

Press Release

25 February 2020

Results for the year ended 31 December 2019

Strong business model delivers resilient performance in subdued market conditions

Croda International Plc (“Croda” or the “Group”), the speciality chemical company that creates high performance ingredients and technologies relied upon by industries and consumers globally, today announces its full year results for the year ended 31 December 2019.

Highlights

Adjusted ¹ results		Full year ended 31 December			
		2019	2018	% change reported rate	% change constant rate ²
Sales – Core Business ³	£million	1,265.9	1,268.7	(0.2)%	(2.3)%
Operating profit	£million	339.7	342.5	(0.8)%	(1.8)%
Profit before tax (PBT)	£million	322.1	331.5	(2.8)%	(3.7)%
Basic earnings per share (EPS)	pence	185.0	190.2	(2.7)%	n/a
Return on sales ⁴	%	24.7%	24.7%	0.0%pts	n/a
Free cash flow ⁵	£million	201.7	154.9	+30.2%	n/a

Adjusted results

- **Resilient performance despite subdued market conditions**
 - Core Business sales 2.3% lower and Group operating profit 1.8% lower (both in constant currency)
 - Robust margin maintained – return on sales unchanged at 24.7%
 - Strong cash conversion – free cash flow up 30.2% to £201.7m (2018: £154.9m)
 - New & Protected Product sales (NPP) flat at 28.1% of sales (2018: 28.2%) at constant currency

Sector performance (sales in constant currency)

- **Excellent performance in Life Sciences, driven by strength of Health Care and Crop Protection platforms**
 - Sales up 5.9%, supported by speciality excipients
 - Continued margin growth; return on sales 110 bps higher at 30.6%
- **Profit maintained in Personal Care**
 - Sales 3% lower, driven by North America & North Asia over the first nine months, followed by return to modest growth in fourth quarter
 - Excellent margin retained, with return on sales up 50 bps to 33.4%
- **Performance Technologies impacted by slower industrial markets**
 - Sales 7.3% lower, with poor first half for automotive demand developing into a broader market slowdown in the second half year
 - Lower volume impacted margin, with return on sales down 260 bps at 16.1%.

Reported results (IFRS)		Full year ended 31 December		
		2019	2018	% change
Sales	£million	1,377.7	1,386.9	(0.7)%
Operating profit	£million	319.9	328.8	(2.7)%
Profit before tax (PBT)	£million	302.3	317.8	(4.9)%
Basic EPS	pence	172.8	181.4	(4.7)%
Ordinary dividend per share (declared)	pence	90.0	87.0	+3.4%
Special dividend per share (declared)	pence	-	115.0	n/a

Reported results (IFRS, reported currency)

- Sales 0.7% lower, including small benefit from weaker Sterling translation
- Operating profit 2.7% lower due to lower sales and higher charges for exceptional items and amortisation of intangible assets arising on acquisition
- Exceptional charge of £10.7m to deliver cost saving actions (2018: £4.9m, relating to UK defined benefit pension scheme past service cost)
- Basic EPS reduced by 4.7% to 172.8p (2018: 181.4p)
- Full year dividend increased by 3.4% to 90.0 pence.

Outlook

- Performance expected to be underpinned by:
 - Healthy innovation pipeline
 - New capacity coming on stream to support organic growth – including biosurfactant plant now operational in North America
 - Continued progress through recent technology acquisitions
 - Reinvestment of cost savings in future growth opportunities.

Steve Foots, Chief Executive Officer, commented:

“In 2019, we delivered a resilient performance with a strong margin maintained and increased cash flow, despite subdued market conditions. This is testament to Croda’s focused strategy and strong business model.

“An excellent performance in Life Sciences was reflected in sales growth and margin improvement. Sales in Personal Care were significantly impacted by a slower US market and by new legislation in China, but conditions improved in line with our expectations in the final quarter, and sector profitability increased further. Performance Technologies slowed in line with the wider sector, due to weak industrial demand.

“In the year ahead, subject to trading conditions remaining similar, we expect to make further progress in our consumer markets, whilst demand in industrial markets is expected to remain weak but stable. Our growth will be second half weighted.

“With our new Purpose, Smart Science to Improve Lives™, we will continue to increase the positive impact our products deliver for our customers and their consumers. We will also reduce the negative impact our activities have on our fragile world. The combination of a healthy innovation pipeline, recent investments, cost saving benefits and a robust business model is expected to underpin performance.”

Further information:

A presentation for investors and analysts will be held at 0900 GMT on 25 February 2020 at Farmers & Fletchers in the City, 3 Cloth Street, London EC1A 7LD. The presentation will be webcast on www.croda.com

Sector financial summary

	2019 reported currency			2018
	£m	Year on year change	Constant currency Change ²	£m
Sales				
Personal Care	485.2	(0.5)%	(3.0)%	487.8
Life Sciences	350.5	+8.0%	+5.9%	324.5
Performance Technologies	430.2	(5.7)%	(7.3)%	456.4
Core Business	1,265.9	(0.2)%	(2.3)%	1,268.7
Industrial Chemicals	111.8	(5.4)%	(6.6)%	118.2
Group	1,377.7	(0.7)%	(2.6)%	1,386.9

	2019 reported currency			2018
	£m	Year on year change	Constant currency Change ²	£m
Adjusted profit ¹				
Personal Care	162.1	+1.1%	(0.2)%	160.3
Life Sciences	107.1	+11.8%	+11.6%	95.8
Performance Technologies	69.4	(18.5)%	(19.1)%	85.2
Core Business	338.6	(0.8)%	(1.6)%	341.3
Industrial Chemicals	1.1	(8.3)%	(33.3)%	1.2
Operating profit	339.7	(0.8)%	(1.8)%	342.5
Net interest	(17.6)	(60.0)%	(55.5)%	(11.0)
Profit before tax	322.1	(2.8)%	(3.7)%	331.5

	First Half	Second Half	Full Year
2019 constant currency ² sales growth	%	%	%
Personal Care	(3.6)	(2.3)	(3.0)
Life Sciences	13.0	(0.9)	5.9
Performance Technologies	(6.0)	(8.6)	(7.3)
Core Business	(0.4)	(4.2)	(2.3)
Industrial Chemicals	(7.4)	(5.7)	(6.6)
Group	(1.0)	(4.3)	(2.6)

Definitions

¹Adjusted results are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results

²Reported currency results reflect current year performance translated at reported rates (actual average exchange rates). Constant currency results reflect current year performance for existing business translated at the prior year's average exchange rates. For constant currency profit, translation is performed using the entity reporting currency. For constant currency sales, local currency rates are translated into the most relevant functional currency of the destination country of sale (for example, sales in Latin America are primarily made in US dollars, which is therefore used as the functional currency). Sales in functional currency are then translated into Sterling using the prior year's average rates for the corresponding period. Constant currency results are reconciled to reported results in the Finance Review

³The Core Business comprises Personal Care, Life Sciences and Performance Technologies

⁴Return on sales is adjusted operating profit divided by sales, at reported currency

⁵Free cash flow is EBITDA less movements in working capital, net capital expenditure, payment of lease liabilities, non-cash pension expense, and interest and tax payments

Other non-statutory terms are defined in the 'Alternative Performance Measures' section of the Finance Review.

Croda International Plc Strategic Report

Chief Executive's Review

Adjusted results are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. Constant currency results reflect current year performance for existing business translated at the prior year's average exchange rates. Alternative performance measures are defined in the Finance Review.

Strong business model delivers resilient performance

The strength of the Croda business model was demonstrated in subdued market conditions in 2019. Our robust profit margin was maintained, with return on sales unchanged at 24.7%. We delivered strong cash conversion, with free cash flow up by over 30%. Our relentless focus on innovation continues to differentiate Croda and, as we enter 2020, our innovation pipeline remains healthy. This will be reinforced by new capacity coming on stream to support organic growth, notably the biosurfactant plant in North America which is now operational. Our recent technology acquisitions made good progress during the year and offer exciting future opportunities through their sustainable platforms.

Subdued market conditions in Personal Care and Performance Technologies

Group sales and profit were slightly lower, reflecting difficult market conditions in Personal Care and Performance Technologies. Core Business sales declined by 0.2% in reported currency to £1,265.9m (2018: £1,268.7m) and by 2.3% in constant currency. We broadly protected profit, with Group adjusted operating profit 0.8% lower in reported currency at £339.7m (2018: £342.5m), 1.8% lower in constant currency. This limited impact on profit reflects the strength of the Croda model, which delivered a richer quality of sales, with Core Business price/mix three percentage points better, and lower operating costs, which together offset much of the impact of lower volumes in Personal Care and Performance Technologies. We continued to invest in additional sales and innovation resource to target future growth, in line with our strategy and Purpose.

We have a strong business model in Personal Care. Despite weaker sales in the first nine months of the year, as trade headwinds impacted its two largest markets of North America and North Asia and customers destocked, the sector delivered margin growth and maintained adjusted operating profit. In line with our expectations, the fourth quarter saw a return to modest sales growth as headwinds reduced and key markets in North America and North Asia saw some recovery.

Life Sciences delivered a record sales performance, driven by the strength of the Health Care and Crop Protection platforms. Sector sales rose by almost 6% in constant currency, supported by new opportunities in speciality excipients, and margin expanded, delivering record profitability.

In contrast, after several years of strong profit growth, Performance Technologies delivered a disappointing performance amid economic uncertainty and weak demand, as lower sales volume impacted margin, reducing profitability.

As we exited the year, a somewhat improved outlook for the consumer business contrasted with challenges in industrial markets. We continue to invest in growth opportunities whilst keeping our existing cost base lean and fit for the future. We are reinvesting the benefits of cost savings in over 100 new roles to drive future growth, increasing our presence in China, expanding our digital programme, and investing in more sales and innovation resource in Personal Care and Life Sciences. These actions will protect Croda and help us grow.

Strong cash generation supporting dividend and investment

Cash generation increased in 2019, with free cash flow of £201.7m (2018: £154.9m), benefitting from better working capital management. We continued to invest in projects to deliver future growth, including finalisation of the North America biosurfactants plant, as well as doubling capacity of our US speciality excipients plant for Life Sciences, due on stream later in 2020, growing our industry-leading Beauty Actives platform in Personal Care and shifting Performance Technologies towards higher technology markets and products. We have a clear approach to capital allocation and paid £266.9m (2018: £110.5m) in dividends to shareholders, including a special return of excess capital in May 2019. We have proposed an increase in the full year ordinary dividend declared to 90.0p (2018: 87.0p) on adjusted basic earnings per share (EPS) of 185.0p (2018: 190.2p).

IFRS reported profit lower including increased exceptional charge

Group sales decreased by 0.7% to £1,377.7m (2018: £1,386.9m). Profit before tax on an IFRS basis decreased by 4.9% to £302.3m (2018: £317.8m). This reflected lower sales and a higher interest charge, including the impact of increased debt from the special dividend and acquisition of Biosector, together with a higher exceptional charge of £10.7m (2018: £4.9m), which in 2019 reflected the delivery of cost savings actions.

Sector performance led by record year in Life Sciences

The standout performance in 2019 was in Life Sciences, with record sales accompanied by an improved margin. Sales grew by 5.9% and adjusted operating profit increased 11.6%, both in constant currency. With return on sales at 30.6% (2018: 29.5%), this demonstrates the opportunity for Life Sciences to achieve similar returns and at a similar scale to Personal Care. After excellent first half sales growth, demand in the second half year was weaker, partly due to slower demand in Seed Enhancement, but margins continued to expand. We expect to deliver mid to high single digit percentage sales growth across the medium term, driven by our leading technology positions in speciality health care excipients and crop protection delivery systems.

Personal Care demand slowed, against a strong comparator in 2018, as trade headwinds impacted the US and North Asia markets, with sales 3.0% lower in constant currency. US consumer spending in the Personal Care and Beauty category was broadly flat on the prior year and we saw a marked reduction in customer inventories around the middle of the year which adversely impacted our sales. In North Asia, restrictions on Daigou sales into China hit sales to our customers in Japan and Korea, whilst local Chinese customers were under pressure from trade uncertainties and new legislation. Encouragingly, the fourth quarter saw Personal Care sales in North Asia and North America return to modest growth, with local demand in China recovering well and sales to Japan/Korea back into positive territory. The strength of the Personal Care model was demonstrated through an improvement in return on sales to 33.4%.

After three successive years of double digit percentage profit growth, 2019 marked a disappointing year for Performance Technologies amid sustained economic uncertainty and weak demand. Poor global automotive sales in the first half were followed by a general slowing in broader industrial markets in Europe and North America in the second half year. Sales were 7.3% lower in constant currency and return on sales reduced to 16.1%. Despite this shorter term weakness, the fundamentals for Performance Technologies remain attractive, with a progressive shift in the business towards renewable technologies, greater innovation and providing sustainable solutions.

Regional performance weaker across all regions

The weakness in sales was reflected across all regions. In Europe sales were 2% lower in constant currency as good Personal Care demand was more than offset by weak industrial markets. Market conditions in North America were noticeably tougher through the first nine months, with full year constant currency sales down 6%, reflecting the US/China trade dispute and lower automotive and consumer product demand. Asia was also unusually weak, with constant currency sales 1% lower than prior year, reflecting uncertainties over macroeconomic growth and changes to selling legislation in China. Latin America constant currency sales were down 2%, with strong crop demand offset by weak Personal Care sales. In the fourth quarter, although European markets slowed, both North America and Asia saw an encouraging return to growth, both up 3% in constant currency on 2018, driven by better consumer demand.

Smart Science to Improve Lives™ – our Purpose and ambitious sustainability commitment

At Croda, we have made it our Purpose to use our Smart Science to Improve Lives™. Croda was built upon a foundation of using smart science to turn renewable raw materials into innovative ingredients to give sustainable benefits in use. This focus still sits at the core of Croda, driving innovation and sustainability to create market-leading products and ensure that we have a positive effect on the environment and society. In line with this Purpose, our ambition is to become the most sustainable supplier of innovative ingredients. By aligning our smart science with the United Nations Sustainable Development Goals (SDGs), we will ensure that we are helping to tackle some of the biggest challenges the world is facing. We commit that by 2030 we will be “Climate, Land and People Positive”; in other words, the impact that Croda has in these three key areas of sustainability will be net positive for the planet.

In becoming Climate Positive, we will support the transition to a low carbon economy. We will work closely with our customers, developing ingredients that deliver carbon savings in use. By 2030, we will make significant progress towards net zero carbon emissions associated with our activities, we will further increase the bio content of our raw materials and the use of our ingredients will save significantly more carbon emissions than required in their manufacture. In becoming Land Positive, we will save more land than we use. We will increase agricultural land use efficiency, protect biodiversity and support food supply by sourcing sustainably and inspiring innovation in our crop business. By 2030, the land area saved through improved yields and crop resilience of our agricultural ingredients and technologies will exceed that used to grow all our raw materials.

In becoming People Positive, we will promote healthy lives and wellbeing through the development and application of our ingredients and technologies. By 2030, we will have used our smart science to improve millions of extra lives.

We are launching a full range of these sustainability ambitions and 2030 targets. We believe that Croda is strongly positioned to deliver both superior financial performance and help to create a sustainable planet.

Protecting our people and the communities in which we operate is critical to Croda. In 2019 our process safety performance continued to improve, with no serious incidents or any with major accident potential, achieving an almost threefold reduction in incidents. Our personal injury performance was another success story. For the first time in our history, we achieved two consecutive months free of any recordable injuries and we met our target of achieving a Total Recordable Injury Rate (TRIR) of 0.6 a year ahead of schedule. We were also pleased to be recognised as Company of the Year by the UK Chemical Industry Association and as one of Britain's Most Admired Companies and the most admired British chemical company by Management Today, for the third year running. We were voted Best Product Innovation in the Global ICIS Innovation Awards for a novel patented polymer molecule which serves as a building block for the development of more stable and effective products.

Strategy delivery

Building on our Purpose, the Board reviewed our strategy through to 2030. We have expanded our long term view, sharpened our sector priorities and increased our focus on higher growth geographies. Our strategy is to deliver:

- **Growth** - consistent top and bottom line growth, with profit growing ahead of sales, ahead of volume;
- **Innovation** - the lifeblood of our business, we seek to increase the proportion of NPP that we sell; and
- **Sustainability** - aligning our business with our Purpose and accelerating our customers' transition to sustainable ingredients.

Our ability to connect to faster growth markets through faster growth technologies, faster growth geographies and faster growth market niches will enable us to deliver this strategy.

We are fully aligned with the megatrends which shape our markets and which will drive growth. Life Sciences delivers better health and well being, through its focus on disease prevention and cure, and improved crop yields, through better delivery systems to feed a growing population from the same land with less environmental impact. Personal Care is meeting the expectations of consumers with growing incomes seeking clean and natural beauty, whilst protecting the health of consumers through more effective solar protection. Performance Technologies is focusing on renewable technologies, delivering affordable and clean energy, and helping customers meet their climate action goals.

Our sector strategic priorities are to:

- **Strengthen to grow in Personal Care.** As the leading innovator in a market driven by an ageing population, rising disposable incomes and a demand for sustainable products, Personal Care will continue to scale its industry-leading Beauty Actives business, broaden the product portfolio in Beauty Effects and continue to reinvent the Beauty Formulation category. This should deliver good top line growth and maintain the current excellent margin over the medium term;
- **Expand to grow in Life Sciences.** With its growing margin and exciting technologies aligned to global health and food sustainability trends, we will continue to build our Life Sciences brand as a high value add solution provider to our pharmaceutical and crop customers, enhance our product range and look to acquire adjacent businesses and technologies. This should grow the top line and increase the current margin over the medium term; and
- **Refine to grow in Performance Technologies.** Able to meet demands for sustainable solutions in advanced technologies, Performance Technologies will continue to refine its existing product portfolio, focus on fast growth markets and develop its geographic footprint. This should deliver modest sales growth at an improved margin over the medium term.

In 2019, despite the challenging markets, we made progress in delivering this strategy. Group NPP was broadly unchanged at 28.1% (2018: 28.2%) of total sales on a constant currency basis and we continued to invest to accelerate innovation in the future. We have 35 customer innovation centres, acquiring a new application lab in Rewitec, and with upgraded centres planned in Shanghai and the US in 2020. These facilities enable us to work more closely with both global and local customers. This was supplemented by more than 100 active research projects with our network of over 500 open innovation partners, in universities and SMEs, with over a quarter of projects directly linked to delivering our sustainability objectives. In addition, our recent technology acquisitions and investments are delivering product

development opportunities which could generate meaningful sales over the next five to ten years. Enza is developing novel patented chemistries to enhance existing products and is utilising Croda's investment in high throughput screening at the Materials Innovation Factory at the University of Liverpool. Nautilus is using its library of marine organisms to develop sustainable applications in haircare and crop applications. Encapsulation technology from SiSaf is showing promise in Personal Care and Life Sciences and Cutitronics is developing a prototype skin assessment and delivery device. Plant Impact has been restructured, to focus on generating data packages for its innovative range of biostimulants, which should lead to new sales by 2021.

Recent acquisitions are demonstrating exciting growth opportunities in new niche markets, driven by sustainability needs. IRB by Sederma continues to grow, using plant stem cells to deliver sustainable beauty active ingredients. Ionphase is extending its range of electrostatic dissipative polymers and its geographic sales footprint through the Croda salesforce, and delivered its first profit in 2019. Rewitec was acquired during the year, creating a new range of lubricant additives to extend the life of wind turbines. Biosector, a leader in vaccine adjuvancy, was integrated into Croda's in-house sales network, replacing former distributors with direct access to more customers. We expect increasing demand for both human and animal vaccines to drive future growth.

We are pleased by the recommissioning of the North American biosurfactant plant, which became operational at the start of 2020, following a leak in late 2018 which caused the operation of the plant to be extensively reviewed to ensure safe operation. We have begun replacing traditional petrochemical surfactants with our ECO range of bio-based products offering identical performance from sustainable ingredients for the first time, particularly for personal and home care applications. 2020 should see additional margin captured, with volume growth following as customers launch new and replacement bio-based products. Further capacity expansion is following from 2020 for speciality excipients, new polymer additive products and botanical ingredients.

We are continuing to invest in our digital programme, focused on digital solutions across our Engage, Create, Make and Sell business model. In Engage, we are developing a knowledge platform to store and share IP across our R&D teams. In Create, we are using in-silico modelling to develop new products and artificial intelligence (AI) to help seed customers screen out unhealthy seeds. In Make, we are improving global supply chain management to deliver better customer service and lower inventories, while introducing new tools to enhance manufacturing efficiency. In Sell, we are driving more traffic to our websites, with more literature downloads, samples supplied and new customers engaged via 'live chat'.

Whilst we focus on driving competitive advantage through our relentless innovation machine and unique customer intimacy, we are also managing our costs. Delivering cost savings helps offset cost inflation whilst demand remains weak and funds reinvestment in growth opportunities. These include additional resources for sales and innovation in Asia growth markets and in Health Care. We continue to invest to deliver exciting sales and profit opportunities across our business, aligned with our purpose of using Smart Science to Improve Lives™.

Covid-19

As the Covid-19 virus has developed over recent weeks, we have been assessing the impact on our employees and our business to ensure that both are effectively supported and managed. At this time, to the best of our knowledge, no Croda employees have been infected by the virus. Our sales offices have reopened, as have our two production units, albeit with more limited operations than usual. China represents 6% of Croda's Core Business sales, 2% of Group production and a limited component of our raw material supply chain. However, there is potential for some disruption to customer and consumer demand. We will continue to monitor the impact.

Outlook

In 2019, we delivered a resilient performance with a strong margin maintained and increased cash flow, despite subdued market conditions. This is testament to Croda's focused strategy and strong business model.

In the year ahead, subject to trading conditions remaining similar, we expect to make further progress in our consumer markets, whilst demand in industrial markets is expected to remain weak but stable. Growth will be second half weighted.

With our new Purpose, Smart Science to Improve Lives™, we will continue to increase the positive impact our products deliver for our customers and their consumers. We will also reduce the negative impact our activities have on our fragile world. The combination of a healthy innovation pipeline, recent investments, cost saving benefits and a robust business model is expected to underpin performance.

Finance Review

Currency

Currency translation benefitted reported sales and profit in the first half year as Sterling weakened against the dollar, before recovering later in the year. Sterling averaged US\$1.278 (2018: US\$1.334) and €1.141 (2018: €1.130).

Sales

Sales in reported currency reduced by 0.7% to £1,377.7m (2018: £1,386.9m). Constant currency sales fell by 2.6%, including a £11.0m benefit from acquisitions.

Sales	£m	%
2018 reported	1,386.9	
Underlying growth	(47.4)	(3.4)
Impact of acquisitions	11.0	0.8
2019 constant currency	1,350.5	(2.6)
Impact of currency translation	27.2	1.9
2019 reported	1,377.7	(0.7)

In the Core Business, constant currency sales reduced by 2.3%. Sales volume was 5% lower, partly offset by price/mix adding 3%, driven by innovation and an improved product portfolio. Sales in Life Sciences grew by nearly 6%, whilst Personal Care sales were 3% lower and Performance Technologies declined over 7% due to weakness across industrial markets.

	First Half %	Second Half %	Full Year %
Sales at constant currency			
Personal Care	(3.6)	(2.3)	(3.0)
Life Sciences	13.0	(0.9)	5.9
Performance Technologies	(6.0)	(8.6)	(7.3)
Core Business	(0.4)	(4.2)	(2.3)
Industrial Chemicals	(7.4)	(5.7)	(6.6)
Group	(1.0)	(4.3)	(2.6)

Adjusted profit

Adjusted operating profit decreased by 0.8% in reported currency to £339.7m (2018: £342.5m). Operating costs reduced, with the benefit of actions to reduce costs and no annual bonus charge due to profit being slightly below the previous year. No depreciation charge was incurred in 2019 on the North American biosurfactant plant, as this did not come into operation until early in 2020. The impact of its increased capital cost and delayed commissioning has been reviewed but it was not considered to be at risk of impairment, with the plant forming part of the profitable North American business.

Income statement	2019 £m	2018 £m
Revenue	1,377.7	1,386.9
Cost of sales	(865.5)	(864.6)
Gross profit	512.2	522.3
Adjusted operating costs	(172.5)	(179.8)
Adjusted operating profit	339.7	342.5
Net interest charge	(17.6)	(11.0)
Adjusted profit before tax	322.1	331.5

Adjusted operating profit declined by 1.8% in constant currency due to lower sales and the impact of acquisitions. Reflecting the strong business model, return on sales remained unchanged at 24.7% (2018: 24.7%) in reported currency.

Adjusted operating profit	£m	%
2018 reported	342.5	
Underlying growth	(5.3)	(1.6)
Impact of acquisitions	(0.7)	(0.2)
2019 constant currency	336.5	(1.8)
Impact of currency translation	3.2	1.0
2019 reported	339.7	(0.8)

The margin improvement saw adjusted operating profit increase modestly in Personal Care in reported currency, broadly flat in constant currency. Life Sciences grew profit strongly, whilst profit in Performance Technologies was sharply lower, as reduced volume impacted fixed cost recovery in this more volume sensitive business.

	2019	2019	2018
	Reported	Constant	Reported
	£m	currency	£m
		£m	£m
Adjusted operating profit			
Personal Care	162.1	159.9	160.3
Life Sciences	107.1	106.9	95.8
Performance Technologies	69.4	68.9	85.2
Core Business	338.6	335.7	341.3
Industrial Chemicals	1.1	0.8	1.2
Group	339.7	336.5	342.5

The net interest charge increased to £17.6m (2018: £11.0m) in reported currency and £17.1m in constant currency. 2019 saw higher debt from the payment of a special dividend and the acquisition of Biosector at the end of 2018. In addition, the prior year benefitted from capitalisation of interest on the North American biosurfactant plant, construction of which was materially completed in 2018 when capitalisation of interest to the project therefore stopped. However, as noted above, delays in commissioning the plant, together with a small leak after first start up, prevented the plant becoming operational until early in 2020. Adjusted profit before tax reduced to £322.1m (2018: £331.5m).

The effective tax rate increased to 25.6% (2018: 24.6%), reflecting reduced profit in lower tax jurisdictions. There were no significant adjustments between the Group's expected and reported tax charge based on its accounting profit. Adjusted profit after tax in reported currency was £239.7m (2018: £249.9m). Adjusted basic earnings per share (EPS) decreased to 185.0p (2018: 190.2p).

IFRS profit

IFRS profit is measured after exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition. The charge for these before tax was £19.8m (2018: £13.7m). Exceptional items in the current year were £10.7m related to delivery of cost saving actions (the exceptional cost in the prior year was £4.9m, relating to a past service cost on the UK defined benefit pension scheme). Acquisition costs were £0.3m (2018: £2.7m) and the charge for amortisation of intangible assets was £8.8m (2018: £6.1m). Profit before tax on an IFRS basis was £302.3m (2018: £317.8m), the profit after tax was £223.8m (2018: £238.3m) and basic EPS were 172.8p (2018: 181.4p).

	2019	2018
	£m	£m
Income statement		
Adjusted profit before tax	322.1	331.5
Exceptional items, acquisition costs & intangibles	(19.8)	(13.7)
Profit before tax (IFRS)	302.3	317.8
Tax	(78.5)	(79.5)
Profit after tax (IFRS)	223.8	238.3

Cash management

A key strength of the Croda model is its cash generation. In 2019, free cash flow increased by 30.2% to £201.7m (2018: £154.9m) in reported currency, after funding net capital expenditure of over £100m, which will see new capacity become available during 2020. Working capital management improved during the year after a disappointing 2018. The strong cash flow helped support almost £267m in dividends to shareholders, including a special dividend of 115 pence per share paid in May 2019. There were no material acquisitions in the year.

	2019 £m	2018 £m
Cash flow		
Adjusted operating profit	339.7	342.5
Depreciation and amortisation	57.6	50.1
EBITDA	397.3	392.6
Working capital	1.6	(69.3)
Net capital expenditure	(106.8)	(103.1)
Payment of lease liabilities	(8.8)	(0.5)
Non-cash pension expense	2.8	3.8
Interest & tax	(84.4)	(68.6)
Free cash flow	201.7	154.9
Dividends	(266.9)	(110.5)
Acquisitions	(5.0)	(82.5)
Other cash movements	(17.9)	4.4
Net cash flow	(88.1)	(33.7)
Net movement in borrowings	115.4	15.2
Net movement in cash and cash equivalents	27.3	(18.5)

After currency translation, and including leases under the newly adopted accounting standard IFRS16 (which brought £46.0m of additional lease debt onto the balance sheet on transition), net debt increased to £547.7m (2018: £425.5m), a leverage ratio of 1.4 times (31 December 2018: 1.1x). During the year, the Group refinanced its principal bank debt and issued US private placement bonds at attractive pricing, and at 31 December 2019 had £1,058.6m of committed debt facilities available with principal maturities between 2023 and 2029, providing undrawn committed facility headroom of £463.8m (2018: £358.4m).

Reflecting our new Purpose, Smart Science to Improve Lives™, Croda worked with a core group of nine banks to promote delivery of our sustainability objectives within the Group's principal committed bank facilities. Aligned with Croda's commitment to be Climate Positive by 2030, the new funding agreement requires Croda to reduce its carbon use every year by a specified amount. Provided Croda achieves this challenging target, the banking group will reduce the interest margin which Croda pays, and Croda will reinvest this saving in sustainability projects. If Croda does not achieve the target in any year, Croda will pay a higher interest margin and our banking group will reinvest this in sustainability projects. As a result, our 'green' banking facility achieves alignment between Croda and its core banking partners in delivering sustainability for our fragile world.

Capital allocation

The Group's capital allocation policy is to:

- Reinvest for growth** - Croda seeks to invest in organic capital expenditure to drive shareholder value creation through new capacity, product innovation and expansion in attractive geographic markets to drive sales and profit growth;
- Provide regular returns to shareholders** - we pay a regular dividend to shareholders, representing 40 to 50% of adjusted earnings over the business cycle. The Board has proposed an increase of 3.4% in the full year dividend to 90.0 pence (2018: 87.0p), representing 49% of adjusted EPS;
- Acquire disruptive technologies** - we have identified a number of exciting technologies to supplement organic growth in existing and adjacent markets. Some of these will be acquired, either as nascent opportunities for future scale-up or as larger complementary acquisitions. During 2019, we increased our associate investment in the personal care device company, Cutitronics, and acquired Rewitec in Performance Technologies; and
- Maintain an appropriate balance sheet and return excess capital** - we maintain an appropriate balance sheet to meet future investment and trading requirements. We target leverage of 1.0 to 1.5x (excluding retirement benefit schemes), although we are prepared to move above this range if circumstances warrant. We consider returning excess capital to shareholders when leverage falls below our target range and sufficient capital is available to meet our investment opportunities. In 2019, we paid a special dividend of 115p per share (£151.5m).

Brexit update

In 2019 we undertook contingency planning for the UK leaving the European Union (EU) without a transition arrangement. In the event, this was not required. We are now planning for the UK leaving the EU at the end of 2020 ('Brexit'). With 96% of sales and 84% of production outside the UK, the overall impact is expected to be limited. Our focus remains on ensuring our ability to offer continuity of service and supply to our customers, through our Brexit-ready trading model, customer service and supply chains, and in compliance with regulatory frameworks under a number of different Brexit scenarios.

Retirement benefits

The post-tax deficit on retirement benefit plans, measured on an accounting valuation basis under IAS19, increased to £60.1m (2018: £12.4m), largely due to lower corporate bond yields. This is expected to result in an increase in the Income Statement charge in 2020 of around £3m. Cash funding of the various plans is driven by the schemes' ongoing actuarial valuations. No deficit funding payments are currently required to the largest pension plan, the UK Croda Pension Scheme, with the next valuation due at 30 September 2020.

Alternative performance measures

We use a number of alternative performance measures to assist in presenting information in this statement in an easily analysable and comprehensible form. We use such measures consistently at the half year and full year and reconcile them as appropriate. The measures used in this statement include:

- *Constant currency results:* these reflect current year performance for existing business translated at the prior year's average exchange rates and include the impact of acquisitions. For constant currency profit, translation is performed using the entity reporting currency. For constant currency sales, local currency sales are translated into the most relevant functional currency of the destination country of sale (for example, sales in Latin America are primarily made in US dollars, which is therefore used as the functional currency). Sales in functional currency are then translated into Sterling using the prior year's average rates for the corresponding period. Constant currency results are reconciled to reported results in this Finance Review;
- *Adjusted results:* these are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results;
- *Return on sales:* this is adjusted operating profit divided by sales, at reported currency;
- *Net debt:* comprises cash and cash equivalents (including bank overdrafts), current and non-current borrowings and lease liabilities;
- *Leverage ratio:* this is the ratio of net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is adjusted operating profit plus depreciation and amortisation;
- *Free cash flow:* comprises EBITDA less movements in working capital, net capital expenditure, payment of lease liabilities, non-cash pension expense, and interest and tax payments.

Sector Performance Review

Strong business model in Personal Care

Demand in Personal Care slowed in the first nine months of 2019, following strong sales in 2018, as trade headwinds impacted the two largest markets and customers destocked. The fourth quarter saw a return to modest growth as headwinds reduced and key markets recovered in North America and Asia. For the year as a whole, sales declined by 3.0% and adjusted operating profit was unchanged, both in constant currency. Sales price/mix grew by four percentage points, reflecting a stronger product portfolio and innovation in Beauty Actives and Beauty Effects, while volume was seven percentage points lower, as demand reduced, particularly in the Beauty Formulation business. In reported currency, sales were broadly flat at £485.2m (2018: £487.8m) with adjusted operating profit 1.1% better at £162.1m (2018: £160.3m). With return on sales up 50 basis points at 33.4% (2018: 32.9%), this demonstrates the resilience of the Personal Care business model, despite the weaker growth environment. IFRS operating profit was £158.2m (2018: £156.6m).

The trade war between the US and China significantly impacted demand for Croda products. US consumer spending in the Personal Care and Beauty category remained constrained, with our customers' sales broadly flat. In addition, Croda sales were adversely impacted by significant ingredient destocking in the summer months as customers adjusted inventory to the lower than expected demand. However, by the end of the year, Personal Care sales in the US were back in line with end market demand. In North Asia, new legislation restricted Daigou sales into China from the key manufacturing markets of Japan and Korea, whilst local Chinese customers were adversely impacted by a combination of trade uncertainty and tariffs, internet selling regulation and multinational competition. The fourth quarter saw a return to strong sales growth in China and modest growth in Japan/Korea, driving improved demand in Asian markets. Meanwhile, demand in Western Europe remained robust whilst Latin America was weaker. Personal Care sales globally returned to modest growth in the fourth quarter.

The overall driver to performance in 2019 was lower demand. Innovation was maintained, with NPP at 43% of total sector sales (2018: 43%). Beauty Actives, which creates the most valuable claims-based skincare ingredients, saw modest growth in sales, with the strongest demand in the prestige cosmetic market. A new generation of peptides supported a major customer's anti-ageing product. There is significant market interest in biotech ingredients, sustainable anti-ageing technology created from plant cell culture, new botanicals, such as Banana Flower EC, and, in the future, marine extracts, such as a novel haircare ingredient from Nautilus. The number of new customer projects has increased with the recently expanded R&D facility at Sederma.

Sales in Beauty Effects, which offers similar growth and NPP potential as Beauty Actives, showed good growth, with innovation in Moonshine pigments, with over 50 customers launching products using this innovative colour cosmetics range. Crodabond CSA was launched, delivering on-trend claims and reducing colour fade in haircare applications. Sales in Beauty Formulation declined by mid single digit percentage, most notably in multinationals and regional customers. By contrast, demand in smaller customers and Indie brands was strongest, benefitting from Croda's ability to help customers formulate new products. The drive to meet consumer demands for more sustainable products continues. With the North American biosurfactant plant now operational, this will enable new 'white space' growth to be delivered by substituting for petrochemical ingredients. This is being supported by our digital programme, from developing application of new digital devices through our investment in Cutitronics to the roll out of a digital selling channel and 'live chat' to customers across most of the world, increasing our access to new customers.

With a strong margin and active innovation pipeline, Personal Care has weathered the tougher sales environment in 2019 and has a strategy to deliver growth - 'Strengthen to grow'. This recognises Croda's strength through nearly one hundred years in Personal Care, operating in all major markets globally and recognised as the leading innovator in the sector. Growth drivers include an ageing population, the continued rise in disposable income, especially in Asia, use of digitalisation, market fragmentation amongst our customers, and tackling climate change, with a focus on sustainable consumer products. Aiming to deliver low to mid single digit percentage sales growth, our strategic priorities are:

- To continue to **scale** our Beauty Actives business, where we are market leader, through industry-leading innovation and expanding in biotech, delivering above average growth;
- With similar characteristics to Actives, with nearly 80% of sales in NPP and strong margins, Beauty Effects is the smallest of the three businesses; our strategy here is to **broaden** the product range to meet sustainable and lifestyle needs through organic innovation and partnerships; and
- In Beauty Formulation, with its heritage ingredient portfolio but lower NPP, we will continue to **reinvent** this business, developing new points of differentiation, such as introducing sustainable bio-based surfactants and providing unmatched formulation expertise to our customers.

Excellent performance in Life Sciences, driven by strength of Health Care and Crop Protection platforms

2019 marked the most successful year ever for Life Sciences. Growth in speciality excipients in Health Care and in differentiated adjuvants in Crop Protection provide an excellent platform to build further. Sales grew by 5.9% in constant currency, margin improved and adjusted operating profit increased 11.6% in constant currency. Sales price/mix added four percentage points, reflecting the ability to capture more value from our innovative products, while volume was two percentage points better. In reported currency, sales were up 8.0% at £350.5m (2018: £324.5m) with adjusted operating profit 11.8% better at £107.1m (2018: £95.8m) and return on sales up 110 basis points at 30.6% (2018: 29.5%). NPP decreased to 27% of sales (2018: 29%), primarily due to lower sales in Seed Enhancement. IFRS operating profit was £97.7m (2018: £89.7m).

After excellent first half year sales growth, demand in the second half year was weaker but margins continued to increase. In Health Care, growth remained strong in speciality excipients but destocking in consumer health impacted, as did reduced veterinary sales due to the outbreak of African Swine Fever (ASF). The Crop Protection business remained robust but Seed Enhancement had a disappointing fourth quarter, normally the busiest of the year. We continue to expect mid to high single digit percentage organic sales growth for the sector across the medium term.

Full year sales in Health Care grew double digit percentage, continuing to build on its leading market position in speciality excipients. The more complex demands of the latest biologic drug actives are supporting growth of these pharmaceutical delivery systems, with seven new excipients launched in 2019. Growth in Asia continued, with new excipient registrations secured for the Chinese pharmaceuticals market. We are investing in significant new capacity, due on stream later in 2020, are developing new purification technologies and have produced our first trial excipient from the acquired Enza technology. Following its acquisition in 2018, we have integrated Biosector into the Health Care innovation and sales teams. Although its vaccine adjuvant sales were lower in 2019 due to customer destocking following the acquisition, as well as lower animal vaccine demand due to ASF, the year ended with record demand, the successful exit of distributors to transfer sales to Croda's captive distribution model and several new project approvals, including for NanoQuil®, a next generation nanoparticle adjuvant solving customers' issues of stability and production.

Crop Protection grew by mid single digit percentage, once again ahead of the market. North American demand was impacted earlier in the year by the trade dispute with China and poor weather conditions, but this was fully mitigated as demand switched to Latin America and by an encouraging recovery in sales in the US towards the end of the year. Globally, sales increased with tier 1 multinational crop science companies and with tier 2 customers in Europe and Asia, as we invested in local capability. We integrated our biostimulants business, Plant Impact, into the Crop Protection team, allowing costs to be reduced. With resources focused on delivering innovation across a broader range of high value crops, supported by field trials, new sales are expected to be delayed into 2021. We remain confident in the opportunity for biostimulants in combination with our wider crop and seed business.

Seed Enhancement sales declined 10% in constant currency due to weaker market conditions, albeit with a favourable product mix supporting margins. Demand was disappointing in North America, due to similar conditions as Crop Protection, and China suffered from high customer inventory and lower seed prices. Whilst our strength in Latin America again provided some sales recovery, this was not sufficient to fully offset the shortfall. A recovery plan is in place for 2020, building on our latest innovations, such as X-ray NeXt, which uses artificial intelligence to automate seed sorting, cutting nursery growing time. We launched our new seed treatment, PaddyRise, to help rice crops be more resilient against diseases and pests, such as snails.

We continue to improve the sustainability of our product portfolio in Life Sciences. In line with our Purpose, 2020 will see our voluntary withdrawal from a range of Crop products which can have negative environmental impacts; this is expected to reduce sector sales by two percentage points. We are responding to customer needs and changing regulations by developing new patented technology to create coatings for seeds that are free of microplastics and have also commissioned a new production line for treating organic seeds.

With its growing profitability and exciting product portfolio, Life Sciences is increasing sales and margin. Our strategy for Life Sciences is 'Expand to grow'. This recognises the opportunities to grow both organically and through acquisition. Growth drivers include the global need to address environmental and social targets through the SDGs, the increasing technology demands of complex drug and crop actives, and the need to increase crop yields with more effective and sustainable treatments. Aiming to deliver mid to high single digit percentage organic sales growth, our strategic priorities are:

- To **build** the Croda brand in Life Sciences, becoming a key solution provider to global pharma and crop markets, **expanding geographically** to support new market development in China, India and Brazil;

- To **enhance** our product portfolio organically and create more **value** by extending our speciality excipient and crop adjuvant ranges and technologies; and
- To **acquire** adjacent businesses and technologies in health and crop care with strong growth prospects.

Disappointing performance in Performance Technologies due to slower industrial markets

After three successive years of double digit percentage profit growth, 2019 marked a disappointing year for Performance Technologies amid economic uncertainty and weak demand. This was driven by poor global automotive sales in the first half year, followed by a general slowing of broader industrial markets in Europe and North America in the second half year. Consequently, sales declined by 7.3% in constant currency, while margin was adversely impacted by 7% lower volume in this higher operating leverage sector, reducing adjusted operating profit by 19.1% in constant currency. Sales price/mix was unchanged, with return on sales 260 basis points lower at 16.1% (2018: 18.7%). In reported currency, sales were down 5.7% at £430.2m (2018: £456.4m) with adjusted operating profit 18.5% lower at £69.4m (2018: £85.2m). IFRS operating profit was £63.8m (2018: £81.7m).

Smart Materials sales declined by 7% in constant currency, with the exit sales rate improving after the business was adversely impacted earlier in the year by the sharp slowdown in new build automotive demand, to which the business is significantly exposed in polymer and adhesives additives. The German car market saw a 23 year low production rate in 2019, down 10% on 2018 and 17% on 2017. Energy Technologies constant currency sales declined by 5% in the full year; in contrast, this reflected a flat first half performance followed by a broader slowing in industrial markets to which the business is exposed in lubricant additives, reflecting trade uncertainty and recessionary conditions in both Europe and the US. Other business sales were down in double digit percentage terms, due to a weak oil and gas market, particularly in North and Latin America.

Action was taken to reduce short term costs, while maintaining investment for future growth. We are shifting sales and innovation resources towards higher growth areas and new geographies, with encouraging sales progress in Asia and EEMEA in 2019, as Performance Technologies looks to reduce its dependence on its traditional Western European market. Our new China application lab will open in Shanghai in 2020. We have launched digital selling in North America, which is targeted to double the customer base over five years through ease of search, dialogue and sampling.

Although adversely impacted by short-term weakness, the fundamentals for Performance Technologies are good with changes to our end markets creating significant opportunities. The innovation pipeline is growing, with NPP at 19% of sales (2018: 18%), as the sector progressively invests in moving to technology-driven markets and reduces its cyclical exposure to more industrial markets. We call this strategy 'Refine to grow'.

This recognises the opportunities to grow in higher growth markets, organically and through small technology acquisitions, increasing 'knowledge' intensity and reducing 'capital' intensity and operating leverage. Aiming to deliver low to mid single digit percentage organic sales growth, our strategic priorities are:

- To **refine** the portfolio through further demarketing of low value add business;
- To **focus** on fast growing markets where we have technical competence and digital capability;
- To develop the **geographic** footprint, especially in Asia; and
- To leverage the sector's strong **sustainability** credentials to meet customers' product development needs.

In 2019 investment to develop Smart Materials into new technology areas in high value polymers included a £25m capital project in the UK which should come on stream in 2021. We secured promising inroads into new niches, but these are not yet big enough to offset volatility in more traditional market areas and we are accelerating development. This includes additive applications for the circular plastics economy, creating biodegradable and recyclable packaging, and moving away from single use plastics.

In Energy Technologies we acquired Rewitec, whose lubricant additives extend the life of wind turbines, a fast growing market in renewable energy. 2019 also saw Ionphase move into profit – a 2017 technology acquisition, this market-leading technology in electrostatically dissipative polymers offers exciting opportunities in electronics and packaging applications, with over fifty new customer-product applications added in 2019. In the home care market, the commissioning of the North American bio-based plant is creating significant customer interest in moving away from petrochemical-based surfactants. Coltide, a protein platform to extend the life of fabrics, is becoming a key sustainability driver. Our Purpose plays to the strengths of Performance Technologies, from bio-based raw materials sequestering carbon from the atmosphere to increased engine efficiency through our lubricant additives.

Continued portfolio development in Industrial Chemicals

We continue to refine the product portfolio in Industrial Chemicals, reducing volume of low value co-product and tolling business. In constant currency, sales declined by 6.6%. Our China manufacturing operation, Sipo, saw an encouraging improvement in sales and the commissioning of a new plant to improve future profitability. Sipo was reviewed for potential goodwill impairment but the future value remains above the carrying value, albeit with limited headroom. In reported currency in 2019, Industrial Chemicals sales reduced to £111.8m (2018: £118.2m) and adjusted operating profit was broadly unchanged at £1.1m (2018: £1.2m). IFRS operating profit was £0.2m (2018: £0.8m).

Croda International Plc

Summary Financial Statements for the Year Ended 31 December 2019

Group Income Statement

for the year ended 31 December 2019

		2019	2019	2019	2018	2018	2018
	Note	Adjusted £m	Adjustments £m	Reported Total £m	Adjusted £m	Adjustments £m	Reported Total £m
Revenue	2	1,377.7	–	1,377.7	1,386.9	–	1,386.9
Cost of sales		(865.5)	–	(865.5)	(864.6)	–	(864.6)
Gross profit		512.2	–	512.2	522.3	–	522.3
Operating costs		(172.5)	(19.8)	(192.3)	(179.8)	(13.7)	(193.5)
Operating profit	2	339.7	(19.8)	319.9	342.5	(13.7)	328.8
Financial costs	3	(18.5)	–	(18.5)	(12.1)	–	(12.1)
Financial income	3	0.9	–	0.9	1.1	–	1.1
Profit before tax		322.1	(19.8)	302.3	331.5	(13.7)	317.8
Tax	4	(82.4)	3.9	(78.5)	(81.6)	2.1	(79.5)
Profit after tax for the year		239.7	(15.9)	223.8	249.9	(11.6)	238.3
Attributable to:							
Non-controlling interests		(0.1)	–	(0.1)	(0.2)	–	(0.2)
Owners of the parent		239.8	(15.9)	223.9	250.1	(11.6)	238.5
		239.7	(15.9)	223.8	249.9	(11.6)	238.3

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

		Pence	Pence	Pence	Pence
		Adjusted	Reported Total	Adjusted	Reported Total
Earnings per 10.61p ordinary share					
Basic	5	185.0	172.8	190.2	181.4
Diluted		184.6	172.4	189.2	180.4
Ordinary dividends paid in the year					
Interim	6		39.50		38.00
Final	6		49.00		46.00
Special	6		115.00		–

Group Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019 £m	2018 £m
Profit after tax for the year		223.8	238.3
Other comprehensive (expense)/income:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of post-retirement benefit obligations		(56.5)	22.6
Tax on items that will not be reclassified		8.4	(4.9)
		(48.1)	17.7
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation		(34.7)	14.9
Other comprehensive (expense)/income for the year		(82.8)	32.6
Total comprehensive income for the year		141.0	270.9
Attributable to:			
Non-controlling interests		(0.5)	(0.1)
Owners of the parent		141.5	271.0
		141.0	270.9
Arising from:			
Continuing operations		141.0	270.9
		141.0	270.9

Group Balance Sheet

at 31 December 2019

	Note	2019 £m	2018 £m
Assets			
<i>Non-current assets</i>			
Intangible assets		445.3	454.9
Property, plant and equipment		805.2	780.3
Right of use assets		46.2	–
Investments		4.7	4.8
Deferred tax assets		11.8	56.2
Retirement benefit assets		10.2	24.6
		1,323.4	1,320.8
<i>Current assets</i>			
Inventories		268.9	287.2
Trade and other receivables		216.8	233.6
Cash and cash equivalents		81.9	71.2
		567.6	592.0
Liabilities			
<i>Current liabilities</i>			
Trade and other payables		(163.9)	(190.5)
Borrowings and other financial liabilities		(109.5)	(48.8)
Lease liabilities		(7.8)	(0.4)
Provisions	7	(10.9)	(4.0)
Current tax liabilities		(44.3)	(47.9)
		(336.4)	(291.6)
Net current assets		231.2	300.4
<i>Non-current liabilities</i>			
Borrowings and other financial liabilities		(476.6)	(446.9)
Lease liabilities		(35.7)	(0.6)
Other payables		(0.8)	(0.8)
Retirement benefit liabilities	7	(85.2)	(43.1)
Provisions	7	(5.3)	(7.1)
Deferred tax liabilities		(82.4)	(124.7)
		(686.0)	(623.2)
Net assets		868.6	998.0
Equity			
Ordinary share capital		14.0	14.0
Preference share capital		1.1	1.1
Share capital		15.1	15.1
Share premium account		93.3	93.3
Reserves		753.2	882.1
Equity attributable to owners of the parent		861.6	990.5
Non-controlling interests in equity		7.0	7.5
Total equity		868.6	998.0

Group Statement of Changes in Equity

for the year ended 31 December 2019

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non controlling interests £m	Total equity £m
At 1 January 2018		15.1	93.3	53.9	660.0	7.6	829.9
Profit after tax for the year		–	–	–	238.5	(0.2)	238.3
Other comprehensive income		–	–	14.8	17.7	0.1	32.6
Total comprehensive income/(expense) for the year		–	–	14.8	256.2	(0.1)	270.9
Transactions with owners:							
Dividends on equity shares	6	–	–	–	(110.5)	–	(110.5)
Share-based payments		–	–	–	7.3	–	7.3
Transactions in own shares		–	–	–	0.4	–	0.4
Total transactions with owners		–	–	–	(102.8)	–	(102.8)
Total equity at 31 December 2018		15.1	93.3	68.7	813.4	7.5	998.0
At 1 January 2019		15.1	93.3	68.7	813.4	7.5	998.0
Profit after tax for the year		–	–	–	223.9	(0.1)	223.8
Other comprehensive expense		–	–	(34.3)	(48.1)	(0.4)	(82.8)
Total comprehensive (expense)/income for the year		–	–	(34.3)	175.8	(0.5)	141.0
Transactions with owners:							
Dividends on equity shares	6	–	–	–	(266.9)	–	(266.9)
Share-based payments		–	–	–	0.8	–	0.8
Transactions in own shares		–	–	–	(4.3)	–	(4.3)
Total transactions with owners		–	–	–	(270.4)	–	(270.4)
Total equity at 31 December 2019		15.1	93.3	34.4	718.8	7.0	868.6

Other reserves include the Capital Redemption Reserve of £0.9m (2018: £0.9m) and the Translation Reserve of £33.5m (2018: £67.8m).

Group Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019 £m	2018 £m
Cash flows from operating activities			
Adjusted operating profit		339.7	342.5
Exceptional items		(10.7)	(4.9)
Acquisition costs and amortisation of intangible assets arising on acquisition		(9.1)	(8.8)
Operating profit		319.9	328.8
Adjustments for:			
Depreciation and amortisation		66.4	56.2
Impairment		1.4	–
Profit on disposal of property, plant and equipment		(3.8)	(0.1)
Net provisions charged		10.5	–
Share-based payments		(5.2)	8.3
Non-cash pension expense		1.6	8.7
Share of loss of associate		0.8	0.2
Cash paid against operating provisions		(4.0)	(1.1)
Movement in inventories		12.2	(22.2)
Movement in receivables		8.3	(26.3)
Movement in payables		(18.9)	(20.8)
Cash generated from operating activities		389.2	331.7
Interest paid		(17.0)	(14.7)
Tax paid		(68.3)	(55.0)
Net cash generated from operating activities		303.9	262.0
Cash flows from investing activities			
Acquisition of subsidiaries		(3.7)	(79.3)
Acquisition of associates and other investments		(1.3)	(3.2)
Purchase of property, plant and equipment		(105.2)	(100.2)
Purchase of other intangible assets		(5.8)	(3.4)
Proceeds from sale of property, plant and equipment		4.2	0.5
Proceeds from sale of other investments		–	0.4
Cash paid against non-operating provisions		(1.1)	(1.0)
Interest received		0.9	1.1
Net cash used in investing activities		(112.0)	(185.1)
Cash flows from financing activities			
New borrowings		752.5	437.1
Repayment of borrowings		(637.1)	(421.9)
Payment of lease liabilities (2018: Capital element of finance lease repayments)		(8.8)	(0.5)
Net transactions in own shares		(4.3)	0.4
Dividends paid to equity shareholders	6	(266.9)	(110.5)
Net cash used in financing activities		(164.6)	(95.4)
Net movement in cash and cash equivalents		27.3	(18.5)
Cash and cash equivalents brought forward		40.3	54.9
Exchange differences		(4.5)	3.9
Cash and cash equivalents carried forward		63.1	40.3
Cash and cash equivalents carried forward comprise:			
Cash at bank and in hand		81.9	71.2
Bank overdrafts		(18.8)	(30.9)
		63.1	40.3

Reconciliation to net debt

	Note	2019 £m	2018 £m
Net movement in cash and cash equivalents		27.3	(18.5)
Net movement in borrowings and other financial liabilities		(106.6)	(14.7)
Change in net debt from cash flows		(79.3)	(33.2)
Non-cash movement in lease liabilities		(52.9)	(0.7)
Exchange differences		10.0	(10.1)
		(122.2)	(44.0)
Net debt brought forward		(425.5)	(381.5)
Net debt carried forward		(547.7)	(425.5)

Notes to the Summary Financial Statements

1. Basis of preparation

The financial information set out above does not constitute the Group's statutory financial statements for the years ended 31 December 2019 or 2018 but is derived from those financial statements. Statutory financial statements for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting. The auditor has reported on those financial statements; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) of the Companies Act 2006.

In preparing this financial information, management has used the principal accounting policies that will be detailed in the Group's Annual Report for 2019 and which are unchanged from the prior year, except as detailed below.

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 commencing 1 January 2019:

IFRS 16 'Leases' requires lessees to recognise a lease liability reflecting future lease payments and a right of use asset for virtually all lease contracts. It replaces IAS 17, under which lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 includes optional exemptions which can be applied for certain short-term and low value leases.

The net impact of the new standard on the Group's profit or financial gearing is not material. Accordingly, the Group has adopted the simplified approach permitted under IFRS 16 and has therefore not restated prior year comparators and no adjustment has been recognised in the opening balance of equity at the date of initial application. Right of use asset values were set equal to lease liabilities at the date of transition. The Group has adopted recognition exemptions for short-term and low value leases and has elected to apply the practical expedient available for all leases which end within 12 months of the date of transition (accounting for as short-term leases).

On initial application, the Group recorded right of use assets and lease liabilities with a value of £46.0m. This exceeded the £35.6m non-cancellable lease commitments reported as at 31 December 2018 under IAS 17 due to extension options reasonably certain to be exercised, partly offset by the application of short term and low value exemptions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2%.

The recognised right of use assets relate to the following types of assets:

	At 31 December 2019 £m	At 1 January 2019 £m
Land and buildings	39.3	43.3
Plant and equipment	6.9	2.7
Total right of use assets	46.2	46.0

IFRIC 23 'Uncertainty over Income Tax Treatments' came into effect from 1 January 2019. The Group has adopted IFRIC 23 in its financial statements for the year ended 31 December 2019. The application of IFRIC 23 did not affect the recognition or measurement of uncertain tax treatments because the Group's previous accounting policy was consistent with the guidance in IFRIC 23.

(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 on or after 1 January 2020 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

2. Segmental information

The Group's sales, marketing and research activities are organised into four global market sectors, being Personal Care, Life Sciences, Performance Technologies and 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, intangible assets, inventories and trade and other receivables.

Adjustments in the Group income statement of £19.8m (2018: £13.7m) include a £10.7m exceptional cost (2018: £4.9m), acquisition costs of £0.3m (2018: £2.7m) and amortisation of intangible assets arising on acquisition of £8.8m (2018: £6.1m). The exceptional item in the current year relates to the delivery of cost saving actions, comprising £10.4m of redundancy costs and £0.3m of other restructuring costs (including an associated curtailment gain on defined benefit pension schemes of £1.2m and related impairments of £1.4m). All items associated with delivering the cost savings have been presented collectively as exceptional by virtue of their size and nature. The exceptional cost in the prior year related to the UK defined benefit pension scheme, being a past service cost to equalise benefits for the effects of unequal Guaranteed Minimum Pensions. The tax impact on all adjustments was £3.9m (2018: £2.1m).

The adjustments to profit before tax relate to our segments as follows: Personal Care £3.9m (2018: £3.7m), Life Sciences £9.4m (2018: £6.1m), Performance Technologies £5.6m (2018: £3.5m) and Industrial Chemicals £0.9m (2018: £0.4m).

	2019 £m	2018 £m
Income statement		
Revenue		
Personal Care	485.2	487.8
Life Sciences	350.5	324.5
Performance Technologies	430.2	456.4
Industrial Chemicals	111.8	118.2
Total Group revenue	1,377.7	1,386.9
Adjusted operating profit		
Personal Care	162.1	160.3
Life Sciences	107.1	95.8
Performance Technologies	69.4	85.2
Industrial Chemicals	1.1	1.2
Total Group operating profit (before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition)	339.7	342.5
Exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition	(19.8)	(13.7)
Total Group operating profit	319.9	328.8

In the following table, revenue has been disaggregated by sector and destination. This is the primary management information that is presented to the Group's Executive Committee.

	Europe £m	North America £m	Latin America £m	Asia £m	Reported Total £m
Revenue 2019					
Personal Care	168.4	143.1	55.1	118.6	485.2
Life Sciences	138.1	98.3	58.6	55.5	350.5
Performance Technologies	200.4	112.9	27.6	89.3	430.2
Industrial Chemicals	52.0	13.1	2.5	44.2	111.8
Total Group revenue	558.9	367.4	143.8	307.6	1,377.7
Revenue 2018					
Personal Care	165.7	143.1	57.8	121.2	487.8
Life Sciences	128.6	94.6	50.3	51.0	324.5
Performance Technologies	217.4	124.3	30.6	84.1	456.4
Industrial Chemicals	60.7	10.7	2.3	44.5	118.2
Total Group revenue	572.4	372.7	141.0	300.8	1,386.9

2. Segmental information continued

	2019 £m	2018 £m
Balance sheet		
Total assets		
Personal Care	560.3	611.3
Life Sciences	568.2	493.7
Performance Technologies	501.0	480.2
Industrial Chemicals	152.9	170.8
Total segment assets	1,782.4	1,756.0
Tax assets	11.8	56.2
Retirement benefit assets	10.2	24.6
Cash and investments	86.6	76.0
Total Group assets	1,891.0	1,912.8

3. Net financial costs

	2019 £m	2018 £m
Financial costs		
US\$100m 5.94% fixed rate 10 year bond	4.6	4.5
2014 Club facility due 2021	0.8	2.5
2016 Club facility due 2021	0.2	–
2019 Club facility due 2024	3.3	–
€30m 1.08% fixed rate 7 year bond	0.3	0.3
€70m 1.43% fixed rate 10 year bond	0.9	0.9
£30m 2.54% fixed rate 7 year bond	0.8	0.8
£70m 2.80% fixed rate 10 year bond	2.0	2.0
€50m 1.18% fixed rate 8 year bond	0.3	–
£65m 2.46% fixed rate 8 year bond	0.9	–
US\$60m 3.70% fixed rate 10 year bond	0.9	–
Net interest on retirement benefit liabilities	0.3	0.6
Interest on lease liabilities	1.0	–
Other bank loans and overdrafts	2.2	3.8
Capitalised interest	–	(3.3)
	18.5	12.1
Financial income		
Bank interest receivable and similar income	(0.9)	(1.1)
Net financial costs	17.6	11.0

4. Tax

	2019 £m	2018 £m
Analysis of tax charge for the year		
United Kingdom current tax	15.1	15.0
Overseas current tax	50.5	42.1
Deferred tax	12.9	22.4
	78.5	79.5

5. Earnings per share

	2019 pence	2018 pence
Adjusted earnings per share	185.0	190.2
Impact of exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon	(12.2)	(8.8)
Basic earnings per share	172.8	181.4

6. Dividends paid

	Pence per share	2019 £m	Pence per share	2018 £m
Ordinary				
Interim				
2018 interim, paid October 2018	–	–	38.00	50.0
2019 interim, paid October 2019	39.50	50.7	–	–
Final				
2017 final, paid May 2018	–	–	46.00	60.4
2018 final, paid May 2019	49.00	64.6	–	–
2018 special, paid May 2019	115.00	151.5	–	–
	203.50	266.8	84.00	110.4
Preference (paid June and December)		0.1		0.1
		266.9		110.5

The Directors are recommending a final dividend of 50.5p per share amounting to a total of £65.0m in respect of the financial year ended 31 December 2019. Subject to shareholder approval, the dividend will be paid on 28 May 2020 to shareholders registered on 17 April 2020. The total proposed dividend for the year ended 31 December 2019 will be 90.0p per share amounting to £115.7m.

7. Critical accounting judgements and key sources of estimation uncertainty

The Group's significant accounting policies under IFRS have been established 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 accounting judgements required when preparing the Group's accounts are as follows:

Provisions and contingent liabilities

The Group has recognised potential environmental liabilities and other provisions. The Group's assessment of whether a constructive or legal obligation exists at the reporting date (and can be measured reliably) is a key judgement in determining whether to recognise a liability or disclose a contingent liability. A liability is recognised only where, based on the Group's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. Disclosure of contingent liabilities is made in note 8 unless the possibility of a loss arising is considered remote.

At 31 December 2019, the Group has an environmental provision of £8.1m (2018: £9.9m) in respect of 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 expect that the balance will be utilised within ten years. Provisions for remediation costs are made when there is a present obligation, it is probable that expenditures for remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts and prior experience. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation of environmental damage typically takes a long time to complete due to the substantial amount of planning and regulatory approvals normally required before remediation activities can begin. In addition, increases in or releases of environmental provisions may be necessary whenever new developments occur or additional information becomes available. Consequently, environmental provisions can change significantly and the timing and quantum of costs are inherently uncertain. The level of environmental provision is based on management's best estimate of the most likely outcome for each individual exposure.

The Group has also considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale, the impact is not material.

7. Critical accounting judgements and key sources of estimation uncertainty continued

The critical accounting estimates and assumptions required when preparing the Group's accounts are as follows:

Goodwill and fair value of assets acquired

Management are required to undertake an annual test for impairment of indefinite lived assets such as goodwill. Accordingly, the Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying Cash Generating Units ('CGUs'). These calculations require the use of estimates to enable the calculation of the net present value of cash flow projections of the relevant CGU. Critical assumptions include the terminal value growth in EBITDA and the selection of appropriate discount rates.

Recoverable amounts currently exceed carrying values including goodwill. 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.

Post-retirement benefits

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 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 appropriate and in line with consensus opinion. Total Group net retirement benefit liabilities have increased by £56.5m in 2019 to £75.0m. This movement comprises £11.1m of experience losses, £1.8m of service costs in excess of contributions, £0.3m of net financial costs and £45.4m of losses due to changes in actuarial assumptions offset by £2.1m of currency translation gains.

8. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £162.3m (2018: £104.3m).

The Group is subject to various claims which arise in the course of business. These contingent liabilities are reviewed on a regular basis and where possible an estimate is made of the potential financial impact on the Group.

The Group is also involved in certain environmental legal actions and proceedings. Whilst the Group cannot predict the outcome of any current or future actions or proceedings with any certainty, it currently believes the likelihood of any material liabilities to be low, and that the liabilities, if any, will not have a material adverse effect on its consolidated income, financial position or cash flows. The Group also considers it has insurance in place in relation to any significant contingent liabilities. The environmental actions and proceedings the Group is subject to relate to our operations in the USA and are a matter of public record.

9. Principal risks and uncertainties

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 sectors and regional operating units to enable prompt identification of financial risks so that appropriate action may be taken. In the management definition of capital the Group includes ordinary and preference share capital and net debt. These summary financial statements do not include all financial risk management information; full disclosures will be available in the Group's annual financial statements for the year ended 31 December 2019.

9. Principal risks and uncertainties continued

Financial instruments

Financial instruments measured at fair value use 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 classed as level 2 with the exception of other investments and lease liabilities, which are classed as level 3.

Fair values

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. 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.

Prior to 2016, the Group did not typically utilise complex financial instruments and accordingly the only element of Group borrowings where fair value differed from book value was the US\$100m fixed rate ten year bond that was issued in 2010. On the 27 June 2016, the Group issued £100m and €100m of fixed rate bonds. On the 6 June 2019, the Group issued a further £65m, €50m and \$60m of fixed rate bonds.

The table below details a comparison of the Group's financial assets and liabilities where book values and fair values differ.

	Book value 2019 £m	Fair value 2019 £m	Book value 2018 £m	Fair value 2018 £m
US\$100m 5.94% fixed rate 10 year bond	(76.4)	(76.5)	(78.8)	(76.5)
€30m 1.08% fixed rate 7 year bond	(25.6)	(26.2)	(27.1)	(27.7)
€70m 1.43% fixed rate 10 year bond	(59.7)	(63.1)	(63.1)	(65.3)
£30m 2.54% fixed rate 7 year bond	(30.0)	(30.6)	(30.0)	(30.4)
£70m 2.80% fixed rate 10 year bond	(70.0)	(73.2)	(70.0)	(71.4)
€50m 1.18% fixed rate 8 year bond	(42.6)	(44.4)	–	–
£65m 2.46% fixed rate 8 year bond	(65.0)	(66.4)	–	–
US\$60m 3.70% fixed rate 10 year bond	(45.8)	(47.7)	–	–

10. Related party transactions

The Group has no related party transactions, with the exception of remuneration paid to key management and Directors.

11. Business combinations

On 16 July 2019, the Group acquired Rewitec® GmbH for total consideration of £6.8m inclusive of contingent consideration. Rewitec is a technology-based business specialising in improving the efficiency and longevity of wind turbines and moving machinery through the application of their patented additives. Based in Germany, Rewitec's innovations offer sustainability benefits by extending the lifetime and improving the performance of gearboxes, bearings and engines within wind turbine, automotive and marine industries worldwide. The acquisition will form part of our Energy Technologies business (Performance Technologies sector), leveraging our dedicated global sales network to accelerate Rewitec's growth potential.

During 2019, the Group completed fair value reviews relating to its 2018 acquisitions of Nautilus Biosciences Canada, Plant Impact Plc and Brenntag Biosector A/S. This review did not identify any changes to the asset base or goodwill.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider 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 position and performance, business model and strategy.