23 February 2016

Croda International Plc
Results for the year ended 31 December 2015

Croda International Plc ("Croda" or "the Group"), a world leader in speciality chemical ingredients, today announces its full year results for the year ended 31 December 2015.

Innovation driving continued growth

	Year ended 31 December			
	2015 reported	2015 constant currency	2014 reported	Change (*constant currency)
Sales, £m	1,081.7	1,090.1	1,046.6	+4.2%*
Adjusted operating profit, £m	264.2	265.3	248.4	+6.8%*
Adjusted pre-tax profit, £m	254.7	256.1	235.4	+8.8%*
Adjusted earnings per share, p	135.0	n/a	125.2	+7.8%
Full year proposed ordinary dividend per share, p	69.0	n/a	65.5	+5.3%
IFRS pre-tax profit, £m	252.3	n/a	229.4	+10.0%

2015 highlights

- Record reported sales and pre-tax profit, reflecting underlying sales growth in all four sectors and from all regional geographies
- Performance driven by innovation – New and Protected Products growing at 4x underlying sales and representing 26.1% of total sales
- Continued progress in Personal Care and excellent growth in Life Sciences
- Acquired Incotec Group BV, an innovative seed enhancement business
- Strong cash generation, supporting almost £200 million of organic and inorganic investment to drive future growth
- Full year dividend increased by 5.3%, in addition to a 100p per share special dividend

Steve Foots, Croda's Chief Executive, commented:

"2015 has been a year of strong progress for Croda. A relentless focus on innovation, improved proximity to our customers and investment in fast growth markets has delivered record reported sales and pre-tax profit, together with a special dividend to shareholders. Looking ahead, whilst we expect market conditions to remain challenging, our strong innovation pipeline and the benefits of our customer-led investment in capacity mean that we are confident of delivering continued progress in 2016."

A presentation for investors and analysts will be held at 0900 GMT on 23 February 2016 at JP Morgan, 60 Victoria Embankment, London EC4Y 0JP. The presentation will be audiocast at www.croda.com

Adjusted earnings are measured before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and the tax thereon.
Constant currency sales and profits reflect reported numbers translated at 2014 exchange rates. Underlying sales and profits reflect constant currency numbers adjusted to exclude the impact of acquisitions. Constant currency, underlying and reported numbers are reconciled in the Finance Report.

CHAIRMAN'S STATEMENT

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

Record reported sales and pre-tax profit performance

Sales for the year increased to £1,081.7m, representing constant currency growth of 4.2% over 2014 and capping six successive quarters of underlying sales growth. The improvement in adjusted pre-tax profit was even stronger, up 8.8% in constant currency terms. Adjusted pre-tax profit was £254.7m (2014: £235.4m) and IFRS pre-tax profit was £252.3m (2014: £229.4m).

Our performance reflected underlying sales growth in all four sectors and from all four regional geographies. Momentum continued in Personal Care, and Life Sciences delivered excellent sales and profit growth. Although impacted by a weaker market in Geo Technologies, Performance Technologies grew sales in all its other markets and Industrial Chemicals improved its profitability.

Our people

The results we have delivered are a testament to the quality, dedication and creativity of our people, many of whom I have met during site visits since my appointment to the Board last March. I have been impressed by the way that innovation runs through the business and is firmly embedded within Croda's DNA. Our people help to meet the diverse and complex needs of our customers, giving us an unrivalled ability to provide the right products for each local market. I would like to take this opportunity, on behalf of the Board, to thank all our people for their tremendous work and commitment in 2015.

Continuing to deliver our strategy

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

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

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

We are committed to our strategy and have had the confidence in 2015 to invest nearly £200 million to drive future growth, both organically through increased capital expenditure and inorganically by acquisition. In December 2015, Croda completed the acquisition of Incotec Group BV, an innovative seed enhancement business, for an overall consideration of €155 million. This acquisition will broaden our technology and market capability in Crop Care and allow us to develop a world leading position in one of the fastest growing niche segments of this market.

Leadership

In September 2015, my predecessor as Chairman, Martin Flower, stepped down after ten years with the Company. Martin brought wide ranging experience of both corporate leadership and governance. During his tenure, Croda delivered a total shareholder return (TSR) of 721%, four times that achieved by the FTSE250. This was in no small way due to Martin's leadership and direction. On behalf of us all, I would like to thank him for the contribution he made and wish him the very best for the future.

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

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

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

Dividend and special return

In 2014 the Board set out a clear capital allocation policy, whereby profit and cash generated would be invested in growing the business organically and by acquisition, paying a regular dividend to shareholders and returning any surplus capital to shareholders through one-off returns. We are continuing to deliver on our strategy, with good sales growth, strong innovation and well invested assets. The Board has proposed a full year ordinary dividend increase of 5.3% to 69 pence (2014: 65.5p), covered 2.0 times (2014: 1.9x) by adjusted earnings per share (EPS). Following the payment of an interim dividend of 31p in September 2015, shareholders will receive a final dividend of 38p, subject to approval at the forthcoming AGM.

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

Outlook

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

CHIEF EXECUTIVE'S REPORT

Innovation driving continued growth

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

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

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

Strong margin management driving improved profit

2015 sales increased to £1,081.7m (2014: £1,046.6m). Excluding the benefit of the Incotec acquisition, this reflected improved underlying sales growth of 3.7% (2014: 2.9%). It was particularly encouraging that growth was broad-based across all global sectors and geographic regions. Strong margin management, an improved product mix and targeted investment in additional resources resulted in adjusted operating profit rising by 6.8% in constant currency. Adjusted pre-tax profit added £19.3m to £254.7m and IFRS pre-tax profit increased by 10.0% to £252.3m (2014: £229.4m).

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

Growing sales in all sectors

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

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

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

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

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

Recovering sales in Performance Technologies, underpinned by investment outside Europe

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

Improved performance in Industrial Chemicals

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

Delivering our strategy – Being Different

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

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

In 2015 we made good progress delivering these components.

Delivering consistent top and bottom line growth

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

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

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

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

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

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

Record innovation

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

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

NPP growth was broad based across all sectors. 40% of sales in Life Sciences now come from NPP, with notable successes in 2015 including the growth of pharmaceutical grade Omega 3, new pharmaceutical delivery solutions, commissioning of our spray drift testing facility for Crop Care and several multinational customer joint development agreements. In Personal Care, we launched four new skin active products, together with a new 'IRB by Sederma' range of plant cell culture ingredients. Sun care products are also growing and, as regulatory standards increase, will benefit from our FDA experience in Health Care. In Performance Technologies, we have invested in test equipment that mimics our lubricant customers' applications, enabling more successful innovation.

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

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

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

We have also reduced our environmental impact. In the Netherlands, we invested £3.8m in 2015 in plants to create greener energy and reduce water usage. Almost 25% of Group energy usage is now sourced from non-fossil fuels, and water usage and waste to landfill have been cut by 5.5% and 57.2% respectively since 2010.

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

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

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

FINANCE REPORT

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

Sales

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

Sales	£m	%
2014 reported	1,046.6	
Underlying growth	38.3	3.7
Impact of acquisitions	5.2	0.5
2015 at constant currency	1,090.1	4.2
Impact of currency translation	(8.4)	(0.8)
2015 reported	1,081.7	3.4

Sales rose strongly in the first half of the year, against a weaker performance in 2014, but slowed in the second half year, against stronger comparatives and some weakening in the global economy.

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

Innovation was again a key driver to our growth. Sales of NPP, which provide greater differentiation, higher margins and stronger barriers to entry, increased by 15% on an underlying basis. Sales of our ‘differentiated’ products were unchanged as we continued to enhance our product portfolio by replacing less differentiated products with protected products. Our ‘tail’ products grew by 3% reflecting an increase in tolling volume.

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

Adjusted profit

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

Adjusted operating profit	£m	%
2014 reported	248.4	
Underlying growth	16.2	6.5
Impact of acquisitions	0.7	0.3
2015 at constant currency	265.3	6.8
Impact of currency translation	(1.1)	(0.4)
2015 reported	264.2	6.4

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

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

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

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

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

The adjusted profit for the year was £183.5m (2014: £169.6m). Adjusted EPS increased by 7.8% to 135.0p (2014: 125.2p).

IFRS profit

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

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

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

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

Cash management

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

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

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

Given our strong margins and return on invested capital (ROIC), we look for opportunities to invest organically to meet customer demand. Our capital investment programme between 2015 and 2017 is set at an increased level to our typical spend of 5% to 6% of sales. This reflects our investment in our non-ionic bio-surfactant plant in North America, which accounted for approximately £30m of the total of £91.1m invested in capital projects (2014 total spend: £64.5m). As part of our regular programme, we invested in key assets in Asia and Europe, completing our expansion in Singapore, adding capacity in India, building green energy and water plants in the Netherlands, and expanding in France and at our global Personal Care laboratory in North America. We expect our capital investment programme to revert to more typical levels from 2018. After-tax ROIC in 2015 increased to 21.4% (2014: 21.2%), excluding the impact of the Incotec acquisition (excluded since it was owned for only one month of 2015).

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

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

Net debt increased (after currency impacts) to £259.3m (2014: £180.2m), making leverage (net debt:EBITDA on a bank covenant test basis) 0.8 times (2014: 0.6x). Our balance sheet is robust, with leverage substantially within the maximum covenant level under the Group’s debt facilities of 3 times. Our £400m revolving credit facility matures no earlier than 2020. Together with other credit facilities, at 31 December 2015 the Group had £239.9m (2014: £317.4m) of cash and undrawn committed credit available.

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

1. **Reinvestment for growth** – as described above, we are investing in capital projects to grow in our core sectors, through product innovation, global sector development and growth in emerging markets, to deliver a superior ROIC;

2. **Regular returns to shareholders** - we pay a regular dividend to shareholders, representing 40 to 50% of adjusted earnings over the business cycle, increasing the proposed full year dividend for 2015 by 5.3%;

3. **Acquisition -** we supplement our organic growth by acquiring companies with promising technologies and in markets adjacent to, and consistent with, our current capabilities, adding Incotec to our Crop Care business in 2015;

4. **Balance sheet leverage and return of excess capital** - we will maintain an efficient balance sheet, appropriate to our investment requirements. We target a balance sheet leverage of 1 to 1.5 times net debt:EBITDA (excluding deficits on retirement benefit schemes), although we are prepared to move outside this range if circumstances warrant. Below this leverage range, we will return excess capital to shareholders when appropriate. Following the Incotec acquisition, the leverage remains below this policy. In light of this, and the ongoing cash generation of Croda, the Board is proposing to return 100p per share (£136m) to shareholders by way of a special dividend with consolidation. The effect of this return of capital would have been to increase the 2015 year end leverage to around the mid-point of the Board's target range.

Retirement Benefits
The after-tax deficit on retirement benefit plans, measured on an accounting valuation basis under IAS19, reduced further in 2015 to £55.9m (2014: £95.4m), due to a combination of a deficit funding payment, lower inflation expectations and an increase in the discount rate.

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

PERSONAL CARE

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

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

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

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

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

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

LIFE SCIENCES

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

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

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

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

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

PERFORMANCE TECHNOLOGIES

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

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

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

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

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

INDUSTRIAL CHEMICALS

Performance

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

Sales of established product lines and co-streams were robust. In addition, good progress was achieved developing novel niche products for industrial applications, including CrodaTherm™, a bio-based phase change material that helps maintain a consistent temperature in a range of applications, such as ensuring medical supplies stay cool in transit or keeping buildings warm. NPP will provide technically differentiated products, enabling customers in industrial markets to achieve higher levels of performance and sustainability.

DEFINITIONS

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

Return on sales is adjusted operating profit divided by sales.

Constant currency sales and profits reflect reported numbers translated at 2014 exchange rates. Underlying sales and profits reflect constant currency numbers adjusted to exclude the impact of acquisitions. Constant currency, underlying and reported numbers are reconciled in the Finance Report.

Croda International Plc
Preliminary announcement of trading results for the year ended 31 December 2015
Group income statement

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

[1] **Adjustments comprise exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition and the tax thereon**

		Pence per share Adjusted		Pence per share Total	Pence per share Adjusted		Pence per Share Total
Earnings per 10p share	5						
Basic		**135.0**		**133.3**	125.2		121.9
Diluted		**134.3**		**132.3**	124.4		121.2
Ordinary dividends	6						
Interim				**31.0**			29.5
Final				**36.0**			35.5

Group statement of comprehensive income and expense for the year ended 31 December 2015

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

Group balance sheet at 31 December 2015

	Note	2015 £m	2014 £m
Assets			
Non-current assets			
Intangible assets		**337.8**	244.9
Property, plant and equipment		**460.6**	387.8
Investments		**1.0**	0.8
Deferred tax assets		**38.9**	44.9
		838.3	678.4
Current assets			
Inventories		**221.6**	201.0
Trade and other receivables		**156.1**	145.0
Cash and cash equivalents		**57.8**	47.6
		435.5	393.6
Liabilities			
Current liabilities			
Trade and other payables		**(159.6)**	(127.5)
Borrowings and other financial liabilities		**(9.5)**	(25.9)
Provisions		**(4.9)**	(8.1)
Current tax liabilities		**(39.3)**	(37.4)
		(213.3)	(198.9)
Net current assets		**222.2**	194.7
Non-current liabilities			
Borrowings and other financial liabilities		**(307.6)**	(201.9)
Other payables		**(2.1)**	(1.9)
Retirement benefit liabilities	7	**(78.8)**	(126.7)
Provisions	7	**(8.9)**	(10.2)
Deferred tax liabilities		**(55.8)**	(43.4)
		(453.2)	(384.1)
Net assets		**607.3**	489.0
Equity attributable to owners of the parent		**600.8**	482.9
Non-controlling interests in equity		**6.5**	6.1
Total equity		**607.3**	489.0

Group statement of changes in equity for the year ended 31 December 2015

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Retained Earnings £m	Non-Controlling Interests £m	Total £m
At 1 January 2014	**15.1**	**93.3**	**0.5**	**304.2**	**6.3**	**419.4**
Profit/(loss) for the year	-	-	-	165.3	(0.1)	165.2
Other comprehensive income/(expense)	-	-	0.6	(9.7)	(0.1)	(9.2)
Total comprehensive income/(expense) for the year	-	-	0.6	155.6	(0.2)	156.0
Transactions with owners:						
Dividends on equity shares	-	-	-	(88.1)	-	(88.1)
Share based payments	-	-	-	0.6	-	0.6
Consideration received for sale of own shares held in trust	-	-	-	1.1	-	1.1
Total transactions with owners	-	-	-	(86.4)	-	(86.4)
Total equity at 31 December 2014	**15.1**	**93.3**	**1.1**	**373.4**	**6.1**	**489.0**
At 1 January 2015	**15.1**	**93.3**	**1.1**	**373.4**	**6.1**	**489.0**
Profit for the year	-	-	-	180.7	0.4	181.1
Other comprehensive (expense)/income	-	-	(3.1)	27.0	-	23.9
Total comprehensive (expense)/income for the year	-	-	(3.1)	207.7	0.4	205.0
Transactions with owners:						
Dividends on equity shares	-	-	-	(90.9)	-	(90.9)
Share based payments	-	-	-	3.0	-	3.0
Consideration received for sale of own shares held in trust	-	-	-	1.2	-	1.2
Total transactions with owners	-	-	-	(86.7)	-	(86.7)
Total equity at 31 December 2015	**15.1**	**93.3**	**(2.0)**	**494.4**	**6.5**	**607.3**

Other reserves include the Capital Redemption Reserve of £0.9m (2014: £0.9m) and the Translation Reserve of £ (2.9)m (2014: £0.2m).

Group statement of cash flows for the year ended 31 December 2015

	Note	**2015 £m**	2014 £m
Cash generated from operations			
Continuing operations			
Adjusted operating profit		**264.2**	248.4
Exceptional items		**-**	(5.5)
Acquisition costs and amortisation of intangible assets arising on acquisition		**(2.4)**	(0.5)
Operating profit		**261.8**	242.4
Adjustments for:			
Depreciation and amortisation		**38.5**	37.0
Net provisions charged		**-**	1.5
Cash paid against operating provisions		**(3.0)**	(1.0)
Movement in inventories		**(15.1)**	(7.2)
Movement in receivables		**(6.9)**	(11.0)
Movement in payables		**20.6**	5.9
Pension fund contributions in excess of service cost		**(18.5)**	(30.2)
Share based payments		**4.7**	(4.1)
Cash generated by operations		**282.1**	233.3
Interest paid		**(7.7)**	(9.4)
Tax paid		**(66.8)**	(49.3)
Net cash generated from operating activities		**207.6**	174.6
Cash flows from investing activities			
Acquisition of subsidiaries		**(104.0)**	(1.9)
Purchase of property, plant and equipment		**(92.7)**	(62.9)
Purchase of intangible assets		**(0.8)**	(1.9)
Proceeds from sale of property, plant and equipment		**2.4**	0.3
Cash paid against non-operating provisions		**(2.1)**	(1.4)
Interest received		**0.7**	0.8
Net cash used in investing activities		**(196.5)**	(67.0)
Cash flows from financing activities			
New borrowings		**88.2**	186.5
Repayment of borrowings		**(1.8)**	(184.6)
Capital element of finance lease repayments		**(0.2)**	(0.2)
Sale of own shares held in trust		**1.2**	1.1
Dividends paid to equity shareholders	6	**(90.9)**	(88.1)
Net cash used in financing activities		**(3.5)**	(85.3)
Net movement in cash and cash equivalents		**7.6**	22.3
Cash and cash equivalents brought forward		**45.6**	23.0
Exchange differences		**2.6**	0.3
Cash and cash equivalents carried forward		**55.8**	45.6
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		**57.8**	47.6
Bank overdrafts		**(2.0)**	(2.0)
		55.8	45.6
Reconciliation to net debt			
Net movement in cash and cash equivalents		**7.6**	22.3
Movement in debt and lease financing		**(86.2)**	(1.7)
Change in net debt from cash flows		**(78.6)**	20.6
Loans in acquired businesses		**-**	-
New finance lease contracts		**(0.5)**	(0.2)
Exchange differences		**-**	1.6
		(79.1)	22.0
Net debt brought forward		**(180.2)**	(202.2)
Net debt carried forward		**(259.3)**	(180.2)

Notes to the preliminary announcement

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 2015 or 2014, but is derived from those financial statements. Statutory financial statements for 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's Annual General Meeting. The auditors have 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) 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 2015 and which are unchanged from the prior year, except as detailed below

Changes in accounting policy and disclosures
(a) New and amended standards adopted by the Group
The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015, none of which has a material impact on the Group:

A further Amendment to IAS 19, 'Employee benefits', on defined benefit was designed to clarify the application of the standard to plans that require employees or third parties to contribute towards the cost of benefits. Contributions that are linked to service, but do not vary with the length of the employee service are deducted from the cost of benefits earned in the period that the service is provided. However, contributions that vary according to the length of service are spread over the service period. Contributions not linked to service are reflected in the measurement of the balance sheet liability. The impact of this amendment has been assessed and is not considered to have a material impact on the Group.

Annual Improvements to IFRSs 2010 – 2012 Cycle and 2011 – 2013 Cycle have been applied to the financial statements. These are not considered to have a material impact on the Group.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Group.

(b) New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below.

IAS 1, ‘Presentation of financial statements’ clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB’s Disclosure Initiative, which explores how financial statement disclosures can be improved. The changes to disclosures are not considered to have a material impact on the presentation of the accounts.

IFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 15. At this stage, the Group is not able to estimate the impact of the new rules on the Group’s financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

1. Basis of preparation (continued)

IFRS 16, ‘Leases’ will require lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. Under IAS 17, lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after 1 January 2019. At this stage, the Group is not able to estimate the impact of the new rules on the Group’s financial statements, although this is not expected to be material. The Group will make more detailed assessments of the impact over the next twelve months.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Segmental information

With effect from May 2014, in order to catalyse faster sales growth and sharpen innovation further the Group's business was reshaped. From this date four global market sectors, Personal Care, Life Sciences which incorporates our Health Care and Crop Care business areas, Performance Technologies and Industrial Chemicals were created. The new structure combines sales, marketing and research by sector into dedicated global teams. These are the segments for which summary management information is presented to the Group’s Executive Committee, which is deemed to be the Group’s Chief Operating Decision Maker.

There is no material trade between segments. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and trade and other receivables.

Adjustments in the Group Income Statement of £2.4m include acquisition costs of £2.0m (2014: £0.2m), amortisation of intangible assets arising on acquisition of £0.4m (2014:£0.3m) and the tax thereon of £Nil (2014: £1.6m). Also included are £Nil (2014: £5.5m) of costs associated with the reorganisation of the Group during the year (redundancy costs, office closure and asset write off costs). The adjustments relate to our segments as follows: Personal Care £0.4m (2014: £2.0m), Life Sciences £1.9m (2014: £1.1m), Performance Technologies £0.1m (2014: £2.2m) and Industrial Chemicals £Nil (2014: £0.7m).

2. Segmental information (continued)

Income statement

	2015 £m	2014 £m
Revenue		
Personal Care	**377.3**	369.1
Life Sciences	**231.3**	204.5
Performance Technologies	**354.8**	355.2
Industrial Chemicals	**118.3**	117.8
	1,081.7	1,046.6
Adjusted operating profit		
Personal Care	**124.5**	117.3
Life Sciences	**76.2**	64.7
Performance Technologies	**56.8**	63.8
Industrial Chemicals	**6.7**	2.6
	264.2	248.4
Exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition	**(2.4)**	(6.0)
Total Group operating profit	**261.8**	242.4

Total assets

	2015 £m	2014 £m
Personal Care	**505.5**	454.2
Life Sciences	**229.4**	103.6
Performance Technologies	**312.3**	290.6
Industrial Chemicals	**128.9**	130.3
Total segment assets	**1,176.1**	978.7
Tax assets	**38.9**	44.9
Cash and investments	**58.8**	48.4
Total Group assets	**1,273.8**	1,072.0

3. Net financial cost

	2015 £m	2014 £m
Financial costs		
$100m US loan note due 2020	**3.9**	3.6
2010 Club facility due 2015	**-**	2.3
2014 Club facility due 2020	**2.7**	1.9
Capitalised interest	**(0.8)**	-
Net interest on retirement benefit liabilities (note 7)	**3.3**	4.4
Other bank loans and overdrafts	**1.1**	1.6
	10.2	13.8
Financial income		
Bank interest receivable and similar income	**(0.7)**	(0.8)
Net financial costs	**9.5**	13.0

4. Tax on continuing operations

	2015 £m	2014 £m
Analysis of tax charge for the year		
United Kingdom current tax	**12.2**	12.2
Overseas current tax	**56.1**	42.6
Deferred tax	**2.9**	9.4
	71.2	64.2

5. Earnings per share

	2015 p	2014 p
Adjusted earnings per share[1]	**135.0**	125.2
Impact of exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition and the tax thereon	**(1.7)**	(3.3)
Basic earnings per share	**133.3**	121.9

[1] Adjusted earnings per share from continuing operations before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition and the tax thereon

6. Dividends paid

	Pence per share	2015 £m	2014 £m
Ordinary			
2013 Final – paid May 2014	**35.50**	**-**	48.0
2014 Interim – paid September 2014	**29.50**	**-**	40.0
2014 Final – paid May 2015	**36.00**	**48.8**	-
2015 Interim – paid September 2015	**31.00**	**42.0**	-
		90.8	88.0
Preference (paid June and December)		**0.1**	0.1
		90.9	88.1

The Directors are recommending a final dividend of 38.0p per share amounting to a total of £51.5m in respect of the financial year ended 31 December 2015. Subject to shareholder approval, the dividend will be paid on 2 June 2016 to shareholders registered on 6 May 2016. The total proposed dividend for the year ended 31 December 2015 is 69.0p per share amounting to £93.5m.

The Directors are proposing a £136m return to shareholders by way of a special dividend of 100p per share.

7. Accounting estimates and judgements

The Group's critical 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. Critical judgement has been required when preparing the Group's accounts as follows:

Provisions

At 31 December 2015, the Group has an environmental provision of £12.3m (2014: £13.2m) in respect of soil and potential ground water contamination on a number of sites.

Provisions are made where a constructive or legal obligation has arisen from a past event, can be quantified and where the timing of the transfer of economic benefits relating to the provisions cannot be ascertained with any degree of certainty. The environmental provision relates to soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas. In relation to the environmental provision, the Directors consider that the balance will be utilised within 20 years. Provisions for remediation costs are made when there is a present obligation, it is probable that expenditures for remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts and prior experience. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation of environmental damage typically takes a long time to complete due to the substantial amount of planning and regulatory approvals normally required before remediation activities can begin.

7. Accounting estimates and judgements (continued)

In addition, increases in or releases of environmental provisions may be necessary whenever new developments occur or additional information becomes available. Consequently, environmental provisions can change significantly. The level of environmental provision is based on management's best estimate of the most likely outcome for each individual exposure. The Group has also considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale, the impact is not material.

Goodwill and fair value of assets acquired

The Group tests annually whether goodwill has suffered any impairment and the carrying value of goodwill in the Group balance sheet has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying cash generating units. These calculations require the use of estimates and judgements, such as those around future trading and cash flows, however as recoverable amounts significantly exceed carrying values including goodwill, there is no impairment within a wide range of assumptions.

Retirement benefit liabilities

The Group’s principal retirement benefit schemes are of the defined benefit type. Recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth. These assumptions are made by the Group in conjunction with the schemes’ actuaries and the Directors are of the view that any estimation should be prudent and in line with consensus opinion. The discount rate applied to the Group’s UK scheme is based on Towers Watson’s Rate: link model. Total Group retirement benefit liabilities have reduced by £47.9m in 2015 to £78.8m. This movement is made up of £19.0m of contributions in excess of service cost, £35.5m due to changes in actuarial assumptions, offset by £1.9m of experience losses, £3.3m of net financial expense and £1.4m of exchange movements.

Taxation

The Group is subject to corporate income taxes in numerous jurisdictions. Significant judgment is often required in determining the worldwide expense and liability for such taxes. There are many transactions and calculations where the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws and rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

8. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £89.1m (31 December 2014: £79.2m).

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

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

9. Principal risks and uncertainties

Overall responsibility for the risk framework and definition of risk appetite rests with the Board, who through regular review of risks ensure that risk exposure is matched with strategy. Risk identification, using a common risk framework, is embedded in sites, market sectors, sales offices and functions, with employees having an important role to play in the management of risk. The use of the common risk framework enables comparison of bottom up and top down risks to capture emerging risks and themes arising throughout the Group.

The table below shows the key risks identified in 2015 with changes in rank from 2014. The Board and management consider these pose the greatest threat to the Group, and score highest on the pre-mitigation risk table. They fall into categories that relate closely to our business model or sustainability material areas. Other risks and uncertainties are identified but are assessed as lower risk or beyond the direct influence of the Group, and so are not included. All risks (current and emerging) are reviewed regularly by the Board and the Risk Management Committee; if their possible impact or likelihood increases, they will be reclassified as a key risk.

Risk framework

A structured risk management framework is implemented throughout the Group that includes a standard set of risk categories, generic risk descriptions and a scoring methodology, together with a process to analyse and manage risk. All locations use this framework to identify their specific risks.

Risks are categorised into the following areas:

Strategic	Risks arising in delivering Croda's strategic objectives.
Operational	Risks which, if not successfully managed, would threaten Croda's viability and relate to Croda's ability to operate a sustainable, safe and legal business.
Regulatory	
Business systems	Risks relating to IT systems and information security.
Financial	Risks relating to the funding and fiscal security of the Group.

Risk ranking is determined by combining their economic, operational or environmental impact and the likelihood that they may occur, both before and after identification of controls in place to mitigate each risk. Those risks that pose the greatest threat to the Group and score the highest, pre-mitigation are identified as 'key risks'.

Safety, health, environmental and quality (SHEQ) risks are reviewed and considered by a dedicated committee which meets quarterly to consider the results of assurance audits over SHEQ controls and to monitor defined and agreed Key Performance Indicators.

Croda's risk management programme can only provide reasonable, not absolute, assurance that key risks are managed to an acceptable level.

Table of key risks

Key risk and link to strategy	Potential impact on our business	How we respond	What we have done in 2015
Revenue generation in established and emerging markets Increased risk in 2015	Failure to follow our customers as they move into emerging markets and increasing competition from mainstream and other chemical companies looking to move into our established markets will adversely impact delivery of our strategic objective to deliver consistent top and bottom line growth.	Organising our sales, marketing and technical teams by global market sector, with a shared global strategy, enables them to build and share market focused knowledge between regions, so that we can better support our customers through their local sales and R&D teams.	Global structure supported improved relationships with multi-national customers and also enabled more local relationships with regional dynamos. Growth has returned in Europe in 2015.
Identification and integration of acquisition targets No change in risk ranking	The Group has supplemented growth through acquisitions and continues to pursue them to meet its strategic objectives. A failure to identify new business acquisitions to extend our portfolio and to integrate them effectively could impact our ability to grow.	Each global market sector has plan which identifies potential new strategic, technology and process acquisition opportunities. These are monitored and challenged by the President of Corporate Development, who works with the market sectors to identify and integrate the acquisitions.	Developed an acquisition process framework which includes clear criteria for acquisitions and the due diligence process. This was presented to the Board. Following the acquisition of Incotec in December 2015, a team with representation from Croda and Incotec is currently working to integrate the new business.
Product and technology innovation No change in risk ranking	Innovation plays a critical role across our operations; it differentiates us from the competition, protects sales and improves our margins. Failure to drive innovation will impact on growth.	We have a Chief Technology Officer at Board level driving our innovation strategy. As well as building on core technologies, we have identified developing key technology platforms linked to our mega trends that will direct future innovation acquisition and development. Our outstanding technical resources are fully integrated into our global market sector leadership teams to focus innovation on customer requirements. We partner with customers, universities and developers of emerging technologies and invest in external acquisitions to remain at the cutting edge.	Continued to expand our innovation pipeline, supported by a higher proportion of open innovation projects. Developed our Omega 3 API platform to deliver improved heart health. Global market sectors encouraged sharing of innovation across manufacturing platforms. Acquired Incotec which will bring a new innovation platform to the Group.
Protect new intellectual property No change in risk ranking	Failure to protect our intellectual property in both existing and new markets could undermine our competitive advantage.	We have a specialist Intellectual Property (IP) team who participate in the technical and business planning and strategy meetings to identify new products and technologies that may require protection. They monitor our IP and challenge infringements where necessary.	Filed patents in a number of areas, including in relation to innovation in polymer additive amides.

Key risk and link to strategy	Potential impact on our business	How we respond	What we have done in 2015
Product liability claims No change in risk ranking	We sell into a number of highly regulated markets. Non- compliance with quality regulations could expose us to liability and reputational damage especially in the light of our commitment to sustainability.	Our sites are certified to demanding quality standards which are highly valued by our customers. Compliance with these is audited both externally and through our internal audit programme carried out by our specialist Head of Global Quality Assurance. We work proactively with relevant trade associations to shape future regulation.	Carried out quarterly review against quality targets at the SHEQ Committee. Developed the Group Quality manual, which defines global standards, controls and KPI's. Compliance is assured by specialist internal audits delivered in house, and sites have also obtained increased levels of external quality certifications.
Major safety incident **Major environmental incident** No change in risk ranking	We rely on the continued operation of our manufacturing sites around the world. A major event causing loss of production, or violating safety, health or environmental regulations could limit our operations and expose the Group to liability, cost and reputational damage, especially in the light of our commitment to sustainability and customer service.	Our specialist SHEQ steering Committee sets stretching targets (above and beyond basic regulatory requirements) and meets quarterly to review progress against these targets. Our global network of process and safety engineers and SHE specialists, located at each site, use policies and procedures defined in the Group SHE manual to ensure day to day compliance. Assurance over operation of controls is provided by the dedicated Group SHE internal audit team, whilst external audits assess compliance with OHSAS 18001 and ISO14001 certifications. We have business continuity plans in place for each site and a Group crisis management plan which is tested at least annually.	Tailored out Group SHE internal audit programme to perform a 'deep dive' into key topic areas identified as requiring improvement. Seven of our employees gained a postgraduate certificate in leading Process Hazard Studies from the University of Derby.
Employee recruitment, retention and succession planning No change in risk ranking	The vision and experience of our knowledgeable and specialist employees is critical to maintaining the Group's success. A lack of appropriately skilled people could adversely impact our ability to perform deliver our strategic priorities. If these individuals were to leave, it would take time to replace them if no succession plans were in place.	Reward programmes, a strong development culture and world class learning opportunities support the retention and career development of the high quality teams we need. Global graduate and management development programmes include stretching and high profile assignments and nurture internal talent. Annual global talent review process supports review of resources and succession plans for critical roles, with actions monitored by the Executive and the Board.	The Executive has focused on developing a people strategy for each of the market sectors which fully supports and aligns with the business strategy and ensures that our current high retention rates continue. Importantly delivery of the strategy will ensure that the pipeline of talent will continue to be filled. Succession plan reviewed by the Board in November 2015.

Key risk and link to strategy	Potential impact on our business	How we respond	What we have done in 2015
Global raw material shortage No change in risk ranking	An interruption in the supply of key raw materials would significantly affect our operations and financial position. Such a disruption could arise from new, more rigorous legislation or from market shortages.	Professional purchasing teams based in our regions monitor supply to identify potential future shortages. We look to develop good relationships with our suppliers and to agree long term contracts. To protect supply we aim to source from multiple suppliers. Where this is not possible we build up our own inventories.	Completed a risk assessment of a single source raw material globally and implemented appropriate controls to minimise risk.
Major capital project management New risk in 2015	Current major strategic capital expenditure programmes require closely controlled project management to deliver on time.	Specialist project management teams are formed for all major capital expenditure programmes, with steering groups chaired by Executive level Directors.	Large strategic capital projects (such as the non-ionic bio-surfactants plant in North America) progressed according to plan during 2015.
Chemical regulatory compliance No change in risk ranking	As a global chemical producer, Croda operates in highly regulated markets, which are subject to regular change. Violation, or incomplete knowledge, of the appropriate regulations could limit the markets into which we can sell, or expose the Group to fines or penalties.	Regulatory expertise is provided by a global in house team of technical and regulatory specialists, with in depth knowledge of the regional and market chemical regulatory frameworks within which we operate. They are an integral part of our new product development processes We use the SAP EHS module to ensure that changes in regulatory requirements are also applied to existing products.	Rolled out SAP EHS to four additional sites and extended the volume tracking solution beyond Europe to meet other local regulatory requirements.
Security of networks, IT applications, business information and corporate knowledge Increased risk in 2015	We rely heavily on IT systems for effective and efficient operations and to communicate globally. As the risk of cyber-attack increases, we must protect all our business assets, whether knowledge or systems based. As we expand our use of mobile technology and move into emerging markets, which are potentially subject to higher risk, there is a greater chance of losing electronically-stored business information.	Our information security manager monitors our IT services and network, and oversees PC protection, in line with our established policies and processes. Regular penetration testing is undertaken and actions followed up. We recognise that corporate knowledge is a valuable asset whether held electronically or not. We run our key systems with full parallel processing with regular failover testing. Internal audit reviews and reports to the Audit Committee on the operation of system controls.	Obtained ISO 27001 certification for key systems and locations and are currently reviewing the appropriate systems for the next phase of certification. Updated employee training programmes on information certification. Presented to the Board on cyber security risk and controls.
Bribery Act breach by us or our agents and distributors No change in risk ranking	We are subject to UK legislation and the Bribery Act is far reaching in terms of global scope.	We have training and education programmes that are rolled out globally and that all relevant employees are required to complete. Refresher training is required periodically. Completion of gift registers is a requirement for gifts given and received.	Refresher training delivered globally to relevant employees during 2015.

Key risk and link to strategy	Potential impact on our business	How we respond	What we have done in 2015
Ineffective management of pension fund Reduced risk in 2015	The Group maintains an open defined benefit pension scheme, which constitutes a higher risk than a defined contribution scheme. A change in market conditions could increase future funding requirements and may adversely affect our financial position.	The pension fund investment strategy, developed by the Investment subcommittee of the Trustee Board, delivered with the support of professional advisors. Trained pension fund Trustee Directors take professional advice and monitor and review arrangements quarterly. The Company maintains close dialogue with the Trustee Board.	Actuarial valuation deficit eliminated in UK pension scheme. UK pension consultation and restructuring of the final salary pension scheme into a CARE scheme with effect from 1 April 2016.

10. Related Party Transactions

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

Responsibility Statement of the Directors on the Annual Report

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

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

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

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

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

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

Responsibility Statement of the Directors on the Annual Report (continued)

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

Each of the Directors, whose names and functions will be detailed in the Group's Annual Report for 2015, confirms that, to the best of their knowledge:

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

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