Independent Auditor's Report to the Members of Croda International Plc

1. Our opinion is unmodified

We have audited the financial statements of Croda International Plc ("the Company") for the year ended 31 December 2020 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statements of Changes in Equity, and the related notes, including the accounting policies on pages 121 to 127 and on page 157.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework;* and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.
Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 25 April 2018. The period of total uninterrupted engagement is for the three financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£15m (2019: £15m) 5.0% (2019: 4.8%) of normalised Group profit before tax
Coverage	77% (2019: 79%) of the total of the profits and losses that made up Group profit before tax

Key audit matters		vs 2019
Event driven	**New:** Identification and valuation of intangible assets acquired in business combinations	
Recurring risks	Valuation of defined benefit pension scheme obligation	◀▶
	Goodwill impairment	◀▶
	Recoverability of parent Company's intercompany receivables	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Group	The risk	Our response
Identification of and valuation of intangible assets acquired in the business combinations (Valuation of intangible assets acquired of £91.5m in respect of the Avanti business combination and £266.7m in respect of the Iberchem business combination) *Refer to page 74 (Audit Committee Report), page 123 (accounting policy) and note 28 on pages 153 and 154 (financial disclosures).*	**Forecast based assessment:** • On 12 August 2020, the Group completed the acquisition of Avanti Polar Lipids LLC (Avanti) and on 24 November 2020, the Group completed the acquisition of Fragrance Spanish Topco, S.L. (Iberchem). • As a result of the acquisitions, in accordance with IFRS 3 Business Combinations, the Group has performed fair value assessments of the identified acquired intangible assets. The identification and assessment of fair value of the intangible assets acquired in each business combination is dependent on accurately forecasting the future performance of the Group on a market participant basis. • There was a high degree of subjectivity in assessing a number of the assumptions applied by the Group in the discounted cash flow model used to calculate the acquisition-date fair value of these assets, including discount rate, royalty rates, customer growth and attrition rates, and replacement costs.	**Our procedures included:** • **Our valuation expertise:** we involved our own valuation specialists to assist us in assessing the appropriateness of the intangible assets identified, the valuation methodology applied, and to challenge key assumptions used such as discount rate, royalty rates, customer growth and attrition rates, and replacement costs. • **Benchmarking assumptions:** we evaluated and challenged by comparing to internally and externally derived data. • **Historical comparisons:** we assessed the accuracy of the forecasting processes in place for the acquired businesses through comparison of previous forecasts to actual results and considering whether the forecasts used are the most appropriate basis upon which to fair value the acquired intangible assets. • **Sensitivity analysis:** we assessed the sensitivity of the fair value of the intangible assets acquired to changes in certain assumptions. • **Assessing transparency:** we considered the adequacy of the Group's disclosures in respect of the valuation of acquired intangible assets. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • We found the identification of and valuation of acquired intangible assets to be acceptable.

Independent Auditor's Report to the Members of Croda International Plc continued

Group	The risk	Our response
Valuation of defined benefit pension scheme obligation (Gross defined benefit obligation £1,544.4m; 2019: £1,441.7m) *Refer to page 74 (Audit Committee Report), page 124 (accounting policy) and note 11 on pages 134 to 137 (financial disclosures).*	**Subjective valuation:** • The Group has three defined benefit pension schemes that are material in the context of the overall balance sheet and the results of the Group. • Significant estimates, including the discount rate, the inflation rate and the mortality rate, are made in valuing the Group's defined benefit pension obligations (before deducting the schemes' assets). The UK scheme is still open to future accrual and new members, and small changes in the assumptions and estimates with respect to the obligation would have a significant effect on the financial position of the Group. The Group engages external actuarial specialists to assist them in selecting appropriate assumptions and calculate the obligations. • The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the defined benefit obligations has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 11) disclose the sensitivity estimated by the Group.	**Our procedures included:** • **Benchmarking assumptions:** we challenged key assumptions applied (discount rate, inflation rate, and mortality rate) with the support of our own actuarial specialists, including a comparison of key assumptions against market data. • **Sensitivity analysis:** we assessed the sensitivity of the defined benefit obligation to changes in certain assumptions. • **Actuary's credentials:** we assessed the competence, independence and integrity of the Group's actuarial expert. • **Assessing transparency:** we considered adequacy of the Group's disclosures in respect of the sensitivity of the net deficit to changes in key assumptions. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • We found the valuation of the defined benefit pension scheme obligation to be acceptable (2019 result: acceptable).

Group	The risk	Our response
Goodwill impairment (Goodwill: £866.7m (2019: £348.5m), although this specific risk is only associated with the Sipo (£21.3m, 2019: £20.7m) and Biosector (£26.2m, 2019: £24.9m) Cash Generating Units). *Refer to page 74 (Audit Committee Report), page 123 (accounting policy) and note 12 on pages 138 to 140 (financial disclosures).*	**Forecast based assessment:** • The Group has, over recent years, acquired a number of companies which has led to a material increase in the goodwill balance. Some of these acquisitions, and in particular Biosector, are still at an early stage of their integration into the Group and are therefore subject to greater levels of estimation uncertainty in respect of the underlying impairment model assumptions. • In addition, the headroom in respect of the impairment test on Sipo, a historic acquisition and separate Cash Generating Unit, is relatively small, and small changes in the assumptions and estimates applied in the value in use calculations could impact on management's conclusions about the carrying value of goodwill and how this compares to the recoverable amount. • The effect of these matters is that, as part of our risk assessment, we determined that impairment assessments in respect of the Sipo and Biosector Cash Generating Units have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 12) disclose the sensitivities estimated by the Group.	**Our procedures included:** • **Assessing methodology:** we obtained the discounted value in use cash flow models and assessed the methodology, principles and integrity of each model. • **Our valuation expertise:** we involved our own valuation specialists in respect of the Sipo and Biosector models to assist us in challenging the appropriateness of the methodology, key assumptions and cash flow forecasts. • **Benchmark assumptions:** we challenged the Group's forecast assumptions for cash flow projections, including the rate of short to medium term growth of sales, the long-term growth rates and the appropriateness of discount rates, with reference to internally and externally derived sources. • **Historical comparisons:** we assessed the Group's historical forecasting accuracy by comparing forecasts from prior years with actual results in those years. • **Sensitivity analysis:** we performed breakeven analysis on the key assumptions including the discount rate and growth rate. • **Assessing transparency:** we considered the adequacy of the Group's disclosures in respect of impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflect the risks inherent in the valuations. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • We found the Directors' conclusion that there is no impairment of goodwill in the Sipo and Biosector Cash Generating Units to be acceptable (2019 result: acceptable).

Independent Auditor's Report to the Members of Croda International Plc continued

Parent Company	The risk	Our response
Recoverability of parent Company's intercompany receivables (£1,452.2m; 2019: £1,589.6m) *Refer to page 74 (Audit Committee Report), page 126 (accounting policy) and note H on page 159 (financial disclosures).*	**Low risk, high value:** • The carrying amount of the parent Company's intercompany receivables, held at cost less impairment, represents 51% (2019: 72%) of the parent Company's total assets. • We do not consider the recoverable amount of these receivables to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to their materiality in the context of the parent Company financial statements as a whole, this is considered to be the area which had the greatest effect on our overall parent Company audit.	**Our procedures included:** • **Tests of detail:** we assessed 100% of Group debtors to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making. • **Assessing subsidiary audits:** we assessed the work performed by the subsidiary audit team, and considering the results of that work, on those net assets, including assessing the ability of the subsidiary to obtain liquid funds and therefore the ability of the subsidiary to fund the repayment of the receivable. We performed the tests above rather than seeking to rely on any of the parent Company's controls because the nature of the balance meant that detailed testing is inherently the most effective means of obtaining audit evidence. **Our results** • We found the Directors' conclusion that there is no impairment of the intercompany receivable balance to be acceptable (2019 result: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £15.0m (2019: £15.0m), determined with reference to a benchmark of normalised Group profit before tax (PBT) of £300.2m (2019: £311.5m), of which it represents 5.0% (2019: 4.8%).

We normalised PBT by adding back adjustments that do not represent the normal, continuing operations of the Group and additionally in 2020 by averaging over 3 years. The items we adjusted were exceptional redundancy costs and the related curtailment gain as disclosed in notes 3 and 11.

Materiality for the parent Company financial statements as a whole was set at £8.7m (2019: £8.7m), determined with reference to a benchmark of parent Company total assets of £2,851.4m (2019: £2,198.5m), of which it represents 0.3% (2019: 0.4%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

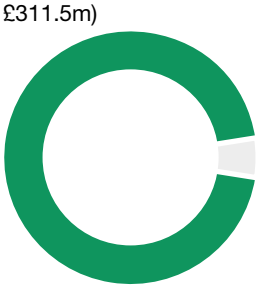
Performance materiality for the Group and the Parent company was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £11.3m (2019: £11.3m) for the Group and £6.5m (2019: £6.5m) for the Parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.75m (2019: £0.75m) with the exception of reclassification misstatements greater than or £2.25m (2019: £2.25m) for reclassification misstatements, in addition to other identified misstatements that warranted reporting on qualitative grounds.

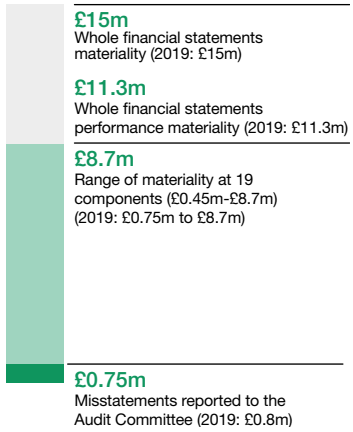
Of the Group's 85 (2019: 81) reporting components, we subjected 12 (2019: 9) to full scope audits for Group purposes and 7 (2019: 7) to specified risk-focused audit procedures. One component (2019: 1) for which we performed specific risk-focused procedures was not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. The other 6 (2019: 6) components for which we performed work other than audits for Group reporting purposes were not individually significant but were included in the scope of our Group reporting work in order to provide further coverage over the Group's results.

The components within the scope of our work accounted for the percentages illustrated opposite.

Normalised Group profit before tax
£300.2m (2019: Normalised Group profit before tax £311.5m)

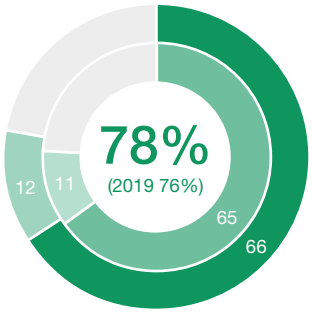


Group materiality
£15m (2019: £15m)

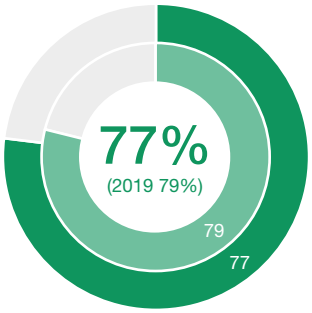


- Normalised PBT
- Group materiality

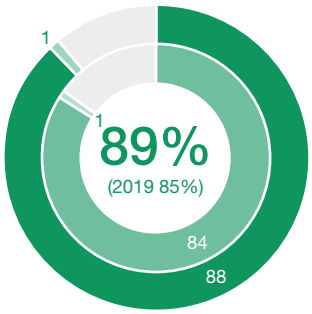
Group revenue



Total of the profits and losses that made up Group profit before tax



Group total assets



- Full scope for Group audit purposes 2020
- Specified risk-focused audit procedures 2020
- Full scope for Group audit purposes 2019
- Specified risk-focused audit procedures 2019
- Residual components

Independent Auditor's Report to the Members of Croda International Plc continued

3. Our application of materiality and an overview of the scope of our audit continued

The remaining 22% (2019: 24%) of total Group revenue, 23% (2019: 21%) of total of the profits and losses that made up the Group profit before tax and 11% (2019: 15%) of total Group assets is represented by 66 (2019: 65) reporting components, none of which individually represented more than 2% (2019: 2%) of any of total Group revenue, Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.5m to £8.7m (2019: £0.8m to £8.7m), having regard to the mix of size and risk profile of the Group across the components. The work on 11 of the 19 components (2019: 10 of the 16 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised Group profit before tax.

On account of travel restrictions in place during the performance of the audit the Group team did not visit the component auditors and instead senior members of the Group audit team held regular video conference meetings with all in scope components. These meetings involved explanation of Group audit instructions, involvement in planning audit procedures, discussing progress updates and emerging findings, reviewing outcomes of testing performed and involvement in discussing audit findings with component management. The Group audit team reviewed the audit documentation of component audits through various stages of their audits. The Group team also attended the component virtual clearance meetings. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group's and the parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and parent Company's available financial resources and/or metrics relevant to debt covenants over this period was:

- The potential impact on Group revenue of economic uncertainty and reduced customer confidence.

We also considered less predictable but realistic second order impacts, such as product quality failures, regulatory incidents and site incidents, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures also included:

- Critically assessing assumptions in the Directors' initial downside scenarios relevant to liquidity and covenant metrics, in particular in relation to profitability by comparing to historical trends and our knowledge of the entity and the sector in which it operates.
- Assessing whether downside scenarios applied mutually consistent assumptions in aggregate, taking into account all reasonably possible downsides.
- We also compared past budgets to actual results to assess the Directors' track record of budgeting accurately.

We considered whether the going concern disclosure on page 121 gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement on page 121 on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent Company's use of that basis for the going concern period, and we found the going concern disclosure on page 121 to be acceptable; and
- the same statement is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the parent Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Considering remuneration incentive schemes (Performance related annual Bonus Plan and Performance share plan) and performance targets for management, including the EPS growth target.
- Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Group.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope and specified risk-focused component audit teams of relevant fraud risks identified at the Group level and request these component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition and the risk that Group and component management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope and specified risk-focused components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management or other high-risk users, and those posted to unusual account combinations.
- Procedures over revenue recognition performed for all full scope and specified risk-focused components, including testing the operating effectiveness of manual controls and performing substantive procedures in respect of in year and post year-end credit notes and the use of data and analytics to test the matching of revenue to underlying customer orders and deliveries, with sample testing performed over outlier populations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to all full scope and specified risk-focused component audit teams of relevant laws and regulations identified at the Group level, and a request for these component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety and product liability, competition, anti-bribery and corruption, intellectual property, employment law, tax, export and environmental legislation, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit Committee environmental matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the Members of Croda International Plc continued

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the long-term viability statement on page 49 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the long-term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the long-term viability statement, set out on page 49 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and parent Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the Annual Report and financial statements 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;
- the section of the Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 105, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

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

Chris Hearld (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
1 March 2021