 December 2008 compared with the value of £100 invested separately in both the FTSE 350 Index and FTSE 250 Index.

In the opinion of the Directors the FTSE 350 Index is an appropriate index against which the total shareholder return of the Company should be measured because the Company is a current constituent and it represents a broad-based index of companies of a similar size and with similar historic volatility of TSR returns to that of the Company.

The table below shows the total remuneration figure for the Group Chief Executive during each of the past five financial years. 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^
Total remuneration (£)	1,943,740	3,224,875	4,142,608	1,364,048	1,427,156
Annual bonus (%)	100%	100%	100%	28%	-
LTIP vesting (%)	100%	100%	100%	100%	81.8%

* relate to Mike Humphrey ^ relate to Steve Foots

Percentage change in remuneration levels

The table following 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 for the average UK employee. The Committee has chosen this comparator as it feels that 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 movements in the number of employees and variations in wage practices in our overseas markets.

	2012	2013	% Change
Group Chief Executive (£)			
Salary	500,000	550,000	+10.0%
Benefits[1]	23,000	24,000	+4.3%
Bonus	140,000	0	-100.0%
Average per UK employee (£)			
Salary[2]	34,298	35,463	+3.4%
Benefits[3]	960	907	-5.5%
Bonus	1,593	0	-100.0%

[1] The increase in the value of benefits provided to the Group's Chief Executive is linked to the higher salary.
[2] Average salary calculated as UK December payroll x 12 divided by number of employees as at payroll date.
[3] The reduction in year on year value of benefit provision relates to the restructuring of employee benefits.

Relative importance of the spend on pay

The table below shows the movement in spend on staff costs versus that in dividends and adjusted profit after tax. These matters were selected to be shown as they represent key distributions by the Group to its stakeholders.

	2012	2013	% Change
Employee remuneration costs[1]	£160.9m	£164.1m	+2.0%
Dividends[2]	£80.3m	£87.2m	+8.6%
Adjusted profit after tax[3]	£164.4m	£179.2m	+9.0%

[1] Employee remuneration costs – as stated in the Notes to the Group Accounts on page 82 and 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 acquisition costs and amortisation of aquired intangibles.

External directorships

Executive Directors are permitted to accept external Non-Executive appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for Non-Executive appointments. Sean Christie continued as a Non-Executive Director of Eminate Limited during 2013. Sean receives no fixed remuneration but is entitled to a share of the value created by the company's future projects.

On behalf of the Board

Stanley Musesengwa
Chairman of the Remuneration Committee
5 March 2014

Other Disclosures

Pages 34 to 77 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 and the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

Going concern
The financial statements which appear on pages 82 to 128 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 and the Group have adequate resources to continue in operational existence for the foreseeable future.

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

Profit and dividends
The results for the year are set out on pages 82 and 83. The Directors are recommending a final dividend of 35.5p per share (2012: 32.75p). If approved by shareholders, total dividends for the year will amount to 64.5p per share (2012: 59.5p per share). Details of dividends are shown in note 9 on page 98 and details of the Company's Dividend Reinvestment Plan can be found on page 130.

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 34 and 35. In accordance with the UK Corporate Governance Code each Director will be standing for re-election, or election at the AGM. Details of the Directors' service contracts are given in the Directors' Remuneration Report on pages 59 and 60.

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.

Share capital
At the date of this report, 139,949,969 ordinary shares of 10 pence each have been issued and are fully paid up and quoted on the London Stock Exchange. The rights and obligations attaching to the Company's ordinary 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 attaching to the Company's ordinary shares or on the transfer of securities in the Company. No person holds securities in the Company carrying 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.

Further information which fulfils the requirements of Section 992 of the Companies Act 2006 and which should be treated as forming part of this report by reference are included in the following sections of the annual report:

- Details of the structure of the Company's share capital and the rights attached to the Company's shares are set out on pages 113 and 119.
- Details of employee share schemes are set out on pages 113 to 118.

Power to issue or buy back shares
At the 2013 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 2014 AGM to be held on 24 April 2014 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 2014 AGM. Shares will only be purchased if the Board believes that such purchases will improve earnings per share and be in the best interests of the shareholders generally.

The Directors are recommending a full year dividend of **64.5p** +8.4% (2012: 59.5p).

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 4,168,181 shares in treasury.

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 contain 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.

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, 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 & 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 disabled persons. 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 & learning – Croda recognises that the key to future success lies in the skills and abilities of its dedicated global workforce.

It is only through the continuous development of our employees that we will be able to meet the future demands of our customers in relation to enhanced creativity, innovation and customer service. During 2013 our employees had an average of 34 hours of training.

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 employee and shareholders' interests. In 2013 65% of all employees participated in one of our all-employee share plans, indicating a continued desire of employees to be involved in the Company. Croda was honoured for best overall performance in fostering employee share ownership at the 2012 ifs ProShare awards.

Employees are kept informed of matters of concern to them in a variety of ways, including the Crodaway (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 among employees of the financial and economic factors affecting the performance of Croda and of changes happening 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. You can see just how firmly sustainability is embedded within Croda from our business model set out on pages 14 and 15. It reaches across the way we structure our business and develop our strategy; how we interact with all our stakeholders, including employees, local communities, customers and investors; how we deal with the challenges of policy and regulation. Details of our activities are set out on pages 28 to 33 of this report and more detailed information is available in our separate Sustainability Report, which can be downloaded at www.croda.com/csr.

This holistic approach is supported by our Global CSR 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 structure. Sustainability truly is down to each and every Croda employee, and this is reflected in our internal 'Our Responsibility' brand.

It is only through the continuous development of our employees that we will be able to meet the future demands of our customers in relation to enhanced creativity, innovation and customer service.

Other Disclosures

Community education and involvement

We have a strong focus on supporting the communities in which we operate, with a primary focus on encouraging young people to work within science and technology. This is because 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 local 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.

Community involvement activities demonstrate that we are investing in local communities, turning talk into action, by responding both proactively and reactively to local needs and delivering real benefits. Through this, we can also 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.

Political donations

No donations were made for political purposes during the year (2012: £Nil).

Financial risk management

The Group's exposure to and management of capital, liquidity, credit, interest rate and foregin currency risks are contained in Note 20 of the consolidated financial statements on pages 111 and 112.

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 91. Given the strong cash generation of the Group in recent years, there has been no requirement for specific external funding for capital expenditure, hence the Group does not have capitalised interest of any significance on its balance sheet.

Strategic Report

The Board has chosen to include the following information in the Strategic Report that would otherwise need to be disclosed in the Directors' Report.

- Information relating to greenhouse gas emissions;
- Particulars on important events affecting the Group since the financial year end; and
- An indication of likely future developments in the Group's business.

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 AGM.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 Company and the Group and of the profit or loss of the Company and the Group for that period.

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

- Select suitable accounting policies and apply them consistently;
- Make judgements and 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; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping proper 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 to enable them to ensure that the Group 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors, whose details are set out on pages 34 to 35 confirms 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; and
- 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.

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 the Group's performance, business model and strategy.

Audit information

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

The Directors' report is the 'management report' for the purposes of the Financial Services Authority Disclosure and Transparency Rules (DTR 4.1.8R). The Directors' report was approved by the Board on 5 March 2014 and is signed on its behalf by

Tom Brophy
Group General Counsel and Company Secretary
5 March 2014

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

Report on the Group Financial Statements

Our opinion

In our opinion the Group financial statements, defined below:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements, which are prepared by Croda International Plc, comprise:

- The Group balance sheet as at 31 December 2013;
- The Group income statement and statement of comprehensive income for the year then ended;
- The Group statement of changes in equity and statement of cash flows for the year then ended; and
- The notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

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

Certain disclosures required by the financial reporting framework 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.

What an audit of financial statements involves

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

In addition, we read all the financial and non-financial information in the Group's Annual Report to identify material inconsistencies with the audited Group 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.

Overview of our Audit Approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements. We also took into account that matters below these thresholds may still be considered material for qualitative reasons.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £12.5 million, being 5% of the Group's consolidated profit before tax.

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

Overview of the scope of our audit

The Group is structured along three business segments, being Consumer Care, Performance Technologies and Industrial Chemicals. Within these segments are 40 individual trading units, which, together with 8 central units that comprise the Group's centralised functions, are consolidated in the preparation of the Group financial statements.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units 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.

Accordingly, of the Group's 40 trading units, we identified eight that, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. Specified audit procedures over certain balances were performed at a further two trading units, while further testing was performed at the Group level in particular in the areas of pensions, provisions, intangible assets and taxation. As a result, audit procedures were performed over reporting units comprising 84% of the Group's consolidated profit before tax. This, gave us the evidence we needed to express our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates. This required them to make assumptions and consider future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own independent judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. Audit evidence can be obtained through testing the effectiveness of controls, substantive procedures or a combination of both.

In summary, we considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 46 and 47.

Area of focus	How the scope of our audit addressed the area of focus
Valuation of defined benefit pension scheme deficit	
We focused on this area because the Group has a number of open defined benefit pension scheme arrangements and the valuation of each scheme's liability is sensitive to a number of judgemental assumptions made by the Directors, in particular the discount rate and inflation. A small change in these assumptions could have a material impact on the financial statements.	To do this, we considered and challenged the judgements made by the Directors in determining the discount rate and inflation, by making our own independent judgements and evaluating the sensitivity of the pension scheme deficits to differences between our independent judgements and those made by the Directors, both individually and in aggregate. We also tested the integrity of the actuarial valuations used by the Directors in preparing the financial statements.
Recognition of acquired intangible assets	
We focused on this area due to the judgements and complexities involved in identifying and valuing acquired intangibles. An error in the identification and valuation of other intangibles could lead to a misclassification in the balance sheet on acquisition and a misstatement in the income statement in future years.	We considered each acquisition in detail, assessing the assets acquired to ensure the Directors had adopted a robust methodology to identify intangible assets. We then challenged the cash flow forecasts used to value them by comparing the forecasts made on acquisition to available post-acquisition results and to available historic data and by considering the Directors' historic accuracy in forecasting. We also compared the discount rates and growth rates applied to our own independent judgements.
Provision for taxation	
We focused on this area because 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.	We focused our work on the US, French and UK tax balances (which together represent the majority of the total tax charge for the year). We critically assessed the tax computations and tested the deductions and tax rates applied, focusing in particular on transfer pricing arrangements and challenging uncertain tax positions. We also requested and read the latest correspondence between the Group and UK and overseas tax authorities, considering any implications this may have on the Group financial statements. We utilised our experience of similar challenges elsewhere to independently assess the evidence described above.

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

Areas of Particular Audit Focus (continued)

Area of focus	How the scope of our audit addressed the area of focus
Provision for environmental remediation	
We focused on this area because the nature and extent of remediation work required is complex and estimates of its costs require significant management judgement.	We tested the methodology used by the Directors for identifying and valuing potential exposures and challenged the judgements made by them. We considered each exposure in detail by reading correspondence with relevant stakeholders and other information available to the directors and by challenging the judgements that the directors made based on that information. We also tested the directors' accuracy by comparing historic provisions with settlements made during the year.
Fraud in revenue recognition	
ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results.	As the foundation of the evidence we obtained regarding the revenue recognised during the year, we evaluated the relevant IT systems and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements. We tested journal entries posted to revenue accounts to identify unusual or irregular items. We also tested the reconciliations between the revenue systems used by the Group and its financial ledgers.
Risk of management override of internal controls	
ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. In particular, we looked at environmental provisions, taxation and pensions. We also tested manual journal entries.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 74, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. 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, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Opinions on matters prescribed by the Companies Act 2006

In our Opinion:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- The information given in the Corporate Governance Statement set out on pages 36 to 51 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

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 if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have no exceptions to report arising from our review.

On page 77 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and that it provides the information necessary for members to assess the Group's performance, business model and strategy. On pages 46 and 47, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- The statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- The section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee, as required by the Code Provision C.3.8.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

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 Group 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
- Is otherwise misleading.

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 Directors' Responsibilities Statement set out on pages 76 and 77, the Directors are responsible for the preparation of the Group 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 Group 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.

Other matter

We have reported separately on the parent company financial statements of Croda International Plc for the year ended 31 December 2013 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

5 March 2014

Group Consolidated Statements

Group Income Statement

for the year ended 31 December 2013

	Note	2013 £m Before adjustments	2013 £m Adjustments	2013 £m Total	2012 £m Before adjustments restated	2012 £m Adjustments	2012 £m Total restated
Revenue	1	**1,077.0**	**-**	**1,077.0**	1,051.9	-	1,051.9
Cost of sales		**(713.9)**	**-**	**(713.9)**	(695.0)	-	(695.0)
Gross profit		**363.1**	**-**	**363.1**	356.9	-	356.9
Operating costs	2	**(98.5)**	**(1.3)**	**(99.8)**	(101.8)	(0.2)	(102.0)
Operating profit		**264.6**	**(1.3)**	**263.3**	255.1	(0.2)	254.9
Financial costs	4	**(14.5)**	**-**	**(14.5)**	(17.8)	-	(17.8)
Financial income	4	**1.3**	**-**	**1.3**	1.2	-	1.2
Profit before tax		**251.4**	**(1.3)**	**250.1**	238.5	(0.2)	238.3
Tax	5	**(72.2)**	**-**	**(72.2)**	(74.1)	-	(74.1)
Profit after tax from continuing operations		**179.2**	**(1.3)**	**177.9**	164.4	(0.2)	164.2
Loss after tax from discontinued operations	7	**-**	**-**	**-**	(1.8)	(11.4)	(13.2)
Profit for the year	3	**179.2**	**(1.3)**	**177.9**	162.6	(11.6)	151.0
Attributable to:							
Non-controlling interests				**0.4**			-
Owners of the parent				**177.5**			151.0
				177.9			151.0

Adjustments relate to exceptional items, acquisition costs and amortisation/write off intangible assets arising on acquisition

Earnings per 10p share		**Pence**	**Pence**
Basic			
Total	8	**131.2**	112.1
Continuing operations		**131.2**	121.9
Diluted			
Total	8	**130.1**	110.6
Continuing operations	8	**130.1**	120.3

Group Statement of Comprehensive Income

for the year ended 31 December 2013

	2013 £m	2012 £m restated
Profit for the year	**177.9**	151.0
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss:		
Remeasurements of post employment benefit obligations	**(6.4)**	13.9
Tax on items that will not be reclassified	**(4.1)**	(7.5)
	(10.5)	6.4
Items that may be reclassified subsequently to profit or loss:		
Currency translation	**(19.4)**	(8.0)
Other comprehensive expense for the year	**(29.9)**	(1.6)
Total comprehensive income for the year	**148.0**	149.4

Group Statement of Comprehensive Income (continued)

for the year ended 31 December 2013

	2013 £m	2012 £m restated
Total comprehensive income for the year	**148.0**	149.4
Attributable to:		
Owners of the parent	**148.0**	149.4
	148.0	149.4
Arising from:		
Continuing operations	**148.0**	162.6
Discontinued operations	-	(13.2)
	148.0	149.4

Group Statement of Changes in Equity

for the year ended 31 December 2013

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 January 2012		15.1	93.3	27.5	130.2	0.1	266.2
Profit for the year attributable to equity shareholders		-	-	-	151.0	-	151.0
Other comprehensive (expense)/income:		-	-	(8.0)	6.4	-	(1.6)
Transactions with owners:							
Dividends on equity shares	9	-	-	-	(76.8)	-	(76.8)
Share based payments		-	-	-	4.4	-	4.4
Consideration received for sale of own shares held in trust		-	-	-	1.1	-	1.1
Total transactions with owners		-	-	-	(71.3)	-	(71.3)
Total equity at 31 December 2012		15.1	93.3	19.5	216.3	0.1	344.3
At 1 January 2013		15.1	93.3	19.5	216.3	0.1	344.3
Profit for the year attributable to equity shareholders		-	-	-	177.5	0.4	177.9
Other comprehensive expense		-	-	(19.0)	(10.5)	(0.4)	(29.9)
Transactions with owners:							
Dividends on equity shares	9	-	-	-	(83.6)	-	(83.6)
Share based payments		-	-	-	3.6	-	3.6
Consideration received for sale of own shares held in trust		-	-	-	0.9	-	0.9
Total transactions with owners		-	-	-	(79.1)	-	(79.1)
Transactions with non-controlling interests:							
Recognition of non-controlling interest on acquisition		-	-	-	-	6.2	6.2
Total transactions with non-controlling interests		-	-	-	-	6.2	6.2
Total equity at 31 December 2013		**15.1**	**93.3**	**0.5**	**304.2**	**6.3**	**419.4**

Other reserves include the Capital Redemption Reserve of £0.9m (2012: £0.9m) and the Translation Reserve of £(0.4)m (2012: £18.6m).

Group Consolidated Statements

Group Balance Sheet
at 31 December 2013

	Note	2013 £m	2012 £m restated
Assets			
Non-current assets			
Intangible assets	13	**239.5**	213.1
Property, plant and equipment	14	**362.6**	338.3
Investments	16	**0.8**	0.9
Deferred tax assets	6	**47.1**	64.0
		650.0	616.3
Current assets			
Inventories	17	**192.8**	170.5
Trade and other receivables	18	**136.7**	162.9
Cash and cash equivalents		**37.5**	53.8
		367.0	387.2
Liabilities			
Current liabilities			
Trade and other payables	19	**(126.5)**	(136.5)
Borrowings and other financial liabilities	20	**(26.6)**	(5.4)
Provisions	21	**(6.8)**	(7.9)
Current tax liabilities		**(31.9)**	(24.3)
		(191.8)	(174.1)
Net current assets		**175.2**	213.1
Non-current liabilities			
Borrowings and other financial liabilities	20	**(213.1)**	(256.1)
Other payables		**(2.6)**	(2.7)
Retirement benefit liabilities	12	**(135.8)**	(165.8)
Provisions	21	**(12.3)**	(17.3)
Deferred tax liabilities	6	**(42.0)**	(43.2)
		(405.8)	(485.1)
Net assets		**419.4**	344.3
Shareholders' equity			
Preference share capital	24	**1.1**	1.1
Ordinary share capital	22	**14.0**	14.0
Called up share capital		**15.1**	15.1
Share premium account		**93.3**	93.3
Reserves		**304.7**	235.8
Total equity attributable to owners of the parent		**413.1**	344.2
Non-controlling interests in equity	26	**6.3**	0.1
Total equity		**419.4**	344.3

The financial statements on pages 82 to 120 were signed on behalf of the Board who approved the accounts on 5 March 2014.

Martin Flower
Chairman

Sean Christie
Group Finance Director

Group Statement of Cash Flows

for the year ended 31 December 2013

	Note	2013 £m	2012 £m
Cash flows from operating activities			
Cash generated by operations	ii	**251.1**	208.1
Interest paid		**(9.7)**	(9.3)
Tax paid		**(50.1)**	(60.6)
Net cash generated by operating activities		**191.3**	138.2
Cash flows from investing activities			
Acquisition of subsidiaries	28	**(38.1)**	(7.1)
Purchase of property, plant and equipment	14	**(44.5)**	(50.4)
Purchase of intangible assets	13	**(1.7)**	(1.9)
Proceeds from sale of property, plant and equipment		**0.7**	0.5
Proceeds from sale of businesses (net of costs and cash in businesses)	7	**-**	1.3
Proceeds from sale of other investment		**-**	15.8
Cash paid against non-operating provisions	21	**(3.4)**	(1.6)
Interest received		**1.3**	1.2
Net cash absorbed by investing activities		**(85.7)**	(42.2)
Cash flows from financing activities			
New borrowings		**-**	0.2
Repayment of borrowings		**(47.7)**	(6.7)
Capital element of finance lease repayments	iii	**(0.4)**	(0.4)
Sale of own shares held in trust	22	**0.9**	1.1
Dividends paid to equity shareholders	9	**(83.6)**	(76.8)
Net cash absorbed by financing activities		**(130.8)**	(82.6)
Net movement in cash and cash equivalents	i,iii	**(25.2)**	13.4
Cash and cash equivalents brought forward		**50.2**	37.5
Exchange differences	iii	**(2.0)**	(0.7)
Cash and cash equivalents carried forward		**23.0**	50.2
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		**37.5**	53.8
Bank overdrafts		**(14.5)**	(3.6)
		23.0	50.2

Group Cash Flow Notes

for the year ended 31 December 2013

(i) Reconciliation to net debt	**Note**	**2013 £m**	**2012 £m**
Movement in cash and cash equivalents	iii	**(25.2)**	13.4
Movement in debt and lease financing	iii	**48.1**	6.9
Change in net debt from cash flows		**22.9**	20.3
Loans in acquired businesses		**(16.8)**	(0.9)
New finance lease contracts		**(0.4)**	(0.4)
Exchange differences		**(0.2)**	4.4
		5.5	23.4
Net debt brought forward		**(207.7)**	(231.1)
Net debt carried forward	iii	**(202.2)**	(207.7)

(ii) Cash generated by operations	**2013 £m**	**2012 £m**
Continuing operations		
Operating profit	**263.3**	254.9
Adjustments for:		
Depreciation and amortisation	**33.9**	31.1
Other provisions charged (note 21)	**(1.0)**	1.3
Share based payments	**0.9**	1.8
Cash paid against operating provisions (note 21)	**(1.8)**	(1.6)
Pension fund contributions in excess of service cost	**(41.2)**	(24.7)
Movement in inventories	**(17.0)**	(13.1)
Movement in receivables	**27.7**	(25.6)
Movement in payables	**(13.7)**	(16.4)
Cash generated by continuing operations	**251.1**	207.7
Discontinued operations	**-**	0.4
	251.1	208.1

(iii) Analysis of net debt	**2013 £m**	**Cash flow £m**	**Exchange movements £m**	**Other non-cash £m**	**2012 £m**
Cash and cash equivalents	**37.5**	(14.3)	(2.0)	-	53.8
Bank overdrafts	**(14.5)**	(10.9)	-	-	(3.6)
Movement in cash and cash equivalents		(25.2)	(2.0)		
Borrowings repayable within one year	**(11.8)**	8.1	(1.6)	(16.8)	(1.5)
Borrowings repayable after more than one year	**(212.9)**	39.6	3.3	-	(255.8)
Finance leases	**(0.5)**	0.4	0.1	(0.4)	(0.6)
Movement in borrowings and other financial liabilities		48.1	1.8		
Total net debt	**(202.2)**	22.9	(0.2)	(17.2)	(207.7)

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 (IFRSs), IFRIC interpretations 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 (March 2014). A summary of the more important Group accounting policies is set out below.

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 21, the Group has made significant provision for potential environmental liabilities. The rationale behind these and other provisions is discussed in note 21. The Directors believe that these provisions are appropriate based on information currently available.

(ii) Goodwill and fair value of assets acquired (note 13) – 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 ("CGU"). These calculations require the use of estimates to enable the calculation of the net present value of cashflow projections of the relevant CGU, the critical estimates are as follows:

- Growth in EBITDA (calculated as operating profit before depreciation and amortisation) – estimated at 3% 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% rate.
- Selection of appropriate discount rates to reflect the risks involved – typically the Group's weighted average cost of capital would be used 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.

(iii) Retirement benefit liabilities – as disclosed in note 12, 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. For each 0.1% change in the discount rate net of inflation, the carrying amount of pension obligations would change by an estimated £16m.

Changes in accounting policy

(a) 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 2013 and have a material impact on the Group:

IAS 19, 'Employee benefits' was revised in June 2011. The Group's accounting policy in this area has been changed to (1) replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability, and (2) recognise all costs associated with the administration of the pension schemes within operating expenses. 2012 results have been restated resulting in an increase of £0.5m in operating costs and £14.4m in net finance costs with compensating adjustments to other recognised expense such that net assets at 31 December 2012 were unchanged.

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2013 that have had a material impact on the Group.

(b) 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 2013.There has been no early adoption of these standards in the preparation of the 2013 consolidated financial statements.

(i) IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. IFRS 13 is not expected to have a material impact on the financial statements.

(ii) IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and is applicable from 1 January 2015. IFRS 9 is not expected to have a material impact on the financial statements.

(iii) IAS 36, 'Impairment of assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on the fair value less costs of disposal. This amendment is effective from 1 January 2014 and is not expected to have a material impact on the financial statements.

(iv) IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is not expected to have a material impact on the financial statements.

(v) IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is not expected to have a material impact on the financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Group Accounting Policies

Group accounts

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until 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 and 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 pre-tax weighted average cost of capital would be used 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 licenses 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.

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.

Group Accounting Policies

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. There were no exceptional items during 2013. The prior year exceptional items relate to discontinued operations.

Income statement presentation

The acquisitions in 2013 of Sipo and Arizona's Specialty Chemicals business 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 has 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.

Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale.

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 insofar 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

(a) Investment in own shares

Employee Share Ownership Trusts

Shares acquired by 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.

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.

(b) 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.

(c) 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.

1. Segmental analysis

The Group is organised on a worldwide basis into three main business segments, relating to the manufacture and sale of the Group's products which are destined for the markets of Consumer Care, Performance Technologies or Industrial Chemicals. 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.

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.

	2013 £m	2012 £m restated
Income statement		
Revenue - continuing operations		
Consumer Care	**593.2**	586.4
Performance Technologies	**387.1**	382.8
Industrial Chemicals	**96.7**	82.7
Total Group revenue	**1,077.0**	1,051.9
Adjusted operating profit - continuing operations		
Consumer Care	**191.3**	185.3
Performance Technologies	**63.0**	59.5
Industrial Chemicals	**10.3**	10.3
Total Group operating profit (before acquisition costs and amortisation of intangible assets arising on acquisition)	**264.6**	255.1
Acquisition costs and amortisation of intangible assets arising on acquisition	**(1.3)**	(0.2)
Total Group operating profit from continuing operations	**263.3**	254.9
Balance sheet		
Total assets		
Segment total assets:		
Consumer Care	**560.4**	592.5
Performance Technologies	**266.8**	227.7
Industrial Chemicals	**104.4**	64.6
Total segment assets	**931.6**	884.8
Deferred tax assets	**47.1**	64.0
Cash and investments	**38.3**	54.7
Total Group assets	**1,017.0**	1,003.5

	2013 £m		2012 £m	
Capital expenditure and depreciation	**Additions to non-current assets**	**Depreciation and amortisation**	Additions to non-current assets	Depreciation and amortisation
Consumer Care	**24.1**	**18.2**	29.9	18.4
Performance Technologies	**17.7**	**12.4**	17.2	10.2
Industrial Chemicals	**4.8**	**3.3**	5.6	3.5
Total Group	**46.6**	**33.9**	52.7	32.1

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 USA and Brazil; and Asia, with manufacturing sites in Singapore, Japan, India, Indonesia and China.

The Group's revenue from external customers in the UK is £49.6m (2012: £50.9m), in Germany is £117.8m (2012: £115.0m), in the US is £251.2m (2012: £242.7m) and the total revenue from external customers from other countries is £658.4m (2012: £643.3m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £84.7m (2012: £85.6m), and the total of the non-current assets located in other countries is £288.9m (2012: £260.2m). Goodwill has not been split by geography as this asset is not attributable to a geographical area.

No single external customer represents more than 5% of the total revenue of the Group.

2. Operating costs

	2013 £m	2012 £m
Analysis of net operating costs by function:		
Distribution costs	**38.1**	36.6
Administrative expenses	**61.7**	65.4
	99.8	102.0

Additional information on the nature of operating expenses, including depreciation and employee costs, is provided in note 3.

3. Profit for the year

	2013 £m	2012 £m restated
The Group profit for the year is stated after charging:		
Depreciation and amortisation (note 13 & 14)	**33.9**	32.1
Staff costs (note 10)	**173.0**	174.2
Redundancy costs		
Non-exceptional	**1.1**	1.3
Inventories		
Cost recognised as expense in cost of sales	**625.6**	638.9
Provision movement in year	**2.4**	(4.3)
Research and development	**22.3**	19.6
Hire of plant and machinery and other operating lease rentals	**5.9**	5.7
Net foreign exchange	**0.6**	1.8
Bad debt charge/(release) (note 18)	**0.2**	(0.3)
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
	0.8	0.8
Non-audit services		
Fees payable to the Group auditor and its associates for other services:		
Tax compliance services	**0.2**	0.6
Other advisory services	**-**	0.1
	1.0	1.5

In addition to the amounts above, included within additions to other intangibles are £0.5m (2012: £1.1m) of capitalised costs relating to work carried out by the auditors on computer system implementations in a number of the Group's smaller locations. Further detail can be found in the Corporate Governance Report.

4. Net financial costs	2013 £m	2012 £m restated
Financial costs		
$100m US loan note due 2020	**3.8**	3.7
2010 Club facility due 2015	**4.7**	5.0
Net interest on retirement benefit liabilities (note 12)	**4.8**	8.5
Other bank loans and overdrafts	**1.2**	0.6
	14.5	17.8
Financial income		
Bank interest receivable and similar income	**(1.3)**	(1.2)
	(1.3)	(1.2)
Net financial expenses	**13.2**	16.6

5. Tax

(a) Analysis of tax charge for the year		
Continuing operations		
United Kingdom current corporate tax	**13.9**	11.6
Overseas current corporate taxes	**46.0**	50.8
Current tax	**59.9**	62.4
Deferred tax (note 6)	**12.3**	11.7
	72.2	74.1
(b) Tax on items charged to equity		
Deferred tax on actuarial movement on retirement benefit liabilities	**4.1**	7.5
Deferred tax on share based payments	**(0.3)**	(1.3)
	3.8	6.2
(c) Factors affecting the tax charge for the year		
Profit before tax from continuing operations	**250.1**	238.3
Tax at the standard rate of corporation tax in the UK, 23.25% (2012: 24.5%)	**58.1**	58.4
Effect of:		
Deferred tax rate change	**(1.4)**	(0.7)
Tax cost of remitting overseas income to the UK	**0.5**	0.4
Expenses and write offs not deductible for tax purposes	**0.5**	0.1
Effect of higher overseas tax rates	**14.5**	15.9
	72.2	74.1

6. Deferred tax	2013 £m	2012 £m
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Retirement benefit obligations	**31.9**	44.9
Provisions	**15.2**	19.1
	47.1	64.0
Deferred tax liabilities		
Excess of capital allowances over depreciation	**38.8**	40.0
Revaluation gains	**1.9**	1.9
Other	**1.3**	1.3
	42.0	43.2
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax charged through income statement		
Continuing operations	**(12.3)**	(11.7)
Deferred tax credited to equity (note 5b)	**(3.8)**	(6.2)
Business disposals	**-**	1.7
Exchange differences	**0.4**	(0.2)
	(15.7)	(16.4)
Net balance brought forward	**20.8**	37.2
Net balance carried forward	**5.1**	20.8
Deferred tax charged through the income statement relates to the following:		
Retirement benefit obligations	**(8.9)**	(4.1)
Excess of capital allowances over depreciation	**0.2**	(0.8)
Other	**(3.6)**	(6.8)
	(12.3)	(11.7)

Deferred tax is calculated in full on temporary differences under the liability method at rates appropriate to each subsidiary. During the year, as a result of forthcoming changes in the UK corporation tax rate from 23% to 21% from 1 April 2014 and then to 20% from 1 April 2015 that were substantively enacted on 2 July 2013, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the year to 31 December 2014 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 £2.2m (2012: £2.4m) of tax would be payable.

Deferred tax assets of £2.4m (2012: £7.9m) are expected to be recovered within 12 months of the balance sheet date.

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.

Notes to the Group Accounts

7. Discontinued operations

There were no operations discontinued in 2013.

In November 2012, the Group sold its Italian manufacturing assets based at Cremona, along with the associated business, to GreenOleo SpA for a consideration of £3.9m, generating a loss on disposal of £11.5m, net of a deferred tax credit of £1.7m.

In January 2012, the loan note of £16.1m arising from the sale of the Group's Chicago site was repaid early by HIG Capital, the purchasers of the site. This early settlement gave rise to an exceptional profit of £1.6m.

The environmental provision relating to sites previously occupied by discontinued businesses increased in 2012 by £2.6m in recognition of further information received relating to potential future liabilities.

The Group closed its Bromborough site in 2009. During 2012 the final deferred consideration of £0.8m was received in relation to the disposal of the site. Other exceptional income of £0.3m was received in respect of other dormant sites.

The impact of the operations discontinued in 2012, which resided predominantly within the Industrial Chemicals segment, is as follows:

	2013 £m	2012 £m
Revenue	-	30.5
Operating costs	-	(33.0)
Pre tax operating results from discontinued operations	-	(2.5)
Tax	-	0.7
Post tax operating results from discontinued operations	-	(1.8)
Loss on disposal	-	(10.5)
Exceptional environmental provision	-	(2.6)
Tax	-	1.7
Net exceptional loss on disposal	-	(11.4)
Total loss after tax from discontinued operations	-	(13.2)
Cash flows from discontinued operations		
Net cash flows from operating activities	-	0.4
Net cash flows from investing activities	-	(0.7)
	-	(0.3)

8. Earnings per share

	Total 2013 £m	Continuing operations 2013 £m	Discontinued operations 2013 £m	Total 2012 £m restated	Continuing operations 2012 £m restated	Discontinued operations 2012 £m restated
Adjusted profit for the year[1]	**179.2**	**179.2**	**-**	162.6	164.4	(1.8)
Acquisition costs and amortisation of acquired intangible assets	**(1.3)**	**(1.3)**	**-**	(0.2)	(0.2)	-
Exceptional items	**-**	**-**	**-**	(11.4)	-	(11.4)
Non-controlling interests	**(0.5)**	**(0.5)**	**-**	(0.1)	(0.1)	-
	177.4	**177.4**	**-**	150.9	164.1	(13.2)
	Number m	**Number m**	**Number m**	**Number m**	**Number m**	**Number m**
Weighted average number of 10p ordinary shares in issue for basic calculation	**135.2**	**135.2**	**135.2**	134.6	134.6	134.6
Deemed issue of potentially dilutive shares	**1.2**	**1.2**	**1.2**	1.8	1.8	1.8
Average number of 10p ordinary shares for diluted calculation	**136.4**	**136.4**	**136.4**	136.4	136.4	136.4
	Pence	**Pence**	**Pence**	**Pence**	**Pence**	**Pence**
Basic earnings per share	**131.2**			112.1		
Basic earnings per share from continuing operations		**131.2**			121.9	
Adjusted basic earnings per share from continuing operations[1]		**132.2**			122.1	
Basic earnings per share from discontinued operations			**-**			(9.8)
Diluted earnings per share	**130.1**			110.6		
Diluted earnings per share from continuing operations		**130.1**			120.3	
Adjusted diluted earnings per share from continuing operations[1]		**131.0**			120.5	
Diluted earnings per share from discontinued operations			**-**			(9.7)

[1] before exceptional items, acquisition costs and amortisation/write of intangible assets arising on acquisition. Acquisition costs of £1.0m (2012: £nil) and intangible asset amortisation of £0.3m (2012: £0.2m) were charged in the year

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 as treasury shares or in the employee share trusts (note 25) 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.

9. Dividends	Pence per share	2013 £m	Pence per share	2012 £m
Ordinary				
Interim				
2012 interim, paid October 2012	**-**	**-**	26.75	36.0
2013 interim, paid October 2013	**29.00**	**39.2**	-	-
Final				
2011 final, paid June 2012	**-**	**-**	30.25	40.7
2012 final, paid May 2013	**32.75**	**44.3**	-	-
	61.75	**83.5**	57.00	76.7
Preference (paid June and December)		**0.1**		0.1
		83.6		76.8

The Directors are proposing a final dividend of 35.5p per share, amounting to a total of £48.0m, in respect of the financial year ended 31 December 2013. Subject to shareholder approval, the dividend will be paid on 30 May 2014 to shareholders registered on 2 May 2014 and has not been accrued in these financial statements. The total dividend for the year ending 31 December 2013 is 64.5p per share amounting to £87.2m.

10. Employees	2013 £m	2012 £m restated
Group employment costs including Directors		
Wages and salaries	**126.1**	124.9
Share based payment charges (note 23)	**8.9**	13.3
Social security costs	**23.1**	23.1
Other pension costs (note 12)	**14.9**	12.9
Redundancy costs	**1.1**	1.3
	174.1	175.5

	2013 Number	2012 Number
Average employee numbers by function		
Production	**2,074**	2,003
Selling and distribution	**880**	842
Administration	**447**	427
	3,401	3,272

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 2013, the Group had 3,545 (2012: 3,288) employees in total.

	2013 £m	2012 £m
Key management compensation including Directors		
Wages and salaries	**4.3**	6.0
Share based payment charges	**3.0**	3.6
Social security costs	**1.0**	1.6
Other pension costs	**0.3**	0.3
	8.6	11.5

Key management comprises the members of the Board and Group Executive Committee.

11. Directors' remuneration

Detailed information concerning Directors' remuneration, interests and options is shown in the parts of the Directors' Remuneration Report subject to audit on pages 53 to 73 which form part of the annual report and accounts.

12. Retirement benefit liabilities

The table below summarises the Group's net year end post-employment liabilities and activity for the year.

	2013 £m	2012 £m restated
Balance sheet obligations for:		
Defined pension benefits	**124.3**	151.9
Post-employment medical benefits	**11.5**	13.9
	135.8	165.8
Income statement charge included in profit before tax for:		
Defined pension benefits	**16.3**	18.2
Post-employment medical benefits	**0.9**	0.9
	17.2	19.1
Remeasurements included in other comprehensive expense/(income) for:		
Defined pension benefits	**9.1**	(15.0)
Post-employment medical benefits	**(2.7)**	1.1
	6.4	(13.9)

Defined benefit 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 pages 102 and 103.

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.

12. Retirement benefit liabilities (continued)

Defined benefits schemes (continued)
The amounts recognised in the balance sheet in respect of these schemes are as follows:

	2013 £m	2012 £m restated
Present value of retirement benefit liabilities		
UK pension scheme	**(725.5)**	(650.1)
US pension scheme	**(101.3)**	(113.3)
Rest of World	**(101.3)**	(95.9)
	(928.1)	(859.3)
Fair value of schemes' assets		
UK pension scheme	**631.1**	546.8
US pension scheme	**83.2**	77.5
Rest of World	**94.0**	88.0
	808.3	712.3
Net liability in respect of funded schemes	**(119.8)**	(147.0)
Present value of unfunded obligations	**(4.5)**	(4.9)
Liability in Group balance sheet (excluding post-employment medical benefits)	**(124.3)**	(151.9)

	2013 £m	2012 £m restated
Movement in present value of retirement benefit liabilites in the year:		
Opening balance	**864.2**	833.3
Current service cost	**12.0**	10.2
Settlements on restructuring and disposal of businesses	**-**	(0.7)
Acquisition of subsidiary	**-**	0.1
Interest cost	**36.4**	39.2
Remeasurements		
Change in demographic assumptions	**1.6**	-
Change in financial assumptions	**47.5**	55.1
Experience losses/(gains)	**1.5**	(38.2)
Contributions paid in		
Employee	**2.8**	2.6
Benefits paid	**(32.0)**	(31.1)
Exchange differences on overseas schemes	**(1.4)**	(6.3)
	932.6	864.2
Movement in fair value of schemes' assets in the year:		
Opening balance	**712.3**	647.5
Interest income	**32.1**	31.2
Remeasurements		
Return on scheme assets, excluding amounts included in financial expenses	**41.5**	31.9
Contributions paid in		
Employee	**2.8**	2.6
Employer	**53.1**	34.6
Benefits paid out	**(32.0)**	(31.1)
Exchange differences on overseas schemes	**(1.5)**	(4.4)
	808.3	712.3

As at the balance sheet date, the present value of retirement benefit obligations was comprised of approximately £214m in respect of active empoyees, £268m in respect of deferred members and £451m in relation to members in retirement.

Total employer contributions to the schemes in 2014 are expected to be £30.1m.

The significant actuarial assumptions were as follows:

	2013 UK	2013 US	2012 UK	2012 US
Discount rate	**4.4%**	**4.5%**	4.5%	3.7%
Inflation rate	**3.7%**	**2.5%**	3.1%	2.5%
Rate of increase in salaries	**4.7%**	**4.0%**	4.1%	4.0%
Rate of increase for pensions in payment	**3.3%**	**n/a**	3.0%	n/a
Duration of liabilities (i.e. life expectancy) (years)	**19.4**	**10.9**	18.7	12.0
Remaining working life	**15.0**	**11.0**	15.3	11.0

The sensitivity of the defined benefit liability to changes in the assumptions is as follows:

		Impact on retirement benefit liability	
	Sensitivity	Of increase	Of decrease
Discount rate	**0.5%**	-8.5%	+9.8%
Inflation rate	**0.5%**	+5.1%	-5.9%
Mortality (assumes all scheme members are one year younger)	**1 year**	+2.7%	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 liability to significant actuarial assumptions the same method (present value of the defined benefit liability calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit liability recognised in the Group balance sheet.

The weighted average duration of the defined benefit liability is 18.6 years.

The assets in the schemes comprised:

	2013 £m	2013 %	2012 £m	2012 %
Quoted				
Equities	**459.2**	**57%**	404.5	57%
Government bonds	**72.6**	**9%**	65.3	9%
Corporate bonds	**99.6**	**12%**	94.2	13%
Other quoted securities	**15.8**	**2%**	16.5	2%
Unquoted				
Cash and cash equivalents	**19.7**	**3%**	15.1	3%
Property	**59.3**	**7%**	45.3	6%
Liability driven instruments	**34.3**	**4%**	25.2	4%
Other	**47.8**	**6%**	46.2	6%
	808.3	**100%**	712.3	100%

12. Retirement benefit liabilities (continued)

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 on the preceding pages with the addition of actuarial assumptions relating to the long-term increase in healthcare costs of 7.5% a year (2012: 7.8%).

The amounts recognised in the balance sheet in respect of this scheme is as follows:

	2013 £m	2012 £m
Present value of unfunded obligations		
US scheme	**11.5**	13.9

	2013 £m	2012 £m
Movement in present value of post employment medical benefit obligations in the year		
Opening balance	**13.9**	13.1
Current service cost	**0.4**	0.4
Interest cost	**0.5**	0.5
Remeasurements		
Change in financial assumptions	**(1.4)**	1.1
Experience gains	**(1.3)**	-
Benefits paid	**(0.5)**	(0.7)
Exchange differences on overseas schemes	**(0.1)**	(0.5)
	11.5	13.9

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, this will create a deficit. 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 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 2013 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 next triennial valuation of the UK scheme is due to be completed as at 30 September 2014. The Group considers that the schedule of contributions set at the 30 September 2011 valuation date remains sufficient to eliminate the deficit by 31 January 2016. The draft annual funding update for the UK scheme showed a funding level of 94.2% as at 30 September 2013. The funding review of our US scheme is undertaken annually. As at 31 December 2012 the scheme was 102.6% funded, with the funding level allowing for contributions received during 2013. 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 2013 the scheme was 119.8% funded on an actuarial basis relative to the DNB's required level of 117.2% and a minimum funding requirement of 104.1%.

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	**30.1**	**32.0**	**104.2**	**761.8**	**928.1**
Post-employment medical benefits	**0.6**	**0.6**	**1.9**	**8.4**	**11.5**
	30.7	**32.6**	**106.1**	**770.2**	**939.6**

Defined contribution schemes	2013 £m	2012 £m
Contributions paid charged to operating profit	**2.5**	2.3

Adoption of IAS19 (revised 2011)

The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense to be calculated as the product of the net defined benefit liability and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets.

The effects of the changes on prior year's previously disclosed figures are as follows:

	2012 as previously stated £m	Impact of IAS19 (revised) £m	2012 restated £m
Income Statement			
Operating profit	255.4	(0.5)	**254.9**
Net finance costs	(2.2)	(14.4)	**(16.6)**
Profit before tax	253.2	(14.9)	**238.3**
Tax	(78.1)	4.0	**(74.1)**
Profit after tax	175.1	(10.9)	**164.2**
Loss after tax from discontinued operations	(13.2)	-	**(13.2)**
Profit for the financial year	161.9	(10.9)	**151.0**
Group Statement of Comprehensive Income			
Profit for the year	161.9	(10.9)	**151.0**
Other comprehensive (expense)/income			
Remeasurements of post-employment benefit obligations	(1.0)	14.9	**13.9**
Tax on items that will not be classified	(3.5)	(4.0)	**(7.5)**
Other	(8.0)	-	**(8.0)**
	(12.5)	10.9	**(1.6)**
Total comprehensive income for the year	149.4	**-**	**149.4**

There is no impact on the Group balance sheet following the adoption of the revised IAS19. In the Group statement of cash flows, as the revised standard has no impact on Group net debt, the reduction in operating profit above is offset by an increase in the adjustment for pension fund contributions in excess of service cost.

13. Intangible assets

	Goodwill £m	Software £m	Other intangibles £m	Total £m
Cost				
At 1 January 2012	199.9	8.6	-	208.5
Exchange differences	-	(0.4)	0.1	(0.3)
Additions	-	0.9	1.0	1.9
Acquisitions	6.6	-	0.7	7.3
At 31 December 2012	**206.5**	**9.1**	**1.8**	**217.4**
At 1 January 2013	206.5	9.1	1.8	217.4
Exchange differences	(1.0)	-	-	(1.0)
Additions	-	1.7	-	1.7
Acquisitions	23.8	-	2.3	26.1
Reclassification from plant and equipment	-	1.2	-	1.2
At 31 December 2013	**229.3**	**12.0**	**4.1**	**245.4**
Accumulated amortisation				
At 1 January 2012	-	3.5	-	3.5
Exchange differences	-	(0.4)	0.1	(0.3)
Charge for the year (note 3)	-	0.9	0.2	1.1
At 31 December 2012	-	**4.0**	**0.3**	**4.3**
At 1 January 2013	-	4.0	0.3	4.3
Charge for the year (note 3)	-	1.3	0.3	1.6
At 31 December 2013	-	**5.3**	**0.6**	**5.9**
Net book amount				
At 31 December 2013	**229.3**	**6.7**	**3.5**	**239.5**
At 31 December 2012	206.5	5.1	1.5	213.1
At 1 January 2012	199.9	5.1	-	205.0

As discussed in the accounting policies note on page 88, goodwill is tested at each year end for impairment with reference to the relevant cash generating unit's (CGU) 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 future growth rate of 3% per annum (2012: 3%), for 25 years. The goodwill relates predominantly to the value in the 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.

Unless the risk profile of a particular acquisition dictates otherwise, the cash flows are discounted using the Group's weighted average cost of capital, which for these purposes has been calculated to be approximately 6.4% pre-tax (2012: 6.8%).

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 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.

14. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2012	123.5	439.7	563.2
Exchange differences	(4.0)	(14.2)	(18.2)
Additions	8.9	41.9	50.8
Acquisitions	-	0.1	0.1
Business disposals and closures	(2.6)	(25.0)	(27.6)
Other disposals and write offs	(0.4)	(2.8)	(3.2)
At 31 December 2012	**125.4**	**439.7**	**565.1**
At 1 January 2013	125.4	439.7	565.1
Exchange differences	(3.9)	(10.1)	(14.0)
Additions	3.2	41.7	44.9
Acquisitions	11.1	10.6	21.7
Other disposals and write offs	(0.6)	(2.6)	(3.2)
Reclassifications	1.4	(2.6)	(1.2)
At 31 December 2013	**136.6**	**476.7**	**613.3**
Accumulated depreciation and impairment losses			
At 1 January 2012	40.6	182.4	223.0
Exchange differences	(1.7)	(7.9)	(9.6)
Charge for the year (note 3)	3.7	27.3	31.0
Business disposals and closures	(1.1)	(13.8)	(14.9)
Other disposals and write offs	(0.4)	(2.3)	(2.7)
At 31 December 2012	**41.1**	**185.7**	**226.8**
At 1 January 2013	41.1	185.7	226.8
Exchange differences	(0.7)	(5.2)	(5.9)
Charge for the year (note 3)	3.6	28.7	32.3
Other disposals and write offs	(0.2)	(2.3)	(2.5)
At 31 December 2013	**43.8**	**206.9**	**250.7**
Net book amount			
At 31 December 2013	**92.8**	**269.8**	**362.6**
At 31 December 2012	84.3	254.0	338.3
At 1 January 2012	82.9	257.3	340.2

The net book value of assets held by the Group under finance leases for plant and equipment at 31 December 2013 was £0.9m (2012: £0.7m). The leased equipment secures the lease obligations in note 20. 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.

15. Future commitments

	2013 £m	2012 £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	**10.4**	10.3
Intangible assets	**0.4**	0.1
Authorised but not contracted for		
Property, plant and equipment	**35.7**	23.9
Intangible assets	**0.2**	2.1
	46.7	36.4
Operating leases - minimum lease payments		
At 31 December the Group's future minimum lease commitments were due as follows:		
Within one year	**3.7**	2.6
From one to five years	**9.3**	5.2
After five years	**8.9**	5.3
	21.9	13.1

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.

16. Investments

	2013 £m	2012 £m
Other investments	**0.8**	0.9
	0.8	0.9

The Directors believe the carrying value of the investments is supported by their underlying net assets.

Other investments
Other investments of £0.8m (2012: £0.9m) 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.

17. Inventories

	2013 £m	2012 £m
Raw materials	**40.2**	33.3
Work in progress	**28.4**	24.0
Finished goods	**124.2**	113.2
	192.8	170.5

The Group consumed £625.6m (2012: £638.9m) of inventories during the period.

18. Trade and other receivables

	2013 £m	2012 £m
Trade receivables	**119.4**	127.0
Less: provision for impairment of receivables	**(2.4)**	(2.8)
Trade receivables - net	**117.0**	124.2
Other receivables	**18.5**	37.9
Prepayments	**1.2**	0.8
	136.7	162.9

The ageing of the Group's year end overdue receivables against which no provision has been made is as follows:	2013 £m	2012 £m
Not impaired		
Less than 3 months	**14.1**	19.3
3 to 6 months	**0.2**	0.4
Over 6 months	**0.6**	-
	14.9	19.7

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.

The carrying amounts of the Group's receivables are denominated in the following currencies:	2013 £m	2012 £m
Sterling	**12.1**	13.9
US Dollar	**40.7**	46.6
Euro	**54.0**	67.4
Other	**29.9**	35.0
	136.7	162.9

Movements on the Group's provision for impairment of trade receivables are as follows:	2013 £m	2012 £m
At 1 January	**2.8**	4.6
Exchange differences	**(0.1)**	(0.1)
Charged/(released) to income statement	**0.2**	(0.3)
Net write off of uncollectible receivables	**(0.5)**	(1.4)
At 31 December	**2.4**	2.8

Amounts charged to the income statement in respect of bad debts are included within administrative expenses. The other classes of receivables do not contain impaired assets.

Notes to the Group Accounts

19. Trade and other payables

	2013 £m	2012 £m
Trade payables	**51.5**	53.6
Taxation and social security	**8.0**	9.9
Other payables	**20.2**	25.8
Accruals	**46.8**	47.2
	126.5	136.5

20. 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 page 20 and 21.

	2013 £m	2012 £m
Current assets		
Investments	**0.8**	0.9
Trade and other receivables (excluding prepayments)	**135.5**	162.1
	136.3	163.0
Current liabilities		
Trade and other payables (excluding taxation, social security, accruals and deferred income)	**71.7**	79.4
Unsecured bank loans and overdrafts due within one year or on demand	**17.8**	5.1
Other loans	**8.5**	-
Obligations under finance leases	**0.3**	0.3
	98.3	84.8
Non-current liabilities		
2010 Club facility due 2015	**140.8**	177.8
$100m fixed rate 10 year bond	**60.4**	61.9
Other unsecured bank loans	**11.7**	16.1
Obligations under finance leases	**0.2**	0.3
	213.1	256.1

The Club facility was put in place in November 2010 and falls due for repayment upon expiry of the agreement in May 2015. Interest is charged at a floating rate based on 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.

	2013 £m	2012 £m
Maturity profile of financial liabilities		
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	**17.8**	5.1
Other loans	**8.5**	-
Obligations under finance leases	**0.3**	0.3
	26.6	5.4
After more than one year		
Loans repayable		
Within one to two years	**152.5**	-
Within two to five years	**-**	193.9
Five years and over	**60.4**	61.9
Obligations under finance leases payable between years two and five	**0.2**	0.3
	213.1	256.1
The minimum lease payments under finance leases fall due as follows:		
Within one year	**0.3**	0.3
Within two to five years	**0.3**	0.4
	0.6	0.7
Future finance charges on finance leases	**(0.1)**	(0.1)
Present value of finance lease liabilities	**0.5**	0.6
Undiscounted maturity analysis of financial liabilities		
Within one year		
Bank loans and overdrafts	**18.3**	5.2
Other loans	**8.8**	-
Obligations under finance leases	**0.3**	0.3
	27.4	5.5
After more than one year		
Loans repayable		
Within one to two years	**155.7**	-
Within two to five years	**-**	200.4
Five years and over	**82.0**	87.8
Obligations under finance leases	**0.3**	0.4
	238.0	288.6

The analysis above includes estimated interest payable to maturity on the underlying loans. For the loans due after more than one year £5.9m (2012: £6.4m) of the interest falls due within one year of the balance sheet date, £4.6m (2012: £6.5m) within one to two years, £10.8m (2012: £12.2m) within two to five years and £3.6m (2012: £7.4m) beyond five years.

20. Borrowings, other financial liabilities and other financial assets (continued)

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	**59.5**	**-**	**59.5**	**-**	**-**
US Dollar	**72.4**	**60.4**	**12.0**	**5.94**	**6.1**
Euro	**92.1**	**-**	**92.1**	**-**	**-**
Other	**15.7**	**-**	**15.7**	**-**	**-**
At 31 December 2013	**239.7**	**60.4**	**179.3**	**5.94**	**6.1**
Sterling	78.4	-	78.4	-	-
US Dollar	87.8	61.9	25.9	5.94	7.1
Euro	93.2	-	93.2	-	-
Other	2.1	-	2.1	-	-
At 31 December 2012	261.5	61.9	199.6	5.94	7.1

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 2013 £m	Fair Value 2013 £m	Book Value 2012 £m	Fair Value 2012 £m
Cash deposits	**27.2**	**27.2**	53.8	53.8
Other investments	**0.8**	**0.8**	0.9	0.9
2010 Club facility due 2015	**(140.8)**	**(140.8)**	(177.8)	(177.8)
$100m fixed rate 10 year bond	**(60.4)**	**(65.5)**	(61.9)	(71.9)
Other bank borrowings	**(29.5)**	**(29.5)**	(21.2)	(21.2)
Other loans	**(8.5)**	**(8.5)**	-	-
Obligations under finance leases	**(0.5)**	**(0.5)**	(0.6)	(0.6)

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 2013, the Group had undrawn committed facilities of £253.2m (2012: £204.2m). In addition the Group had other undrawn facilities of £54.4m (2012: £67.4m) available. Of the Group's total committed facilities of £465.8m, £60.4m expires in 2020 with the balance expiring in 2015.

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 2013, 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 £11.6m (2012: £11.6m) 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 £25.5m (2012: £17.4m) 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 2013 over 75% of Group borrowings were at floating rates. During 2010 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 2013, aside from the $100m loan note, all Group debt and cash was exposed to repricing within 12 months of the balance sheet date.

At 31 December 2013, the Group's fixed rate debt was at a weighted average rate of 5.94% (2012: 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 £0.1m (2012: £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 the Group has sufficient funds available for operations and planned investments. The Group also has a share buyback programme which 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.

20. Borrowings, other financial liabilities and other financial assets (continued)

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 2 and 3.

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 has grown steadily since the acquisition and now stands at 23.8% against a post-tax WACC of 6.3%, 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 2013. The Group was in compliance with its covenant requirements throughout the year. Additional information on progress against Key Performance Indicators can be found pages 21 to 23.

* ROIC = Group profit after tax (before exceptional items)/average invested capital**.

+ WACC = weighted average cost of servicing the Group's net debt and its equity share capital

** Average invested capital = average net assets of the Group (as at the start and end of the year) adjusted to add back net debt, retirement benefit liabilities, tax balances and provisions.

21. Provisions	**Environmental £m**	**Restructuring £m**	**Other £m**	**Total £m**
At 1 January 2013	16.9	2.9	5.4	25.2
Exchange differences	0.1	-	-	0.1
Released to income statement	-	-	(1.0)	(1.0)
Cash paid against provisions	(3.1)	(1.8)	(0.3)	(5.2)
At 31 December 2013	**13.9**	**1.1**	**4.1**	**19.1**

Analysis of total provisions	**2013 £m**	**2012 £m**
Current	**6.8**	7.9
Non-current	**12.3**	17.3
	19.1	25.2

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 10 years, with the bulk of the spend in the next five years. Provisions for remediation costs are made when there is a present obiligation, 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. Management has also assessed the worst possible case for each exposure and is confident that the Group's financial position would not be significantly affected if each case were to require this worst case settlement. 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.

22. Ordinary share capital

Ordinary shares of 10p	2013 £m	2012 £m
Authorised at 1 January and 31 December		
230,744,890 ordinary shares of 10p each (2012: 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 (2012: 139,949,969)	**14.0**	14.0

In 2013 options were granted to employees under the Croda International Plc Sharesave Scheme to subscribe for 69,029 (2012: 75,255) ordinary shares at an option price of 2141p (2012:1942p) per share and under the Croda International Plc International Sharesave Plan to subscribe for 223,275 (2012:179,182) shares at an option price of 2141p (2012:1942p) per share. No options were granted in 2013 under the Senior Executive Share Option Scheme. All options granted under the Senior Executive Share Option Scheme have now been exercised in full. No-cost options to subscribe for 79,421 (2012: 92,981) ordinary shares were granted under the Long Term Incentive Plan during the year and no-cost options over a further 48,590 (2012:164,951) shares were granted under the Bonus Co-Investment Plan.

During the year consideration of £0.9m (2012:£1.1m) was received on the exercise of options over 100,714 (2012:291,309) shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 5,265 (2012:12,331) 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				
	2010	2,561	1144p	1 November 2013 to 30 April 2014
	2011	77,266	1432p	1 November 2014 to 30 April 2015
	2012	70,050	1942p	1 November 2015 to 30 April 2016
	2013	67,888	2141p	1 November 2016 to 30 April 2017
Croda International Plc International Sharesave Plan				
	2011	191,282	1432p	1 November 2014 to 30 November 2014
	2012	160,903	1942p	1 November 2015 to 30 November 2015
	2013	220,439	2141p	1 November 2016 to 30 November 2016
Croda International Long-Term Incentive Plan				
	2011	81,368	Nil	23 February 2014 to 22 February 2015
	2012	92,981	Nil	22 February 2015 to 21 February 2016
	2013	79,421	Nil	22 February 2016 to 21 February 2017
Croda International Bonus Co-Investment Plan				
	2011	198,598	Nil	3 May 2014
	2011	2,556	Nil	27 May 2014
	2012	162,613	Nil	30 April 2015
	2013	48,590	Nil	30 April 2016

23. Share based payments

The impact of share based payment transactions on the Group's financial position is as follows:	2013 £m	2012 £m
Analysis of amounts recognised in income statement:		
Charged in respect of equity-settled share based payment transactions	**3.9**	3.8
Charged in respect of cash-settled share based payment transactions	**5.0**	9.5
	8.9	13.3
Analysis of amounts recognised in balance sheet:		
Liability in respect of cash-settled share based payment transactions	**8.2**	10.6

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 6 month period following completion of the savings contract. 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	**2013**	2012
Share price at grant date	**2676p**	2427p
Exercise price	**2141p**	1942p
Number of employees	**508**	483
Shares under option	**69,029**	75,255
Vesting period	**3 years**	3 years
Expected volatility	**25%**	30%
Option life	**6 months**	6 months
Expected life	**-**	-
Risk free rate	**1.0%**	0.4%
Dividend yield	**2.3%**	2.4%
Possibility of forfeiture	**7.5% p.a.**	7.5% p.a.
Fair value per option at grant date	**640p**	627p
Option pricing model	**Black Scholes**	Black Scholes

A reconciliation of option movements over the period is as follows:	2013 Number	2013 Weighted average exercise price (p)	2012 Number	2012 Weighted average exercise price (p)
Outstanding at 1 January	**249,199**	**1462**	332,421	934
Granted	**69,029**	**2141**	75,255	1942
Forfeited	**(10,838)**	**1549**	(12,338)	1074
Exercised	**(82,474)**	**1093**	(146,139)	542
Outstanding at 31 December	**224,916**	**1801**	249,199	1462
Exercisable at 31 December	**6,834**	**1144**	7,692	533
For options exercised in year, weighted average share price at date of exercise		**2424**		2146
Weighted average remaining life at 31 December (years)	**2.2**		2.2	

Croda International Plc International Sharesave Plan ("International")
The International scheme, established in 1999, 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	**2013**	2012
Share price at grant date	**2676p**	2427p
Exercise price	**2141p**	1942p
Number of employees	**1,435**	1,135
Shares under option	**223,275**	179,182
Vesting period	**3 years**	3 years
Expected volatility	**25%**	30%
Option life	**1 month**	1 month
Expected life	**-**	-
Risk free rate	**1.0%**	0.4%
Dividend yield	**2.5%**	2.4%
Possibility of forfeiture	**7.5% p.a.**	7.5% p.a.
Fair value per option at grant date	**482p**	580p
Option pricing model	**Black Scholes**	Black Scholes

23. Share based payments (continued)

A reconciliation of option movements over the period is as follows:	Number	2013 Weighted average exercise price (p)	Number	2012 Weighted average exercise price (p)
Outstanding at 1 January	**639,046**	**1452**	802,772	1009
Granted	**223,275**	**2141**	179,182	1942
Forfeited	**(29,449)**	**1591**	(62,958)	1158
Exercised	**(257,671)**	**1148**	(279,950)	563
Outstanding at 31 December	**575,201**	**1848**	639,046	1452
For options exercised in year, weighted average share price at date of exercise		**2457**		2106
Weighted average remaining life at 31 December (years)	**2.0**		1.8	

Croda International Senior Executive Share Option Scheme ("Executive")
The Group previously granted options to senior employees each year which are subject to satisfaction of performance conditions before they can be exercised. As with the Sharesave scheme, the Executive Scheme is equity settled and as a consequence only the options granted in 2003 fall within the scope of IFRS 2. No further options will be granted or remain to be exercised under this scheme.

A reconciliation of option movements over the period is as follows	Number	2013 Weighted average exercise price (p)	Number	2012 Weighted average exercise price (p)
Outstanding at 1 January	**18,240**	**230**	163,410	233
Exercised	**(18,240)**	**230**	(145,170)	234
Outstanding at 31 December	**-**	**-**	18,240	230
Exercisable at 31 December	**-**	**-**	18,240	230
For options exercised in year, weighted average share price at date of exercise		**2432**		2213
Weighted average remaining life at 31 December (years)	**-**		0.3	

Croda International Long-Term Investment Plan ("LTIP")

The LTIP was established in 2005 and grants no cost options to senior employees which vest after 3 years dependent upon an EPS performance related sliding scale (non-market condition) and the Group's total shareholder return (market condition). The LTIP is discussed in detail in the Directors' Remuneration Report (page 67). 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:

	2013 Market condition	2013 Non-market condition	2012 Market condition	2012 Non-market condition
Grant date	**26 February 2013**	**26 February 2013**	22 February 2012	22 February 2012
Share price at grant date	**2567p**	**2567p**	2171p	2171p
Number of employees	**11**	**11**	12	12
Shares under option	**39,710**	**39,711**	46,490	46,491
Vesting period	**3 years**	**3 years**	3 years	3 years
Option life	**1 year**	**1 year**	1 year	1 year
Expected life	**-**	**-**	-	-
Dividend yield	**2.3%**	**2.3%**	2.6%	2.6%
Possibility of forfeiture	**3.5%**	**3.5%**	3.5%	3.5%
Fair value per option at grant date	**1429p**	**2413p**	1178p	1989p
Option pricing model	**Closed form valuation**	**Closed form valuation**	Closed form valuation	Closed form valuation

A reconciliation of option movements over the period is as follows:	2013 Number	2013 Weighted average exercise price (p)	2012 Number	2012 Weighted average exercise price (p)
Outstanding at 1 January	**450,459**	**–**	686,997	–
Granted	**79,421**	**–**	92,981	–
Forfeited	**(6,015)**	**–**	(3,134)	–
Exercised	**(206,976)**	**–**	(326,385)	–
Outstanding at 31 December	**316,889**	**–**	450,459	–
For options exercised in year, weighted average share price at date of exercise		**2575**		2245
Weighted average remaining life at 31 December (years)	**2.0**		1.9	

23. Share based payments (continued)

Bonus Co-Investment Plan ("BCIP")
The BCIP was established in 2005 and grants no cost options to senior employees which vest after 3 years dependent upon a performance related condition. The BCIP is discussed in detail in the Directors' Remuneration Report (page 66). 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	**30 April 2013**	30 April 2012
Share price at grant date	**2474p**	2262p
Number of employees	**66**	75
Shares under option	**48,590**	164,951
Vesting period	**3 years**	3 years
Dividend yield	**2.4%**	2.2%
Possibility of forfeiture	**5.0%**	5.0%
Fair value per option at grant date	**2279p**	2145p

A reconciliation of option movements over the period is as follows:	**Number**	**2013 Weighted average exercise price (p)**	**Number**	**2012 Weighted average exercise price (p)**
Outstanding at 1 January	**589,050**	**–**	762,022	–
Granted	**48,590**	**–**	164,951	–
Forfeited	**(11,671)**	**–**	(6,761)	–
Exercised	**(213,612)**	**–**	(331,162)	–
Outstanding at 31 December	**412,357**	**–**	589,050	–
For options exercised in year, weighted average share price at date of exercise		**2481**		2262
Weighted average remaining life at 31 December (years)	**1.0**		1.2	

Croda International Share Incentive Plan ("SIP")
The SIP was established in 2003 and has similar objectives to the Sharesave 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.

24. Preference share capital	2013 £m	2012 £m
The authorised, issued and fully paid preference share capital comprises:		
615,562 5.9% preference shares of £1 (2012: 615,562)	**0.6**	0.6
498,434 6.6% preference shares of £1 (2012: 499,174)	**0.5**	0.5
21,900 7.5% preference shares of £1 (2012: 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.

25. 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 2013 the QUEST had a net amount due from the Company of £2.0m (2012: £1.1m due to the Company) and held 0.1m (2012: 0.1m) shares transferred at nil cost (2012: nil cost) with a market value of £2.3m (2012: £2.2m). As at 31 December 2013 the CIPEBT was financed by a repayable on demand loan from the Company of £3.9m (2012: £3.9m) and held 0.3m (2012: 0.3m) shares transferred at a nil cost (2012: nil cost) with a market value of £8.1m (2012: £6.1m).

As at 31 December 2013 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 2013 and, except for a nominal amount, the right to receive dividends has been waived.

26. Non-controlling interests	2013 £m	2012 £m
At 1 January	**0.1**	0.1
Exchange differences	**(0.4)**	-
Additions upon acquisition	**6.2**	-
Income allocated to non-controlling interests	**0.4**	-
At 31 December	**6.3**	0.1

As discussed in note 28, during 2013 the Group acquired 65% of the share capital of Sipo. Included in the table above are the non-controlling interest's share of net assets at the point of Croda's acquisition of its majority share plus the non-controlling interest's share of post-acquisition income.

27. 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.

Notes to the Group Accounts

28. Business combinations

On 23 May 2013, the Group acquired the assets of the Specialty Products business of US-based Arizona Chemical for a cash consideration of $12m. The acquisition brings a portfolio of class leading oil gelling polymers which are already used in a variety of core industries and are applicable to many more. It also strengthens Croda's position as leaders in speciality chemicals from renewable resources. The technologies of the acquired business are naturally derived polyamides with high bio-renewable content.The major market at present is Personal Care where the patented SYLVACLEAR™, SYLVASOL™ and UNICLEAR™ polymers offer a broad range of functionality. The purchase also includes SYLVAGEL™ polymers which have found success within the Air Care segment of Home Care as well as other industries.

On 6 August 2013, the Group acquired 65% of the share capital of Sichuan Sipo Chemical Co. Ltd ("Sipo"), a non-listed natural speciality chemicals manufacturer based in Mianyang City, Sichuan Province, China.The majority stake was acquired from Sichuan Forever Holding Co. Ltd and certain individual shareholders for a total consideration of RMB286m. Sichuan Forever Holding Co. Ltd will continue as the minority shareholder retaining a 35% equity interest in Sipo. Sipo was established in 1993 and has approximately 300 employees. Sipo makes speciality derivatives from natural raw materials and its products include primary amides, novel fatty acids and speciality esters. A state of the art, well invested production facility, custom built in 2011, will provide additional capacity from the outset and increase Croda's proximity to customers in the region, strengthening its existing operations across China and the Group's overall position in Asia. Sipo will also consolidate Croda's global leadership in fatty acid amides and add new technology that will enable the Group to expand its portfolio across a number of its core markets.

The following table summarises the consideration paid in respect of the above acquisitions, the fair value of assets acquired and liabilities assumed. For Sipo, the figures quoted for assets and liabilities acquired represent the Group's share of 65% for the purposes of illustrating the calculation of goodwill. Thus the next debt figure below differs from that included in the cash flow notes on page 86 as the latter recognises 100% of Sipo's opening net debt as recognised in the consolidated balance sheet.

	Arizona Chemical £m	Sipo £m
Consideration	**7.8**	**30.3**
Fair value of assets and liabilities acquired		
Property, plant and equipment	-	14.4
Intangible assets	0.7	1.4
Inventories	0.5	9.7
Trade and other receivables	-	4.5
Net debt	-	(11.0)
Trade and other payables	-	(6.1)
Total identifiable net assets	**1.2**	**12.9**
Goodwill	**6.6**	**17.4**

Acquisition-related costs of £1.0m (2012: £0.2m) have been charged to administration expenses in the Group income statement for the year ended 31 December 2013. Included in the Group income statement in respect of the above acquisitions was £11.3m of post-acquisition revenue and £0.8m of post-acquisition pre-tax profit. If the acquisitions had been consolidated from 1 January 2013, the Group income statement would show pro-forma revenue of £1,091.5m and pre-tax profit of £250.8m.

During 2013, the Group completed its review of the 2012 acquisition of the assets of Innovachem LLC. This review identified £0.2m of separately identifiable intangible assets relating to Innovachem's unique process technology and this amount has been reclassified from goodwill to other intangibles in 2013. The Group also completed its review of the intangible assets acquired with IRB, another 2012 acquisition. No separately identifiable intangible assets were identified over and above those already identified in 2012 and accordingly the goodwill balance remains unchanged.

The goodwill arising on the acquisitions completed in 2013 is attributable to the synergies expected to arise from the combination of the acquired technologies and Croda's global sales and marketing network. In the case of Sipo, an element of the goodwill also relates to the value of establishing a presence in China. The Group expects that the benefits of the acquisition will take a number of years to fully accrue.

Parent Company Financial Statements

Pages 122 to 128 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 UK accounting standards and are thus presented separately to the Group financial statements which have been prepared in accordance with International Accounting Standards.

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

Report on the Parent Company Financial Statements

Our Opinion

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Parent Company's affairs as at 31 December 2013;
- 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Parent Company financial statements, which are prepared by Croda International plc, comprise:

- The Parent Company balance sheet as at 31 December 2013;
- The notes to the Parent Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Accounts ("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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("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 Parent 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.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Parent Company 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.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.
- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company 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

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

Other information in the Annual Report

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 Parent Company financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- Is otherwise misleading.

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 Directors' Responsibilities Statement set out on pages 76 and 77, the Directors are responsible for the preparation of the Parent Company 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 Parent Company 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.

Other matter

We have reported separately on the Group financial statements of Croda International Plc for the year ended 31 December 2013.

Ian Morrison

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

5 March 2014

Company Balance Sheet

at 31 December 2013

	Note	2013 £m	2012 £m
Fixed assets			
Tangible assets	C	**1.6**	1.8
Investments			
Investments in subsidiaries	D	**667.3**	593.4
Available for sale financial assets	E	**0.6**	0.6
		669.5	595.8
Current assets			
Debtors	F	**26.4**	23.4
Cash at bank and in hand		**-**	13.4
		26.4	36.8
Current liabilities			
Creditors: Amounts falling due within one year	G	**(61.2)**	(13.9)
Net current (liabilities)/assets		**(34.8)**	22.9
Total assets less current liabilities		**634.7**	618.7
Creditors: Amounts falling due after more than one year	G	**(231.2)**	(234.1)
Net assets		**403.5**	384.6
Capital and reserves			
Preference share capital	24	**1.1**	1.1
Ordinary share capital	22	**14.0**	14.0
Called up share capital		**15.1**	15.1
Share premium account	J	**93.3**	93.3
Other reserves	J	**3.0**	3.0
Profit and loss account	J	**292.1**	273.2
Shareholders' funds		**403.5**	384.6

The financial statements on pages 123 to 128 were approved by the Board of Directors on 5 March 2014 and signed on its behalf by

Martin Flower
Chairman

Sean Christie
Group Finance Director

Company Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

Accounting basis

The financial statements are prepared under the historical cost convention, in compliance with the provisions of the Companies Act 2006, the requirements of the Listing Rules of the Financial Conduct Authority and applicable United Kingdom Accounting Standards. Whilst the consolidated accounts have been prepared under IFRS, as required by European law, the Company's accounts continue to be prepared under UK GAAP as permitted.

Land and buildings

In the past the Company's principal properties have been valued periodically by professional valuers on an open market, existing use basis. Following the Company's adoption of FRS 15 in 2001, no further revaluations will be carried out and previous book values will be retained. Notwithstanding the requirements of FRS 15 all fixed assets are written down to their recoverable amount in the event that any impairment review carried out in accordance with FRS 11 indicates that the recoverable amount is less than the carrying value. The profit or loss on the disposal of land and buildings included in the profit and loss account represents the difference between the net proceeds of sale and the net book amount.

Depreciation

Tangible fixed assets are stated at cost or valuation less depreciation, where 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. Depreciation is provided at rates calculated to write down the cost of all tangible fixed assets, except freehold land, over their estimated useful lives on a straight line basis. The estimated average life for each major asset category is:

Land and buildings – 15 to 40 years

Plant and equipment – 3 to 15 years

Leased assets

The cost of operating leases is charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions

The defined benefit pension obligations of the Company are financed by contributions a separate fund. As the Company is unable to reliably and consistently measure its share of the underlying assets and liabilities of the fund, the Company accounts as though the fund was a defined contribution fund and charges contributions paid directly to the profit and loss account.

Currency translations

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 profit and loss account. Other exchange differences arising from non-trading items are dealt with through reserves.

Financial instruments

The Company 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 profit and loss account, 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 profit and loss account. Amounts accumulated in equity are recycled in the profit and loss account 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 profit and loss account. 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 profit and loss account.

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 profit and loss account.

Employee Share Ownership Trusts

Shares acquired by the Trustees, funded by the Company and held for the continuing benefit of the Company are shown as a reduction in shareholders' funds. 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 shareholders' funds in the year. Administration expenses of the trusts are charged to the Company's profit and loss account as incurred.

Share based payments

Share based incentive schemes are accounted for in accordance with FRS20 'Share-based Payments', which requires an expense to be recognised in the profit and loss account 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 market-based performance criteria are not used.

Dividends

All dividends, including preference 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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and other accounting purposes. Timing differences arise from the inclusion of profits and losses in the accounts in different periods from which they are recognised in tax assessments and primarily arise as a result of 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 timing 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 to the extent that it is probable that future taxable profit will be available against which the timing 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.

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 profit and loss account over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses.

Investments

Shares in subsidiary undertakings
Shares in subsidiary undertakings are initially stated at cost. Provision is made where, in the opinion of the Directors, a permanent diminution in value has occurred.

Unquoted securities
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.

Financial risk factors

The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 111 and 112.

Notes to the Company Accounts

A. Profit and loss account

Of the Group's profit for the year, £96.2m (2012: £167.4m) is dealt with in the profit and loss account of the Company which was approved by the Board on 5 March 2014 but which is not presented as permitted by s.408 Companies Act 2006. Included in the Company profit and loss account is a charge of £0.1m (2012: £0.1m) in respect of the Company's audit fee.

B. Retirement benefit obligations

The Company's employees are members of the UK defined benefit scheme, details of which are disclosed in note 12 to the Group financial statements. Whilst the Group reports under IFRS, the UK GAAP equivalent figures for the UK scheme would not be significantly different. As the Company is unable to identify its share of the underlying assets and liabilities of of the scheme, due mainly to changes in the Group's corporate structure over the years, the Company has accounted as though the scheme was a defined contribution scheme and has charged the contributions paid each year to the profit and loss account.

C. Tangible assets	**Land and buildings £m**	**Plant and equipment £m**	**Total £m**
Cost or valuation			
At 1 January 2013	1.7	1.9	3.6
Additions	-	0.3	0.3
Disposals	-	(0.1)	(0.1)
At 31 December 2013	**1.7**	**2.1**	**3.8**
Accumulated depreciation			
At 1 January 2013	1.0	0.8	1.8
Charge for year	0.1	0.4	0.5
Disposals	-	(0.1)	(0.1)
At 31 December 2013	**1.1**	**1.1**	**2.2**
Net book amount			
At 31 December 2013	**0.6**	**1.0**	**1.6**
At 31 December 2012	0.7	1.1	1.8

	2013 £m	**2012 £m**
Net book amount of land and buildings		
Freehold	**0.6**	0.7
Historical cost of land and buildings		
Cost	**0.3**	0.3
1988 valuations	**1.4**	1.4
At 31 December	**1.7**	1.7
Revaluation surpluses	**(1.1)**	(1.1)
Restated to historical cost	**0.6**	0.6
Depreciation	**(0.5)**	(0.5)
Historical net book amount		
At 31 December	**0.1**	0.1

D. Investment in subsidiaries	Shares £m	Loans £m	Total £m
Cost			
At 1 January 2013	388.3	230.4	618.7
Exchange differences	-	(1.1)	(1.1)
Additions	31.0	52.1	83.1
Amounts repaid	(8.1)	-	(8.1)
At 31 December 2013	**411.2**	**281.4**	**692.6**
Impairment			
At 1 January 2013 and **31 December 2013**	**(25.3)**	**-**	**(25.3)**
Net book value			
At 31 December 2013	**385.9**	**281.4**	**667.3**
At 31 December 2012	363.0	230.4	593.4

The principal subsidiary undertakings are listed on page 129.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

E. Available for sale financial assets	Other investments £m
Cost or valuation of net equity	
At 1 January 2013 and **31 December 2013**	**0.6**

Available for sale financial assets comprise unlisted investments included at Directors' valuation based on appropriate attributable net assets.

F. Debtors	2013 £m	2012 £m
Amounts owed by Group undertakings	**1.1**	2.1
Corporation tax	**24.6**	20.8
Other debtors	**0.3**	0.2
Prepayments	**0.4**	0.3
	26.4	23.4

The amounts owed by Group undertakings relate to current trading, and are interest free with no fixed date of repayment.

G. Creditors	2013 £m	2012 £m
Amounts falling due within one year		
Borrowings (note H)	**55.0**	5.5
Trade creditors	**0.2**	0.2
Taxation and social security	**1.1**	2.7
Other creditors	**4.2**	4.9
Accruals and deferred income	**0.7**	0.6
	61.2	13.9
Amounts falling due after more than one year		
Borrowings (note H)	**140.8**	177.8
Amounts owed to Group undertakings	**90.4**	56.3
	231.2	234.1

The amounts owed to Group undertakings are interest free, unsecured and have no fixed date of repayment.

Notes to the Company Accounts

H. Financial instruments and liabilities

The Company's objectives, policies and strategies in respect of financial instruments are outlined in the accounting policies note on page 124 which forms part of the annual report and accounts. Short term debtors and creditors except for borrowing have been excluded from all of the following disclosures.

	2013 £m	2012 £m
Maturity profile of financial liabilities		
2010 Club facility due 2015	**140.8**	177.8
Bank loans and overdrafts repayable on demand	**55.0**	5.5
	195.8	183.3
Repayments fall due as follows		
Within one year		
Bank loans and overdrafts	**55.0**	5.5
	55.0	5.5
After more than one year		
Within two to five years		
Loans repayable	**140.8**	177.8
	140.8	177.8

I. Share based payments

The total charge for the year in respect of share based remuneration schemes was £2.3m (2012: £3.5m). 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 23 to the Group financial statements.

J. Reserves	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit & loss account £m	Total £m
At 1 January 2013	93.3	0.9	2.1	273.2	369.5
Profit for the financial year	–	–	–	96.2	96.2
Other gains and losses	–	–	–	2.5	2.5
Dividends	–	–	–	(83.6)	(83.6)
Share based payments	–	–	–	2.9	2.9
Sale of own shares held in trust	–	–	–	0.9	0.9
At 31 December 2013	**93.3**	**0.9**	**2.1**	**292.1**	**388.4**

Details of investments in own shares are disclosed in note 25 of the Group financial statements.

K. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £72.4m (2012: £78.4m).

L. Dividends

Details of dividends are disclosed in note 9 of the Group financial statements.

Principal Subsidiary Companies

Principal operating companies	Incorporated and/or principally operating in	Group beneficial interest %
Croda Europe Ltd*†	UK	100
John L Seaton & Co Ltd	UK	100
Croda Argentina SA	Argentina	100
Croda Australia‡	Australia	100
Croda Belgium BVBA	Belgium	100
Croda do Brasil Ltda†	Brazil	100
Croda Canada Ltd	Canada	100
Croda Chile Ltda	Chile	100
Croda China Trading Company Ltd	China	100
Croda Sipo (Sichuan) Co., Ltd†	China	65
Croda Trading (Shanghai) Co., Ltd	China	100
Croda Colombia‡	Colombia	100
Croda France SAS	France	100
Crodarom SAS†	France	100
Sederma SAS†	France	100
Croda Chocques SAS†	France	100
Croda GmbH	Germany	100
Croda Hong Kong Company Ltd	Hong Kong	100
Croda India Company Private Ltd*†	India	100
PT Croda Indonesia Ltd†	Indonesia	100
Croda Italiana S.p.A	Italy	100
I.R.B. - Istituto di Ricerche Biotechnologiche S.p.A†	Italy	100
Croda Japan KK*†	Japan	100
Croda México SA de CV	Mexico	100
Croda Nederland B.V. †	Netherlands	100
Croda Peruana S.A.C	Peru	100
Croda Poland Sp. z o.o.*	Poland	100
Croda Russia‡	Russia	100
Croda Singapore Pte Ltd*†	Singapore	100
Croda (SA) (Pty) Ltd	South Africa	100
Croda Korea‡	South Korea	100
Croda Ibérica SA †	Spain	100
Croda Nordica AB	Sweden	100
Croda (Thailand) Co., Ltd*	Thailand	100
Croda Kimya Ticaret Limited Sirketi	Turkey	100
Croda Middle East‡	UAE	100
Croda Inc†	USA	100
Principal holding companies		
Croda Overseas Holdings Ltd*	UK	100
Croda Holdings France SAS	France	100
Croda Investments Inc	USA	100

* Companies owned directly by Croda International Plc.

‡ Branch offices

Companies incorporated in the UK are registered in England.

All companies are involved in the sale of chemicals. Those companies indicated with a † are also involved in manufacturing activities. Full details of investments in subsidiary undertakings will be attached to the Company's annual return made to the Registrar of Companies. Those not listed above were either not trading or not material.

Shareholder Information

Corporate calendar

2014 Annual General Meeting	24 April 2014
2013 Final ordinary dividend payment	30 May 2014
2014 Half year results announcement	22 July 2014
2014 Interim ordinary dividend payment	30 September 2014
2014 Preference dividend payments	30 June 2014
	31 December 2014
2014 Full year results announcement	24 February 2015

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 with 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 2013, or last date traded*, were as follows:

Ordinary shares	2453.5p
5.9% preference shares	90p*
6.6% preference shares	90p*

Capital Gains Tax

The market values 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 0871 664 0381 (calls to this number cost 10p per minute plus network extras) or, if calling from overseas, +44 208 639 3402. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays. 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 10 pence per minute plus network extras). From overseas +44 20 8639 3405. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays.

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 0871 664 0454 (calls cost 10p per minute plus network extras, lines are open 8.00am to 4.30pm, Monday to Friday. From outside the UK dial +44 203 367 2699).

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 & overseas shareholders - Stocktrade
Telephone dealing 0845 601 0995 (non UK +44 131 240 0414) quoting reference Low Co0238
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 more 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
Tel: +44 (0)1405 860551
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 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday to Friday
+ 44 20 8639 3399 (from overseas)
Fax: 01484 601512 (from UK)
+ 44 1484 601512 (from overseas)
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 Advisors
Pendomer Communications LLP

Five Year Record

Earnings	2013 £m	2012^ £m	2011^ £m	2010^ £m	2009^ £m
Turnover	**1,077.0**	1,051.9	1,028.0	1,001.9	827.5
Adjusted operating profit[1]	**264.6**	255.1	222.1	186.2	116.5
Adjusted profit before tax[1]	**251.4**	238.5	221.9	179.9	103.0
Profit after tax	**177.9**	164.2	151.3	120.9	69.2
Profit attributable to ordinary shareholders*	**177.4**	150.9	156.1	121.8	20.2
	%	%	%	%	%
Operating profit as a % of turnover	**24.6**	24.3	21.6	18.6	14.1
Return on invested capital (ROIC)	**23.8**	23.8	23.7	19.3	10.5
Effective tax rate	**28.9**	31.1	31.8	32.8	32.8
	pence	**pence**	**pence**	**pence**	**pence**
Adjusted earnings per share[1]	**132.2**	122.1	111.7	88.8	51.2
Dividends per share	**64.5**	59.5	55.0	35.0	21.5
	times	**times**	**times**	**times**	**times**
Net debt/EBITDA	**0.7**	0.7	0.8	1.0	1.9
EBITDA interest cover**	**36.4**	36.8	33.4	26.8	9.9

1. Before exceptional items, acquisition costs and amortisation/write off intangible assets arising on acquisition
* Total Group figures, all other figures are continuing operations only.
** Excluding pension scheme net financial income
^ Restated for IAS 19 revised

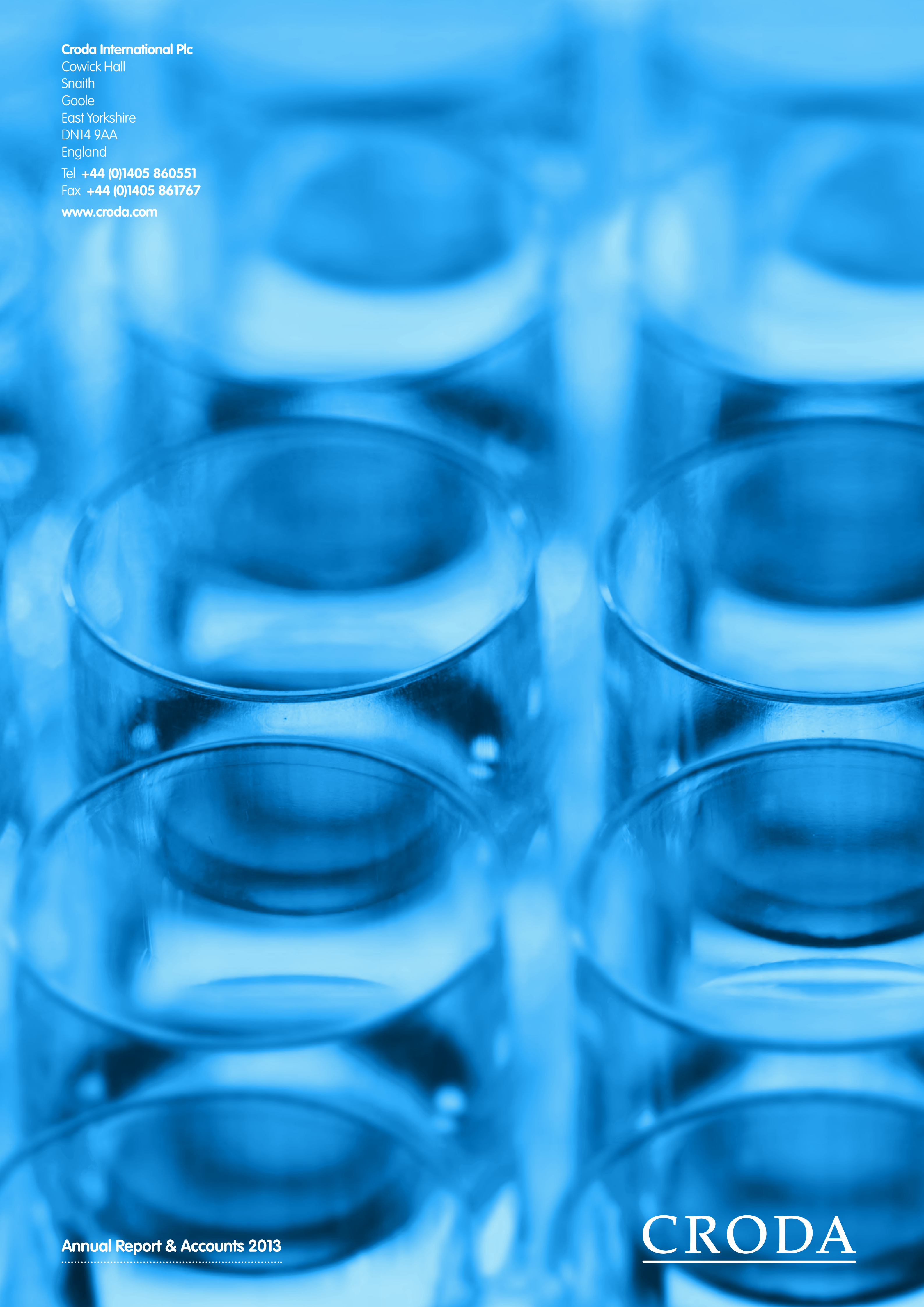
Summarised balance sheet	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Intangible assets, property plant and equipment and investments	**602.9**	552.3	560.6	536.9	556.3
Inventories	**192.8**	170.5	164.6	164.6	148.9
Trade and other receivables	**136.7**	162.9	145.7	146.2	159.0
Trade and other payables	**(129.1)**	(139.2)	(164.3)	(183.3)	(182.9)
Other	**-**	-	-	0.6	-
Capital employed	**803.3**	746.5	706.6	665.0	681.3
Tax, provisions and other	**(45.9)**	(28.7)	(10.4)	(22.7)	(31.1)
Retirement benefit liabilities	**(135.8)**	(165.8)	(198.9)	(147.8)	(203.5)
	621.6	552.0	497.3	494.5	446.7
Shareholders' funds	**413.1**	344.2	266.1	273.1	156.5
Non-controlling interests	**6.3**	0.1	0.1	1.1	1.7
	419.4	344.3	266.2	274.2	158.2
Net debt	**202.2**	207.7	231.1	220.3	288.5
	621.6	552.0	497.3	494.5	446.7
Gearing (%)	**48.2**	60.3	86.8	80.3	182.4

Designed: www.origincreative.co.uk

Croda International Plc
Cowick Hall
Snaith
Goole
East Yorkshire
DN14 9AA
England

Tel **+44 (0)1405 860551**
Fax **+44 (0)1405 861767**

www.croda.com



Annual Report & Accounts 2013

CRODA