Croda International Plc

Being Different
Annual Report and Accounts 2014

CRODA

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

Who We Are
Our Business at a glance

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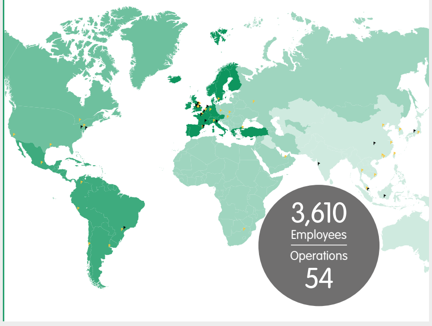

Our Value Chain
Maximising opportunities for growth

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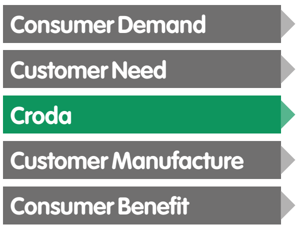

Our Business Model
Structured for success

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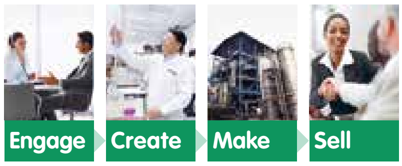

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Download the 2014 Sustainability Report at www.croda.com/sustainability

Our Highlights

Revenue
£1,046.6m
-2.8%
2013: £1,077.0m

Revenue in Constant Currency
£1,108.0m
+2.9%
2013: £1,077.0m

Adjusted Operating Profit*
£248.4m
-6.1%
2013: £264.6m

NPP Sales as a % of Group Sales
+23.4%
+2.0% points
2013: 21.4%

Earnings Per Share
121.9p
-7.1%
2013: 131.2p

Group Energy from Non-Fossil Fuel Sources
25.5%
+1.3% points
2013: 24.2%

Dividend Per Share
65.5p
+1.6%
2013: 64.5p

Lost Time Injury Rate Per 100,000 Hours Worked
0.21
Improved
2013: 0.31

Founded in 1925, we celebrated 50 years as a public listed company in 2014, the only chemical company remaining on the UK stock market from the 32 listed in 1964.

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

Who We Are
Our Business at a glance

We deliver high performance ingredients to thousands of leading companies, in industries as diverse as their locations are widespread. Our new global structure, leveraging our continued focus on research and development and innovation, improved both our market alignment and close customer contact in 2014.

Aligned to Our Target Markets

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

+ p12

Personal Care

We are the world's leading supplier of speciality ingredients for the personal care industry. We achieve this by offering our customers expertise in formulation development, claims substantiation, market analysis and regulatory support. Our ingredients are used in a range of applications including skin care, sun care, hair care, colour cosmetics and toiletries.

+ p14

Revenue
£369.1m

Adjusted Operating Profit
£117.3m

Life Sciences

Our Life Sciences market sector comprises two complementary businesses, Health Care and Crop Care. Health Care delivers high quality ingredients and formulation expertise to pharmaceutical and nutritional markets, which includes dermatology and animal health. Crop Care provides innovative ingredients and formulation expertise to agrochemical companies, enabling them to develop efficient, complex and safe products that help farmers achieve superior yields.

+ p16

Revenue
£204.5m

Adjusted Operating Profit
£64.7m

Performance Technologies

Performance Technologies delivers high added value additives to a wide range of niche markets. It is organised into five business areas: Lubricants supplies automotive and industrial lubricants companies; Coatings and Polymers serves the coatings, adhesives and speciality polymers markets; Geo Technologies supports customers in oil and gas, water treatment and mining; Polymer Additives sells into the plastics and packaging sector; and Home Care serves household product manufacturers, as well as industrial cleaning companies.

+ p18

Revenue
£355.2m

Adjusted Operating Profit
£63.8m

Industrial Chemicals

Our Industrial Chemicals market sector sells a range of co-streams produced during the manufacture of core sector products and undertakes toll processing. Whilst primarily higher in volume and lower in margin, the sector is also developing niche ranges of specialist materials for thermal management, catalysts, electronics, advanced ceramics and other industrial applications.

+ p18

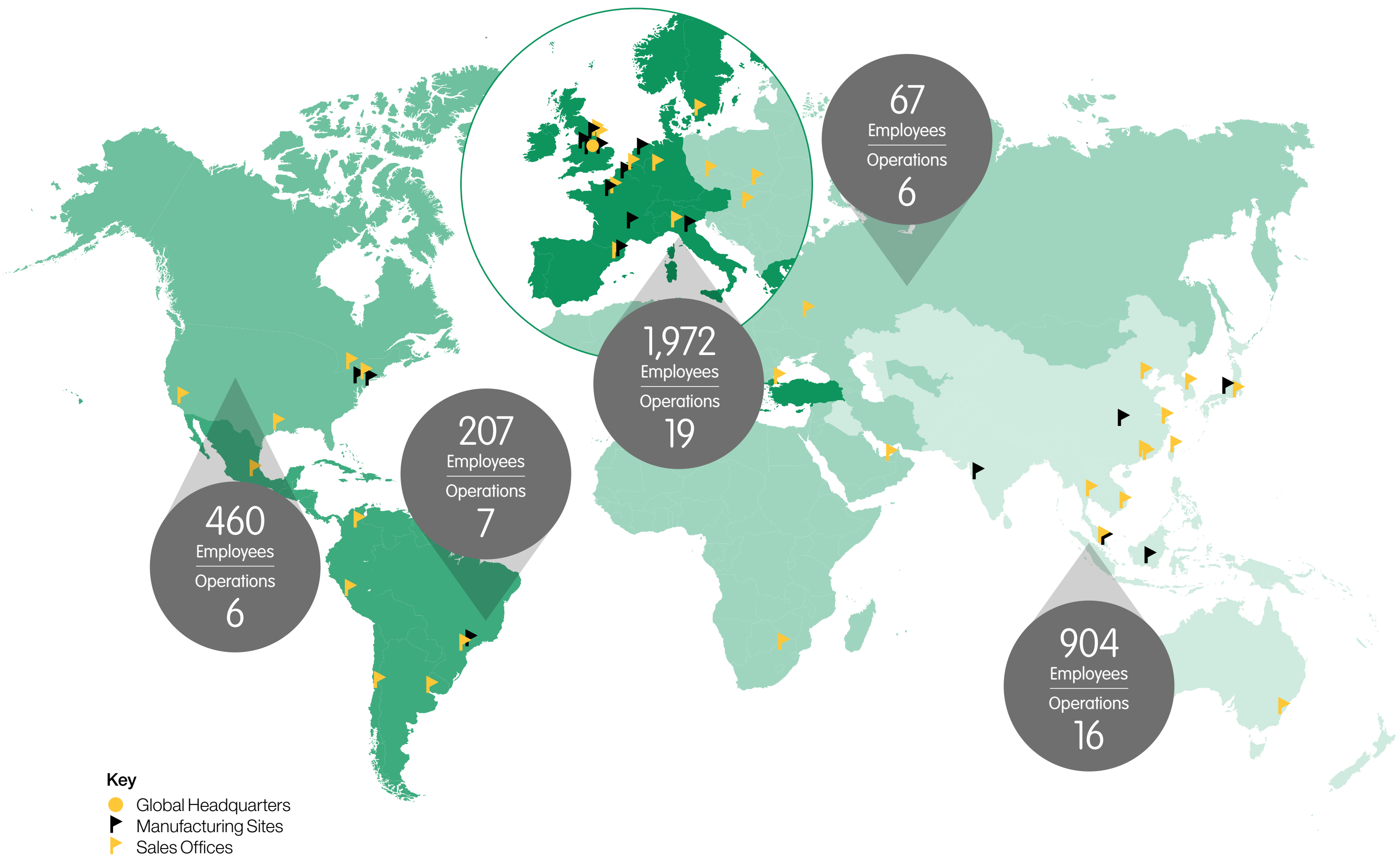
Revenue
£117.8m

Adjusted Operating Profit
£2.6m

A Diversified, Global Business

Every day our global team work together to deliver amazing science, technology and expertise to solve customer challenges, whilst doing business sustainably.

Countries	Operations	Employees
34	54	3,610



North America
Revenue
26.4% of Group total
£276.4m

Latin America
Revenue
10.6% of Group total
£110.5m

Western Europe
Revenue
37.0% of Group total
£387.1m

Eastern Europe, Middle East & Africa
Revenue
6.8% of Group total
£71.2m

Asia Pacific
Revenue
19.2% of Group total
£201.4m

Chairman's Statement

We faced difficult market conditions in the first six months of 2014, but I am pleased to say that the second half of the year saw improved revenues, a continued strong innovation flow and early benefits from our new organisation structure.

Our Performance

The trading environment during the first half of the year was challenging, with continuing stagnation in Europe and subdued consumer demand in both our mature and emerging markets. Together with the impact of adverse currency translation, this environment impacted our performance, particularly in Personal Care.

However, as the year progressed, we saw improved revenues across all core sectors. This reflected accelerating innovation, improved trading outside Western Europe, following our recent investments, and the early benefits of our new organisational structure. This recognises the benefits of our focused strategy and the strong foundations we have in place for generating sustained growth.

Overall we made good progress in growing constant currency revenue and broadly protected constant currency profit. However, adjusted pre-tax profit reduced by 6.4% to £235.4m (2013: £251.4m), primarily reflecting adverse currency translation because of the strength of Sterling. Profit before tax for the year was £229.4m (2013: £250.1m). Free cash generation remained strong and our net debt reduced to £180.2m (2013: £202.2m).

Delivering on Strategy

We are differentiating ourselves as a speciality chemicals company that attracts high margin, quality business by developing ground breaking ingredients for attractive niche markets. This was evidenced in 2014 by growing sales of our New and Protected Products (NPP) and constant currency revenue rose on the back of strong customer demand for our innovative ingredients.

Over the last three years, we have invested in high growth, developing markets, and expanded our capabilities outside Europe. The success of this strategy is beginning to show; our performance in Asia was strong throughout the year, and Latin and North America improved progressively in the second half of 2014.

Our growing leadership in sustainability also reaped rewards. As global customers faced growing consumer demand for more sustainable products, they increasingly sought out our ingredients, particularly in relation to our industry leading position in responsibly-sourced certified palm oil derivatives. Sustainable and natural products will continue to be key in driving our growth.

Our focused strategy is delivering. Our improving performance has given us the confidence to invest further in the Business. The next three years will see us double capital investment and deliver our biggest ever project, producing sustainable bio-surfactants primarily for the North American market.

Closer to Customers

The improvement in our underlying revenue performance in the second half of the year also underlined the calibre of the Executive Team. They were not thrown off course by the earlier challenges, but remained committed to implementing our stated strategy. They invested in line with our strategic objectives of delivering consistent top and bottom line growth, increasing the proportion of new and protected product sales and investing in a sustainable future; made acquisitions that expanded our technology portfolio; strengthened sales and technology in Asia; and moved from a regional to a global organisation.

The new global structure that we implemented in 2014 demonstrates the importance we place on customer intimacy. The former regional model had served us well, but with many of our customers now international, it was time for us to evolve and move with them. Consequently, we are now organised by global market sector. We have split our Consumer Care business into Personal Care and Life Sciences (Health Care and Crop Care), so that each market's different opportunities and challenges can be addressed and a stronger overall performance delivered. In addition, our Performance Technologies sector is driving innovation and developing new regional markets. This reorganisation has given us better market focus and customer alignment to drive additional growth. Our dedicated market sector management teams can now provide the expert advice and support globally that our customers increasingly seek.

Celebrating 50 Years as a Public Company

Since our business was established in 1925, we have been on a remarkable journey of growth and in 2014 we celebrated our 50th year trading as a public company. Back in 1964 we were predominantly a UK business with a market capitalisation of circa £1m. Over the next 50 years, through continuous investment, relentless innovation and our unique culture around the world, we have become the world class international speciality chemical company that we are today. Perhaps one of the best indications of our success comes from looking at the chemical companies listed on the UK stock market in 1964 compared to today: out of 32, we are the only company still there, not only surviving, but prospering.

Best Practice Corporate Governance

Since our last external review in 2012, we have continued to implement positive changes to evolve our corporate governance framework and maintain best practice. In 2014, our second external board evaluation recorded that we had a "mature and collaborative board, focusing on governance, strategy, innovation, global growth, re-structuring and people". Two years on from the last external review, very good progress has been made in the Board's work, with greater Non-Executive Director involvement in the Business to ensure that they can add even more value to the Chief Executive and the Executive Committee.

Leadership Changes

On 22 January 2015, after nine years with the Company, Group Finance Director Sean Christie stepped down from the Board. On behalf of the entire Board, I would like to thank Sean for his outstanding contribution to the Company and wish him the very best for the future. Sean was succeeded by Jez Maiden, who has joined from National Express, where he was Group Finance Director for six years. Jez, who has worked extensively in the speciality chemicals sector as a finance director, is already making a valuable contribution to our Company and I would like to formally welcome him to the Board.

Other significant appointments during the year included that of Anthony Fitzpatrick, as our first President of Corporate Development. Anthony, a former investment banker specialising in the chemicals sector, is driving our search for new acquisitions to expand our capabilities. In another strategic investment in our senior team, we recruited a new Group Human Resources Director, Lee Johnson. Meanwhile, I am delighted to say that Helena Ganczakowski, our newest Non-Executive Director, is providing valuable input to the Board since joining in February 2014.

Dividend

The Board has recommended an increase in the final dividend to 36.0p (2013: 35.5p), with a total dividend declared in 2014 up 1.6% to 65.5p (2013: 64.5p). In addition, the Board has set out a clear capital allocation policy, whereby cash generated will be invested in growing the Business organically, and by acquisitions with the surplus returned to shareholders through regular dividends and one off returns within a target level of net debt.

Outlook

2015 has started in line with our expectations. Although we expect demand in Europe to remain subdued, we continue to target profitable sales growth for the Group. The Board is confident that our investments in innovation, new capacity and fast growing markets, alongside close collaboration with our customers, will deliver sustained growth over the medium term.

Croda Culture

This is my final Croda Annual Report as I shall be retiring later this year after ten very enjoyable years as Chairman.

I am pleased to report that this great Company is in excellent shape and faces the future with confidence. For me, this confidence stems from Croda's very special culture. It is a company where great emphasis is placed on 'doing the right thing' at all times, on building a sustainable business in every sense and where decisions are not driven by purely short term considerations. This approach is enabled by openness in communication, a willingness to address difficult issues in a timely way and a belief that work should be both satisfying and fun. I have always sensed that Croda employees feel a great pride in their Company as, indeed, do I.

Martin Flower
Chairman

Chief Executive's Statement

The skill, knowhow and dedication of our people are what drives our innovation, differentiates us from our competitors and fuels our success.

Overview

2014 was a very challenging year for the global chemical industry, with slower emerging and mature markets, consumer confidence fragile and significant exchange rate volatility. In order to move our business closer to our customers, we adopted a new organisational structure in 2014, which created three core market led sectors:

- Personal Care, our largest sector, has been steadily returning to growth, driving strong sales from innovation in high value products, expanding into developing markets and providing better support to our international customers;
- Life Sciences has seen strong growth. In Health Care, our high purity drug delivery excipients have seen high demand, with successful product launches also including our Omega 3 pharmaceutical active. Our Crop Care business has continued to grow through innovation partnering with the major global formulators;
- Performance Technologies has delivered consistent growth all year, in constant currency, especially in Asia and North America and has a clear focus on niche technologies where we can drive strong added value.

The new organisation is designed to allow our sales, marketing and research groups, in dedicated sector teams, to work more closely together across the world to serve our current and future customers better. The early signs are encouraging, with many customers, big and small, responding positively to the changes, which build on our established business model. Finally, the new structure will ensure our relentless investment in innovation continues to deliver what our customers want from Croda; something different.

Q. What were the headline results?

Despite the low growth environment, particularly in Europe, 2014 was a year of further strategic progress. Whilst this environment impacted our performance in the first half, sales improved during the second half of the year as we started to see the benefits of our investments in innovation, research and development and emerging markets.

On a constant currency basis, we saw a progressive return to improved sales growth. On this basis revenue grew by 2.9% in the full year and we saw underlying growth in the second half in all our core market sectors.

On a constant currency basis, adjusted operating profit from the three core sectors increased by £2.9m, with strong profit growth in Life Sciences and Performance Technologies partly offset by weaker profit in Personal Care. Industrial Chemicals, which largely sells co-stream products produced by other Croda businesses, saw profits decline due to weak commodity prices and lower tolling volume.

Of course, the relative strength of Sterling had a major impact on the translation of our results for 2014 reducing revenue by 5.7% and adjusted operating profit by 4.5%. As a result, overall revenue declined by 2.8% to £1,046.6m (2013: £1,077.0m). Adjusted operating profit declined by 6.1% to £248.4m (2013: £264.6m) and adjusted pre-tax profit was £235.4m (2013: £251.4m). IFRS profit before tax was £229.4m (2013: £250.1m).

Q. How did the new global market sectors perform?

After a weak start in Personal Care, we saw sales improvement during the year driven largely by a pick up in sales in high value products, although the mass market remained weak. The output of our innovation continued to be impressive with sales of New and Protected Products (NPP) growing significantly. Asia performed well throughout the year and North and Latin America recovered well in the second half. Europe remained subdued throughout the year. Overall, Personal Care sales were broadly flat in constant currency, but adjusted operating profit reduced 6.6% in constant currency (11.6% on a reported basis), and return on sales declined to 31.8% (2013: 33.8%).

Life Sciences performed well, with revenue growing 7.9% in constant currency (2.0% on a reported basis). This was driven by our Health Care business. We saw strong demand for high purity drug delivery excipients and we started the first sales of our Omega 3 active pharmaceutical ingredient for heart health in the third quarter. Crop Care had a successful year in Asia, but was affected by weak demand arising from extreme weather in North and Latin America and low crop prices. However, the underlying trends remained good, with sales recovering in the second half of the year. Overall, Life Sciences adjusted operating profit increased 15.0% in constant currency (10.4% on a reported basis) and return on sales improved to 31.6% (2013: 29.2%).

In Performance Technologies revenue was up 5.7% in constant currency (unchanged on a reported basis), with Asia and North America particularly buoyant. Return on sales reached 18.0%. Both the Lubricants and Geo Technologies business areas were particularly strong with long term growth potential across these and all other business areas. Overall, Performance Technologies adjusted operating profit increased 4.5% in constant currency (1.8% on a reported basis).

Q. What were the highlights of the year?

A key element of our strategy is delivering world class innovation. This is what sets us apart from our competitors and 2014 was an excellent year for new products. Strong customer demand for these ingredients led to accelerating levels of innovation, with sales of our NPP up 13.0% in constant currency.

Another milestone was our Health Care partnership with Par Pharmaceuticals (Par) in North America. Par launched a new cardiac drug containing our high purity Omega 3. This is our largest pharmaceutical success to date with Omega 3 and opens up further opportunities.

The growing evidence is that our strategy is working. Two years ago we set out to build our infrastructure by expanding our research and development (R&D), sales, marketing and manufacturing capabilities in Asia and Latin America, bringing us closer to our customers and reducing our exposure to Europe. Throughout 2014 we enjoyed very strong growth in Asia and, in the second half, in North America and Latin America.

Q. What have been the major challenges?

Undeniably, the first half of 2014 was challenging. We were caught in a 'perfect storm': significant adverse currency translation and transaction impacts, a subdued Europe, and weak demand for Personal Care products, due to fragile consumer confidence in mature and emerging markets. Our continued commitment to our strategy paid off and, in the second half, it was satisfying to return to an improved sales growth of 3.2%. Nevertheless, Europe continues to be challenging and we have implemented a series of initiatives to streamline, simplify and reduce our cost base in the region. We have a clear focus on driving efficiency savings to help keep us competitive in Europe, whilst reinvesting resource in faster growth markets globally.

Q. How have 2013's strategic themes of "differentiation, innovation and investment for a sustainable future" developed this year?

These themes are neatly captured in our £120m investment in our Atlas Point manufacturing site in North America. This will enable Atlas Point to produce 100% sustainable non-ionic surfactants, by using bio-ethanol rather than petrochemicals to produce ethylene oxide. These plant derived products will create the widest range of bio-based non-ionic surfactants on the market and are the first of their kind in North America, at a time when our customers increasingly ask for more sustainable ingredients to meet consumer demand.

"Differentiation, innovation and investment" were also evident in the acquisitions that brought in new technologies; the launch of niche new products, such as expanding our Matrixyl™ brand that helps leading skin care companies make advanced anti-ageing claims; and our innovation partnerships with SMEs, world leading universities and start-ups.

Chief Executive's Statement continued

Q. Why did you move from a regional to a global organisation in May 2014 and is it paying off?

We had been planning this reorganisation for some time. Many of our customers are international, so, to align ourselves with them, we need to be organised in the same way. Our global structure will enable us to get closer to our customers, helping us better understand and meet their needs via more aligned R&D and customer service. Our global approach also allows us to leverage our product portfolio across geographies, developing European and North American products for emerging markets to help local and regional customers.

It's early days, but the initial signs are encouraging. We're thinking more strategically, understanding the complexities of international customers better, responding more quickly to their needs and being increasingly viewed by all our customers as one global team, often working as an extension of their own team.

Q. With sustainability central to your brand and business, did your sustainability credentials lead directly to growth in 2014?

We are passionate about sustainability, both because it is the right thing to do and because it differentiates us in the eyes of our customers. In 2014 we have led the way in offering a wide range of ingredients that support sustainable palm oil, which attracted immediate and growing demand from customers. We have beaten our non-fossil fuel target a year ahead of schedule, with 25.5% of the Group's energy coming from such sources. These and our planned investments, like those at Atlas Point, will continue to secure our sustainable future and support that of our customers.

Q. How are you developing your people in support of your strategy?

We are a knowledge based business and our people are key differentiators. As we grow, we are spending more time in recruiting and retaining people with the best skills to equip the organisation for the challenges that lie ahead. In constantly looking to improve our offering to our customers, we have to build our expertise across all functions, ensuring that we have a pipeline of talented people at all levels of our organisation.

Let me thank all the individuals who make up our global team, across 34 countries, for their enduring commitment. Although we keep on growing, certain characteristics continue to unite our people: they are down to earth, responsive to customer needs, experts about our industries, entrepreneurial and creative, with a special ability to form cross company networks. Those qualities, like the strength of our innovation, are what will continue to differentiate us.

In conclusion, as we look to 2015 and beyond, we have the right strategy to deliver our three key strategic objectives: delivering consistent top and bottom line growth, increasing the proportion of new and protected product sales, and investing in a sustainable future.

S. Foots

Steve Foots
Group Chief Executive

"Being different in the way we approach our markets, customers and innovation, sets us apart from our competitors. Our people are united by a special culture of collaboration, innovation and entrepreneurism that guides their actions and decisions. In short, being different will ensure we safeguard our long term sustainable future."

Our Value Chain
Maximising opportunities for growth

The world is changing fast. To ensure that we can meet our customers' needs and, therefore, the demands of consumers, we continuously evolve aspects of our Business, products and supply chain. To future proof our Business, we draw on six global drivers that offer us opportunities for growth.

Global Drivers

The global drivers we have identified to be of most importance to our Business are:

- **Mass population growth, ageing and polarisation:** The global population is set to grow to nine billion by 2050, with an expanding elderly population and the gap in wealth and health increasing
- **Changing expectations and behaviours:** Consumers are demanding that businesses are more transparent and take greater responsibility for their operations and their suppliers
- **Scarcity of natural resources:** Pressures on food, water, fuel and other natural resources require a new approach to consumption and re-use
- **Climate change:** As rising temperatures compromise habitats and resources, carbon reduction is an increasing priority
- **Shifts in the global economy:** Growth in the developing world is outstripping that in established markets, leading to new centres of power and an expanding urban middle class
- **Challenging legal and regulatory environments:** Legislators are requiring ever higher standards of quality, safety and environmental and social protection

Mega Trends

With the knowledge of these global drivers, and our understanding of the unmet needs of our customers, we have identified three mega trends that we believe will create new areas for us to innovate in the years ahead. These trends drive our business strategy as they are increasingly important to our core market sectors, which is why we must continue to have an ambitious investment programme to capitalise on these growth opportunities.

Beauty and ageing

Across the world people want to look and feel good. Fuelled by a growing global population and an expanding middle class with increased disposable income, demand for our ingredients will continue to grow as women and men, of all ages, are using personal care products. This trend is driving our customers to deliver many new niche products to meet the differing needs of consumers, such as sun protection for children and teenagers, collagen boosting products for older consumers and extending anti-ageing into hair care.

Health and wellbeing

Consumers are increasingly aware of the lifestyle choices they can make to improve their health. The growth of an ageing population, and an increasing disposable income for people in many parts of the world, is leading to more consumers using creams, ointments and

Our Value Chain

To maximise growth opportunities we need to keep in step with all stages of the value chain: from keeping informed of the global drivers and mega trends, to understanding the priorities of our customers. In doing so, we are helping them to reach their own sustainability targets and meet the expectations of their consumers. Here are some examples of how our products have met our customers' needs to satisfy consumer demands during 2014.

	Consumer Demand		Customer Need
Control of Friction	Environmental concerns are boosting calls for greener transport	p19	Companies want to produce oil and fuel that is more efficient and reduces emissions
Pure Health Partnership	The expanding elderly population faces multiple health challenges	p17	Drug companies require active pharmaceutical ingredients to treat heart health issues
Turning Back Time	People are continuously seeking ways to stay looking young	p15	Personal care companies want to deliver effective anti-ageing products
Sustainable Palm Oil	Consumers are concerned about the environmental impact of growing palm trees for their oil	p33	Companies are committed to finding a sustainable source of palm oil and its derivatives

tablets to look and feel healthier. From treatment to prevention, we are seeing a number of exciting new niche opportunities around the world. For instance, the development of Omega 3 ingredients into pharmaceutical products for treating heart related conditions, along with their application into nutraceutical joint health supplements.

Ingredient sustainability

There is growing emphasis on sustainability in the majority of our business areas. We see it as an unstoppable mega trend driven by population growth and increasing consumption of goods. As greater strain is put on the world's scarce natural resources, consumers are increasingly looking for more sustainable products. We respond to these demands by supporting our customers' development of products that have a reduced environmental impact during manufacture, use and disposal. There are also calls for improved performance, purity and cost effective solutions, along with a drive for renewable raw materials. With around 70% of our ingredients derived from renewable sources, and our focus on consumer concerns such as sustainable palm oil, we are able to support this drive and, in doing so, help our customers to build valuable brands.

Additional Strategic Factors

The global drivers also highlight two other areas of strategic importance to us: movement into emerging markets and an increasingly rigorous regulatory environment.

Emerging markets

The rising population and increasing wealth in emerging markets offers new growth prospects, when those in the West have started to slowdown. To reflect this shift, we have expanded into the developing world, particularly in Asia. By moving closer to our customers, we can build close partnerships to develop ingredients that meet their market needs, therefore developing quicker and more sustainable solutions.

By continuing to recruit and develop employees in our new locations, we can continuously improve our knowledge of local cultures and build future generations of scientists and leaders.

The regulatory environment

Regulations continue to become more rigorous in all of our markets. Going above and beyond the regulatory minimum is 'what we do' in many areas of our Business, so we see this as an opportunity. We continue to strengthen our reputation by contributing to the development of external standards. By sharing our expertise in this way we are both supporting the regulatory environment and are able to stay abreast of changes ahead.

We are renowned for our product and service quality, which we maintain by ensuring that our robust quality assurance, risk and sustainability processes are embedded at all levels of our organisation. We are also skilled at providing assurance over our products' performance via our claims substantiation capability.

Croda	Customer Manufacture	Consumer Benefit
Our ingredients reduce friction between moving parts and improve performance efficacy	Our ingredients are added to the customer's product to increase fuel efficiency and reduce wear and tear	Drivers have more environmentally friendly transport that lasts longer
Our product OmeRx™ is derived from Omega 3, which is a recognised treatment for hypertriglyceridemia	Par Pharmaceuticals successfully markets OmeRx as a drug in North America	The drug supports patients with cardio vascular problems
We develop high performance ingredients like the Matrixyl™ range, which repairs skin	Matrixyl features in leading skin care brands to make an advanced anti-ageing claim	Consumer and beauty specialist feedback confirms that some of the products containing Matrixyl are amongst the best anti-ageing formulations ever
We lead our industry in offering sustainable palm oil and palm kernel oil derivatives	Companies can meet their sustainability targets by using our ingredients in their products	Discerning consumers can buy products with ingredients that support sustainable palm oil

Our Business Model
Structured for success

Our business model is driven by strong customer relationships and a focus on the sustainable production of innovative ingredients. Our close proximity to customers strengthens these relationships and gives us a competitive advantage. By delivering high performance ingredients for some of the biggest, most successful brands, we reach millions of consumers around the world.

Engage

We work in close partnership with our customers around the world.

Intimate customer relationships mean that we…

understand what our customers, and their consumers want, meeting their current needs and anticipating their future goals.

A culture of innovation drives us, so…

we are inspired by the insights we gain through a deep understanding of our markets and close customer contact, not limited by our existing portfolio and technologies.

We do this sustainably by…

recognising growing consumer demand for sustainable products and aligning ourselves with our customers' sustainability objectives.

Our people make a difference, because…

from sales and research and development (R&D), to regulatory and marketing, we work as one team in close partnership with our customers to deliver safe and high performance ingredients.

Create

We design innovative ingredients that enhance everyday products.

Intimate customer relationships mean that we…

design innovative ingredients by harnessing our technical expertise and using market insights in collaboration with customers. Our partnerships with world leading universities facilitate the development of new and novel technologies.

A culture of innovation drives us, so…

to complement our own technology development activities, our Technology Investment Group is dedicated to identifying and securing new technologies that will help us meet our customers' needs.

We do this sustainably by…

developing all new ingredients with due regard to the *12 Principles of Green Chemistry* and using natural, renewable raw materials wherever possible.

Our people make a difference, because…

our skilled scientists and engineers are excited about innovation and green chemistry. They are given the autonomy to use their skills in the development of new products and technologies.

Our Value Chain

Consumer Demand → Customer Need → Croda → Customer Manufacture → Consumer Benefit

Our Business Model

Engage → Create → Make → Sell

Make

We manufacture to consistently high standards across the world.

Sell

We generate revenue by selling ingredients directly to our customers.

Intimate customer relationships mean that we…

produce high quality, high value ingredients on a customer demand driven basis, as close to their manufacturing operations as possible.

A culture of innovation drives us, so…

we think differently about where and how we manufacture, developing new production technologies that offer flexibility and security of supply.

We do this sustainably by…

using raw materials from sustainable sources and working closely with our supply chains. We develop new ingredients from co-streams and invest in our own renewable energy.

Our people make a difference, because…

our highly trained production teams have the expertise to design and operate complex manufacturing processes, whilst ensuring that safety and quality remain paramount.

Intimate customer relationships mean that we…

market and sell directly to our customers of all sizes through local sales teams, dedicated to the customer and supported by R&D. We deliver directly to customers from local warehouses for speed and flexibility.

A culture of innovation drives us, so…

we are able to manage complexity to ensure that our customers get exactly what they want: developing and supplying thousands of different ingredients to meet their specific needs.

We do this sustainably by…

offering ingredients that meet customer and consumer demands for low environmental impact and high performance.

Our people make a difference, because…

our sales teams speak our customers' language, with market and industry training and experience. We provide regional workshops and webinars for our customers, so they can fully realise the potential of our ingredients.

Our Sector Performance Personal Care

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

Personal Care

Kevin Gallagher
President, Personal Care

Revenue
£369.1m
2013: £392.7m

Adjusted Operating Profit
£117.3m
2013: £132.7m

Return on Sales
31.8%
2013: 33.8%

2014 Performance

We performed better in the second half of the year, after a slow first six months. Sales growth of our differentiated and higher margin ingredients outstripped the market. Product advances, such as our anti-ageing skin innovations and 'physical' sunscreens, which reflect the sun's rays rather than absorb them, enabled our customers to attract new consumers and grow their brands.

However, the continued weakness in Western Europe and, in the early part of the year, North America, reduced demand for mass market consumer products. Low consumer demand had an inevitable knock-on effect on the sales of our ingredients into consumer brands, particularly those of our less differentiated lines where we faced stronger competition. Full year revenue declined to £369.1m (2013: £392.7m) due to currency translation, but was broadly flat in constant currency terms. Adjusted operating profit was £117.3m (2013: £132.7m), down 6.6% in constant currency, due largely to European and mass market weakness.

Closer to Customers

As a company, we strive to be closely aligned to our customers and to be fast and flexible in responding to their needs. Geographically, we are expanding where they are, as seen by our investment in new Personal Care laboratories and customer training centres in Latin America and Asia.

Following the May 2014 announcement of our new global organisation, we restructured the Personal Care management team to better meet customer needs. It is pleasing that customer feedback has already started to reflect our aspirations; that is, that they find dealing with our new organisation more straightforward, focused and rewarding. As our customers look increasingly to their suppliers for expert support, for example on regulatory guidance to enter new markets, having a dedicated global Personal Care team will ensure that we deliver even greater added value.

In 2014, we continued to meet our customers' strategic needs. In particular, as ethical sourcing becomes increasingly important to consumers, we built on our sustainability credentials, knowledge and offering to help customers meet their internal sustainability targets. The Roundtable on Sustainable Palm Oil (RSPO) certification of our seventh manufacturing site was a particular landmark, as it joins our other six sites that handle raw materials that support sustainable palm oil to provide our customers with certified, environmentally friendly ingredients. By the end of 2014, we had more than 300 customers from all geographical regions purchasing ingredients that support sustainable palm oil.

Flower Power

Our new Sebuless™ ingredient helps to treat oily and acne prone skin in just one month.

Sebuless is derived from the extract of lilac by our subsidiary, Sederma, a leader in innovative actives and plant cell culture. By using cell cultures, rather than conventionally grown plants, these ingredients are guaranteed to be free from pollutants and, being grown without impacting the environment, are entirely sustainable.

Tests have shown that two daily applications of Sebuless over a month can curb excessive production of sebum and reduce blemishes by half. More than two-thirds of trial volunteers said that, after taking part, their skin looked purer, fresher and less shiny.

Sebuless is tailored for skin care and cosmetic applications for men and women with oily and acne prone skin.

Products including Matrixyl have won many awards including 'Anti-ager of the Year' and 'Launch of the Year' in the Stylist magazine's 2014 Skincare Awards.

Personal Care
Turning back time with Matrixyl™

Engage

Our customers are increasingly looking for novel ingredients to help them meet growing consumer demand for effective anti-ageing products.

Create

In 2000, our active ingredient specialists, Sederma, discovered Matrixyl, a matrikine (peptide) that stimulates collagen synthesis and skin repair by slipping into the damaged cell surface and sending a signal into the cell to repair it.

Make

Following the launch of Matrixyl, which quickly established itself as a vital anti-ageing ingredient for cosmetics, we introduced two related ingredients: Matrixyl 3000 and Matrixyl synthe'6™, which target other age related skin conditions such as crow's feet and deep forehead wrinkles.

Sell

Independent studies have proven Matrixyl's long term anti-ageing properties, leading to its inclusion in many sell out products from leading consumer brands.

Matrixyl works like a lock and key mechanism. The peptide is designed to fit into the damaged cell surface and sends a unique signal into the cell to repair it. Each anti-ageing issue has a different signal it needs to repair itself, leading to the development of Matrixyl 3000 and Matrixyl synthe'6.

Our Sector Performance continued

Life Sciences

Our Life Sciences market sector includes two complementary businesses, Health Care and Crop Care. Health Care delivers high quality ingredients to pharmaceutical and nutritional markets, which include dermatology and animal health. Crop Care provides innovative ingredients to agrochemical companies, who develop products that help farmers achieve superior yields.

Life Sciences

Sandra Breene
President, Life Sciences

Revenue
£204.5m
2013: £200.5m

Adjusted Operating Profit
£64.7m
2013: £58.6m

Return on Sales
31.6%
2013: 29.2%

2014 Performance

Overall, Life Sciences had a good year. Health Care performed well in all markets due to strong sales of speciality excipients and Omega 3 products, particularly our active pharmaceutical ingredient. Crop Care performed very strongly in Asia, although sales were flat in North America and Western Europe, and fell in Latin America due to economic pressures on the agricultural industry and extreme weather. Revenue grew to £204.5m (2013: £200.5m), an increase of 7.9% in constant currency terms. Adjusted operating profit was £64.7m (2013: £58.6m), up 15.0% in constant currency.

In Health Care, our success has largely been due to three key areas. In the Omega 3 arena, we achieved our largest pharmaceutical success to date, both in terms of value and potential, with Par Pharmaceutical launching a cardiac drug to the North American market using our ingredient.

Secondly, our excipients sales, in use across a wide range of pharmaceutical products, including oncology drugs, grew well in North America, France, India and Brazil. Such increased demand reflects the global growth in biotech drugs, which require more complex and higher quality excipients than chemically based medication. Our high purity excipients meet this need perfectly, providing such added benefits as longer shelf life and greater stability.

Lastly, our expertise in the personal care sector has contributed to our dermatological success. With more medicines now being sold over the counter, they need to look, taste and smell attractive and, if topical, be easy to apply, which are qualities also common to our skin care and cosmetic lines.

In Crop Care, our recent investment in acrylic polymers manufacturing capability reaped benefits with strong sales of agricultural co-formulants and dispersing agents developed using this technology. During the year, we have been proactively looking for opportunities to acquire other technologies to benefit Crop Care customers.

Closer to Customers

In line with our global business reorganisation, we developed a strategic approach more aligned to our customers. In Health Care, we worked more closely with premium branded supplement manufacturers, which are a natural fit with our high quality ingredients, and saw the benefit in sales across Europe where premium players are more established. We also continued to reinforce our reputation for expertise and innovation by collaborating with leading universities and customers on several research projects.

Meanwhile, Crop Care moved its focus from medium sized companies to the major global players, with whom we can partner in innovation. We have invested in global account managers, who will help to develop relationships with these international businesses and better understand where and how our product portfolio can meet their unmet needs.

Oil and Water Can Mix

Our new rheology modifiers are making product formulation easier for agrochemical customers.

Rheology modifiers, sometimes called thickeners, help ensure that solutions are the right consistency for use. Our Atlox Rheostrux™ range offers several advantages over conventional modifiers for both oil and water based products.

Our Atlox Rheostrux products make the production and processing of oil based formulations easier and less likely to separate than traditional clay or silica modifiers. They also create a smoother consistency, so that they can be handled and pumped more easily.

In water based formulations they have significant benefits over xanthan gum, which is traditionally used. Xanthan gum doesn't work in acidic conditions, needs swelling before use and requires an anti-bacterial biocide. Atlox Rheostrux, however, works well at all pH levels, is simply added to formulations and does not need a biocide.

"Throughout our partnership with Croda, we have always felt that we have operated as a single team, sharing a common culture. We are delighted by the success that our partnership is now delivering."

Paul Campanelli
Chief Executive
Par Pharmaceutical Inc.

Life Sciences
Delivering a pure health partnership

Engage

A diet rich in Omega 3 fish oils has long been recognised as a key part of maintaining our health and wellbeing. More recently pharmaceutical treatments based on Omega 3 oils have been developed for the treatment of cardiovascular conditions, including hypertriglyceridemia, which is caused by high levels of fat in the blood. We have been working closely with Par Pharmaceutical for several years to deliver the benefits of pharmaceutical Omega 3 to the North American market.

Create

We use sustainably sourced fish oil, and our advanced purification technology, PureMax™, to create our pharmaceutical ingredient, OmeRx™. In OmeRx we concentrate to very high levels the two Omega 3 fatty acids that are proven to treat cardiac issues, Eicosapentaenoic Acid and Docosahexaenoic Acid, better known as EPA and DHA.

Make

Our high quality and consistency at every stage in the complex manufacturing process, coupled with rigorous documentation and precision, generates the batch consistency needed for stringent North American Food and Drug Administration approval, enabling us to supply OmeRx to the pharmaceutical industry.

Sell

Our product is sold to Par Pharmaceutical as an active pharmaceutical ingredient (API), which they market and sell in its pure form as a drug to treat hypertriglyceridemia.

The quality and purity of OmeRx reflects our high standards of research and development and production. It combines unrivalled lipid chemistry and technology certified to pharmaceutical Good Manufacturing Practice standards, for the manufacture of API quality products. We have gained approval from the North American Food and Drug Administration and the UK Medicines and Healthcare Products Regulatory Agency.

Our Sector Performance continued

Performance Technologies and Industrial Chemicals

Performance Technologies delivers innovative ingredients for five growing business areas: Lubricants, Coatings and Polymers, Polymer Additives, Geo Technologies and Home Care. Industrial Chemicals is a small diverse sector selling to a variety of mostly industrial applications.

Performance Technologies

Maarten Heybroek
President, Performance Technologies and Industrial Chemicals

Revenue
£355.2m
2013: £355.2m

Adjusted Operating Profit
£63.8m
2013: £62.7m

Return on Sales
18.0%
2013: 17.7%

2014 Performance

2014 was a very good year for Performance Technologies, with Lubricants and Geo Technologies doing particularly well, despite challenging economic conditions in many of the regions in which we operate. Asia proved particularly buoyant, as our strategy of investing in faster growing emerging markets continued to reap benefits. Europe and North America also showed growth, although Latin America was slower than expected. Revenue was unchanged at £355.2m (2013: £355.2m), but grew by 5.7% in constant currency terms. Adjusted operating profit was £63.8m (2013: £62.7m), an increase of 4.5% in constant currency, and return on sales reached 18.0% (2013: 17.7%), well on the way to our target of 20.0%.

Coatings and Polymers ended the year well, although impacted by deflation in raw material prices. This was offset successfully with growth coming from product innovation, including new toughening agents for coating and adhesive applications. Home Care performed modestly in the first half, but improved through its own exciting innovations, including CrystaSense Sapphire™ that enables household cleaning sprays to drip less and clean better.

Other strong innovation launches in 2014 included Geo Technologies' range of demulsifiers with a better environmental profile and Polymer Additives' range of anti-scratch ingredients for automotive parts.

Growing our Performance Technologies business is a key part of our strategy. In August, we announced the acquisition of JD Horizons, an innovator in additive ingredients for the international oil industry. Its product range helps prevent pipeline blockages, strengthening our position in the global oilfield and refinery process chemicals market. Our acquisition of AM Coatings in April brought novel non-leaching antimicrobial technology for coating and adhesive applications.

Closer to Customers

Close proximity to our customers and expansion in emerging markets is core to our Group strategy. The 2013 acquisition of a majority stake in Sipo, a natural chemicals manufacturer in China, was a significant step towards both goals, and in 2014, we focused on upgrading their manufacturing site. With investment plans on track for 2016, the site will provide extra production capacity for Polymer Additives and Lubricants.

As well as being geographically near to our customers, we pride ourselves on our understanding of, and expertise in, what is important to them. During the year, we recruited more industry experts and increased product application training across our global sales team.

Industrial Chemicals

Revenue
£117.8m
2013: £128.6m

Adjusted Operating Profit
£2.6m
2013: £10.6m

Return on Sales
2.2%
2013: 8.2%

2014 Performance

2014 was a challenging year for this sector, as it experienced lower sales due to weak commodity prices, particularly for sales of co-stream products from other business areas, together with lower levels of toll processing. Full year revenue declined to £117.8m (2013: £128.6m) and adjusted operating profit was £2.6m (2013: £10.6m).

There were successes, however, such as the launch of CrodaTherm™, our bio-based phase change materials that help maintain a consistent temperature in a range of environments and materials, such as ensuring medical supplies and plant seeds stay cool or keeping buildings warm.

The sector remains an important part of our Business, with opportunities for selective future innovation, across niche applications such as additives for catalysts, electronics and advanced ceramics.

"Using our industry knowledge and robust testing methods, we develop bespoke solutions to manage and control our customers' friction needs."

John Eastwood
Global Marketing Manager
Croda

Performance Technologies
Taking control of friction

Engage

Controlling friction between moving parts is fundamental to maximising operating efficiency. Customers from a diverse range of industries come to us with a specific need and we work with them to find a bespoke solution.

Create

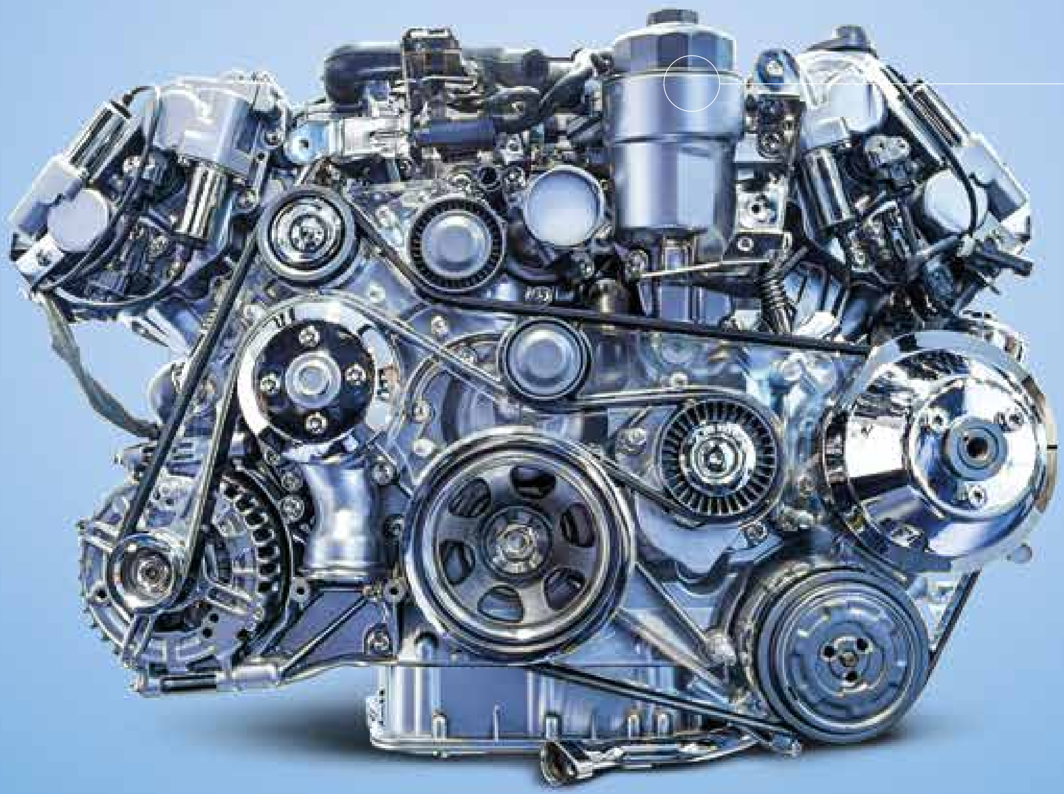
We create bespoke molecular designs and simulate real life systems through bench testing to identify the best friction modifier for each customer. In 2014, we enhanced our testing knowhow and capabilities with an Optimol Instruments' SRV unit, the renowned system for testing friction and wear.

Make

We have used our industry knowledge to make a range of innovative friction modifiers, which are molecules that change frictional properties by creating a film between surfaces that come into contact.

Sell

Our friction modifiers enhance customer applications in such ways as increasing fuel efficiency, reducing emissions, boosting power transfer efficiency in gear systems and increasing mechanical longevity.



We have launched new friction modifiers for a variety of lubricated systems, including engine oils, industrial gear oils, wet clutch transmissions and neat metalworking fluids. We are now looking to include contact between metal and other surfaces, such as diamond-like carbon, elastomer and clutch plates.

Our Strategy
Delivering value

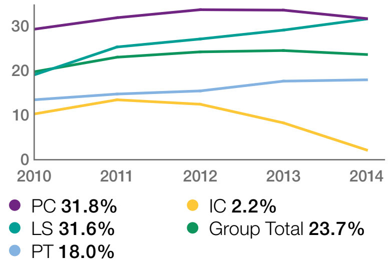
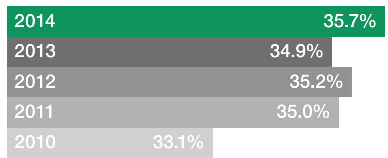
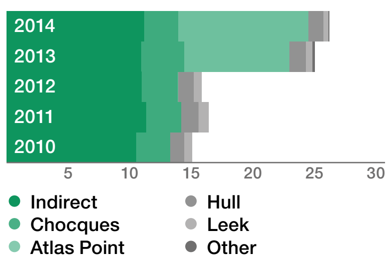
Our overarching strategic goal is to be a global team working with our customers as their partner of choice and serving them with innovative and differentiated technologies in attractive niche markets in order to increase shareholder value.

Strategic objectives	What will we do to achieve this?
1 Delivering consistent top and bottom line growth We are looking for profitable sales where we grow ahead of the market growth rates across all our core market sectors. Our model is all about getting closer to customers, big and small, satisfying their unmet needs with differentiated products. The three mega trends of beauty and ageing, health and wellbeing, and ingredient sustainability are creating many new niche opportunities for us and our customers.	– We will ensure that all market sectors are appropriately resourced to capitalise on the many opportunities to grow with our customers – Whilst maintaining our strong position in Western Europe, we are investing significantly in all our other markets. In emerging markets we will spend more time building our infrastructure by expanding our manufacturing footprint, opening new research and development (R&D) application laboratories and customer training centres, as well as scaling up our resources. This is all to get closer and more aligned to our current and future customers
2 Increasing the proportion of New and Protected Product sales This is all about increasing the output of our innovation, which, whether in ingredients, processes or the mind-set of our people, has always been at the heart of our Business. Innovation plays a critical role across our operations; it differentiates us from the competition, protects sales and improves our margins. Creating new intellectual property and know-how whilst maximising the potential of existing patents globally, is our lifeblood. We focus on building intimate customer relationships and targeting our fastest growth from New and Protected Product launches into new niches and using differentiated ingredients driven by our customers' requirements. We then continue to improve our portfolio of products to keep them differentiated.	– We will ensure that we have outstanding technical resources in place in terms of talented chemists, biochemists and engineers – Guided by the seven key technology platforms we wish to secure, we will accelerate the capture of new technologies through both the escalation of our major internal innovation projects and external acquisitions – We will maximise the potential for new patents across our global selling network – We will partner with our customers, world leading academic institutions and developers of emerging technologies from small and medium enterprises – We will always engage with our customers throughout the creative process, to ensure that our activities are aligned with their current and future needs
3 Investing in a sustainable future Our customers are facing growing demand for more sustainable products. Whether it be for improved environmental performance, increased purity, safe use, ready biodegradability or renewable raw materials, there are many opportunities for us to innovate together and help them succeed. We will invest in the development of our key resource, our people. We continue to focus on sustainable investment because it is the right thing to do for our Business and our customers.	– We have identified 10 Material Areas of sustainability that are embedded across our Business – We will continue to focus on keeping our manufacturing sites safe, sourcing renewable raw materials, minimising the impact of our manufacturing processes, producing innovative ingredients with sustainable benefits and looking after our people and the communities in which we operate – We will continue to set targets and track our performance as our sustainability programme continues to evolve to address the global drivers and the needs of our stakeholders + p34

What have we done in 2014?	KPIs	Case study
– We moved to a global organisation structure, creating dedicated sales, marketing and research groups for each of our market sectors – We expanded capacity in Singapore, India and Brazil, as well as in North America and Europe – We opened up a new sales office in Houston and expanded our research and development groups in China, Singapore, Brazil, France and the UK – We increased our emphasis on emerging markets by creating an Eastern Europe, Middle East and Africa (EEMEA) dedicated commercial team separate from our Western European business	– Return on sales – Emerging market sales as a % of Group sales	**Global organisation** We reorganised our Business to reflect the international structure of many of our customers. Our four global market sectors, Personal Care, Life Sciences, Performance Technologies and Industrial Chemicals, each have dedicated sales, marketing and R&D teams and are better positioned to understand and meet customer needs.
– We formed a Process Innovation Team to consider novel, differentiated, class leading process technologies that will give our products a technical edge – The globalisation and market sector alignment of our R&D group has encouraged sharing of innovative developments and leveraging of our patents globally – We made two technology led acquisitions; JD Horizons Ltd and AM Coatings BV – To drive future acquisitions, we appointed our first Executive level President of Corporate Development	– NPP sales as a % of Group sales	**JD Horizons** We expanded our technology portfolio with the acquisition of JD Horizons. The UK based business is a market leader in additive technologies for flow assurance applications for the international oil sector. The acquisition reinforces our commitment to supplying specialist ingredients to the oil and gas industry, from extraction to refinery.
– We continued to make progress in supporting Certified Sustainable Palm Oil ingredients and achieving RSPO certification at our Mevisa, Thane and Campinas manufacturing sites – Our ongoing investment to save energy and water and reduce waste continued, and we have exceeded our target for non-fossil fuel energy a year ahead of schedule – We continued to focus on safety and our lost time injury rate dropped to 0.21 in 2014, a good improvement from the previous year – The Executive Committee has focused on developing a people strategy for each of the market sectors to ensure that our current high retention rates continue	– Non-fossil fuel energy % – Lost time injury rate (LTI) – Voluntary turnover by year %	**Improving our health and safety** All our manufacturing sites' health and safety management systems are aligned to the OHSAS 18001 standard. In 2014 we implemented a new incident investigation methodology which finds the true root causes of incidents by identifying which elements of OHSAS 18001 are not being adhered to. Our corporate audit programme is now focused on those elements to enable sustainable loss prevention.

Key Performance Indicators
How we performed

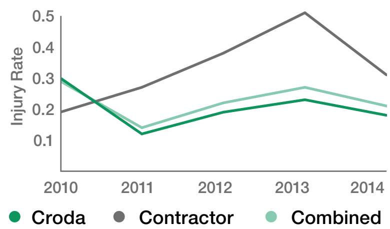
Our Key Performance Indicators (KPIs) have been chosen by our Board to measure our Group's progress. A selection of our KPIs are shown below, each one relating to one of our strategic objectives.

KPI	Comment	Target	Our performance
Not on track **Return on sales** **KPI definition** Operating profit as a % of Group sales. 1 Delivering consistent top and bottom line growth	Personal Care had a challenging start to the year due to significant currency headwinds and subdued European demand. Life Sciences performed well with our Health Care business' launch of its high purity Omega 3 active pharmaceutical ingredient in North America. Performance Technologies moved closer to its target of 20%. With a continued focus on high end sales, we remain confident of achieving our targets.	Personal Care (PC) and Life Sciences (LS) maintain current levels. Performance Technologies (PT) achieve 20% in the medium term. Industrial Chemicals (IC) maximise profitability.	**Return on sales %** 
On track **Emerging market sales as a % of Group sales** **KPI definition** The percentage of Group sales into Eastern Europe, Middle East and Africa (EEMEA), Latin America and Asia. 1 Delivering consistent top and bottom line growth	The increase in proportion of Group sales from emerging markets is evidence that our growth strategy is delivering. This is bringing us closer to our customers whilst reducing our exposure to Western Europe.	Increase the proportion of Group sales into emerging markets.	**Emerging market sales as a % of Group sales** 
On track **NPP sales as a % of Group sales** **KPI definition** NPP products are where existing sales are protected by virtue of being either newly launched, protected by intellectual property or by unique quality characteristics. 2 Increasing the proportion of New and Protected Product sales	The continued growth in the sales of New and Protected Products (NPP) reflects the focus within our Business on creating differentiated solutions for our customers' needs. This focus extends beyond simply the development and patenting of new products, and includes revisiting our existing extensive product portfolio and discovering novel ways of creating additional value from it, such as through new data generation and enhanced product quality.	Increase the proportion of Group sales from NPP.	**NPP sales as a % of Group sales** 
On track **Non-fossil fuel energy %** **KPI definition** The proportion of our energy that comes from non-fossil fuel sources. 3 Investing in a sustainable future	The 2015 target of 25% has been achieved one year ahead of schedule. The main contribution to this improvement has been our Atlas Point manufacturing site, which has increased its use of landfill gas and has commissioned its 777kW array of photovoltaic solar panels. More progress is anticipated in 2015 when the new bio-gas facility currently under construction at our manufacturing site in Gouda, is commissioned.	Non-fossil fuel energy >25% by 2015.	**Non-fossil fuel energy %** 

Link to Strategic Objectives

1 2 3

+ p20

KPI	Comment	Target	Our performance
On track **Lost time injury (LTI) rate** **KPI definition** Rate of injuries that result in an absence from work of one day or more, divided by total number of hours worked per annum, multiplied by 100,000 hours. 3 Investing in a sustainable future	Good progress was made towards our 2015 target of reducing our combined injury rate below 0.2. There was a significant improvement in contractor injury rate, resulting from a focus on those sites where incidents had occurred. The employee injury rate dipped below 0.2 for the first time since 2011. Both follow the introduction of a new more rigorous incident investigation system, and sharing lessons across the Group.	LTI rate consistently < 0.2 per 100,000 hours worked.	**Lost time injury rate (per 100,000 hours worked)** 
On track **Voluntary turnover by year %** **KPI definition** The number of employees who have voluntarily left the organisation throughout the year as a percentage of total average employees. 3 Investing in a sustainable future	Voluntary turnover fell by 1% in 2014 and remains well under our target of 10% showing our continued commitment to our people.	Total voluntary employee turnover less than 10%.	**Voluntary turnover by year %** 2014: 6% 2013: 7% 2012: 7% 2011: 6% 2010: 5%

Creating Shareholder Value

Our objective is to maximise long term shareholder returns through a disciplined deployment of cash generated by the Business.

KPI	Comment	Target	Our performance
Not on track **Earnings per share (EPS) growth** **KPI definition** Adjusted profit after tax divided by the average number of issued shares.	The challenging trading conditions in the year had a negative effect on EPS which fell to 121.9p, a decrease of 7.1% on last year. Although disappointed by this fall, we firmly believe that the strategy we have in place will continue to stand us in good stead to return to EPS growth and enable us to achieve our 5-10% target range in the medium term.	5-10% EPS growth per annum.	**Basic Earnings per share (p)** 2014: 121.9p 2013: 131.2p 2012: 121.9p 2011: 111.7p 2010: 88.8p
On track **Gearing ratio** **KPI definition** Total net debt as a ratio of EBITDA.	The Business once again generated a strong free cash flow, which kept net debt less than 1 times EBITDA. Under our new capital allocation policy, we will continue to explore opportunities for greater investment and returns to shareholders.	Around 1 – 1.5 times.	**Net debt/EBITDA** 2014: 0.6x 2013: 0.7x 2012: 0.7x 2011: 0.8x 2010: 1.0x

Group Finance Director's Report

Constant currency profit from our core sectors rose by £3m, reflecting a strong performance from Life Sciences and Performance Technologies.

Overview

2014 was a challenging year for the Business, as weak consumer demand, particularly in Western Europe, and currency headwinds depressed revenue and profit. However, after a particularly difficult first six months, underlying sales trends improved markedly in the second half of the year. A return to underlying revenue growth in all core sectors reflected steady development of high end product sales, benefiting from a robust innovation pipeline, and improved market conditions in North and Latin America. Asia remained strong throughout the year.

The reorganisation of the Business into global market sectors helped deliver a return to top line growth during the year by driving better market focus and customer alignment. From 2014, we are reporting in three core sectors: Personal Care, Life Sciences and Performance Technologies, together with Industrial Chemicals. Personal Care and Life Sciences have been split out of the former Consumer Care business, with each sector having its own dedicated management team. Comparative performance figures have been presented accordingly. The former regional businesses have now been incorporated into each of the global market sectors.

Currency

Revenue and profit were adversely impacted in the year by the strength of Sterling. During 2014 Sterling averaged US$1.646 (2013: US$1.564) and €1.242 (2013: €1.178). Currency translation reduced revenue compared to 2013 by £61.4m and adjusted operating profit by £11.7m. The analysis below focuses on constant currency results (ie excluding the impact of currency translation) to better assess the underlying performance of the Business.

Revenue

Revenue was 2.8% lower at £1,046.6m (2013: £1,077.0m). On a constant currency basis, revenue rose by 2.9%, an underlying revenue increase of £20.9m.

	Revenue £m
2013 reported	1,077.0
Underlying growth	20.9
Acquisitions	10.1
2014 at constant currency	**1,108.0**
Impact of currency translation	(61.4)
2014 reported	**1,046.6**

A key driver to this growth came from our focus on delivering world class innovation. We target growth from new products that leverage Croda's unique technical and innovation expertise, and purposely exit old generation 'tail' products with inadequate margins. Sales of New and Protected Products (NPP), which have higher margins and stronger barriers to entry such as patents and proprietary technology, grew by 13% on a constant currency basis in 2014. We also increased sales of differentiated products by 1% in constant currency; these provide customers with benefits not easily replicated. Lower margin products declined 7% in 2014 due to lower commodity pricing and exit of low value products.

In addition to innovation, we now have a global market sector focus that allows us to serve international customers consistently across the world, whilst also leveraging products from our long established European and North American markets into newer geographies. Constant currency revenue grew strongly in Life Sciences, up 7.9%, supported by the launch of our high purity Omega 3 pharmaceutical active ingredient. Performance Technologies grew 5.7%, with strong growth in our developing Geo Technologies business and from targeted acquisitions. Conditions in Personal Care were challenging, with constant currency revenue broadly unchanged in the year; however, the second half of the year saw a return to underlying growth, buoyed by gains in Latin America and Asia, together with increased NPP sales, which now account for over 35% of all Personal Care revenue.

Regional conditions remained polarised. Europe continued to be weak, with consumer demand constrained by a lack of growth and deflationary worries outside of the UK. By contrast, growth in North America improved steadily through 2014, whilst Asia remained strong throughout the year and Latin America improved towards the end of the year. As a result, underlying revenue growth improved to 3.2% in the second half of the year from 0.8% in the first half. Our global development strategy is reducing our dependence on Western Europe, with sales outside the region now representing 63% of Group revenue.

Adjusted Profit

Adjusted operating profit (before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition) was £248.4m (2013: £264.6m).

On a constant currency basis, adjusted operating profit declined by only £4.5m. The major factor was a £7.4m decline in profit in the non-core Industrial Chemicals sector, caused by weak commodity prices depressing margins on sales of our by-products, together with reduced levels of toll processing.

	£m
2013 adjusted operating profit	264.6
Underlying reduction in profit	(4.5)
2014 adjusted operating profit at constant currency	**260.1**
Impact of currency translation	(11.7)
2014 adjusted operating profit	**248.4**

Acquisitions had no material impact on profit in the year.

Constant currency profit from our core market sectors rose by £2.9m, reflecting a strong performance from Life Sciences and Performance Technologies.

Adjusted operating profit	2014 Reported £m	2014 Constant currency £m	2013 Reported £m
Personal Care	117.3	124.0	132.7
Life Sciences	64.7	67.4	58.6
Performance Technologies	63.8	65.5	62.7
Core sectors	**245.8**	**256.9**	**254.0**
Industrial Chemicals	2.6	3.2	10.6
Group	**248.4**	**260.1**	**264.6**

Constant currency profit in Personal Care was lower due to weak consumer demand for mass market products from some of our international customers, particularly in Europe, reducing return on sales. Life Sciences achieved strong profit and margin growth, with Health Care benefiting from strong sales growth and Crop Care recovering from a weak start to the year due to extreme weather. Performance Technologies improved profit and margin, with Geo Technologies and Lubricants performing particularly well. Group return on sales was 23.7% (2013: 24.6%), reflecting weaker margins in Personal Care and Industrial Chemicals.

Net interest costs were broadly flat at £13.0m (2013: £13.2m). Adjusted pre-tax profit reduced by 6.4% to £235.4m (2013: £251.4m). This largely reflects the currency translation impact.

The effective tax rate on this profit was 28.0% (2013: 28.7%), reflecting falling corporation tax rates, particularly in the UK. The adjusted profit after tax for the year was £169.6m (2013: £179.2m). Adjusted earnings per share (EPS) were 125.2p (2013: 132.2p).

IFRS Profit

On an IFRS basis, operating profit was £242.4m (2013: £263.3m) and profit before tax £229.4m (2013: £250.1m). Exceptional costs, acquisition costs and amortisation of intangible assets arising on acquisition totalled £6.0m (2013: £1.3m). Exceptional costs related to rationalisation and global reorganisation actions, the former primarily in Europe in response to subdued activity and to redirect resource towards growing regional markets. These costs are excluded in our definition of 'adjusted operating profit', 'adjusted pre-tax profit' and 'adjusted EPS' as they are infrequent and variable in nature. The Board believes that the adjusted presentation (and the columnar format adopted for the Group Income Statement) assist shareholders in better understanding the underlying performance of the Business. The profit after tax for the year on an IFRS basis was £165.2m (2013: £177.9m).

Cash Management

The Group is a strong cash generator. This cash is used to invest in new technologies and expanding existing production capacity to meet growing customer demand. Operating cash flow was £267.1m (2013: £294.2m). Working capital increased due to higher

Group Finance Director's Report continued

inventory and receivables as sales activity increased towards the end of the year.

In 2014 we invested £65.0m (2013: £46.6m) in capital projects, representing 1.8 times depreciation (2013: 1.4 times). This included: expansion of our manufacturing site in Singapore to meet growing regional demand; investment in high purity excipient chemistry and GMP facilities in the UK and North America to serve our expanding pharmaceutical market; capacity expansion and initial work on bio-ethylene production for the resurgent North America market; and investment in Europe to meet global export growth.

We also funded £30.2m (2013: £41.2m) of additional pension contributions, primarily to fund the UK and North American scheme deficits.

Free cash flow (before cash dividends and acquisitions) was strong at £114.0m (2013: £147.9m). Dividend payments increased by 5.4% and two small acquisitions were funded to boost technology access in Performance Technologies. Net cash inflow was £20.4m (2013: £5.7m).

Cash generation	2014 £m	2013 £m
EBITDA	279.4	297.2
Working capital	(12.3)	(3.0)
Operating cash flow	**267.1**	**294.2**
Capital expenditure	(65.0)	(46.6)
Additional pension contributions	(30.2)	(41.2)
Interest & tax	(57.9)	(58.5)
Free cash flow	**114.0**	**147.9**
Dividends	(88.1)	(83.6)
Acquisitions	(1.9)	(54.9)
Other	(3.6)	(3.7)
Net cash flow	**20.4**	**5.7**

Net debt reduced by £22.0m (after currency impacts) to £180.2m (2013: £202.2m), a gearing ratio (net debt: EBITDA) of 0.6 times (2013: 0.7 times). Our balance sheet is robust, with gearing well within the maximum covenant level under the Group's debt facilities of 3 times. We refinanced our core bank facility during the year with a £400m revolving credit facility, maturing in 2019. Together with other credit facilities, at 31 December 2014 the Group had £317.4m (2013: £290.7m) of cash and undrawn committed credit available.

Dividends and Capital Allocation Policy

The Company is delivering on its strategy, with a return to improved constant currency revenue growth in its core markets in the second half of the year, world class innovation with a growing proportion of NPP sales, and a platform for investment for future sustainable growth and returns. The proposed full year dividend increase of 1.6% to 65.5p (2013: 64.5p) maintains the Company's long record of dividend growth. The dividend is 1.9 times covered (2013: 2.0 times) by adjusted EPS.

Our objective is to maximise long term shareholder returns through a disciplined deployment of cash generated by the Business. To support this, the Board has adopted a capital allocation policy:

1. Reinvestment for growth: we will invest in capital projects to support growth in product innovation, global sector development and fast growth markets. The Business has a long track record of delivering an excellent post-tax return on invested capital (ROIC), well in excess of our cost of capital
2. Regular returns to shareholders: from our strong free cash flow, we will pay a regular dividend to shareholders, in line with our policy of paying out 40 to 50% of adjusted earnings over the business cycle
3. Acquisition: to supplement our existing innovation and product pipeline, we will continue to explore promising technologies and markets adjacent to, and consistent with, our current capabilities
4. Gearing and treatment of excess capital: the Board is committed to maintaining an efficient balance sheet, appropriate to the Company's investment requirements. Accordingly, the Board has adopted a target gearing policy range of around 1 to 1.5 times net debt: EBITDA (excluding deficits on retirement benefit schemes), although it is prepared to move outside this range if circumstances warrant. The Board will keep under review the Group's balance sheet in light of this policy and medium term investment requirements, and will return excess capital to shareholders when appropriate

Retirement Benefits

The deficit on retirement benefit plans, measured on an accounting valuation basis under IAS19R, reduced in 2014 to £126.7m (2013: £135.8m), as a combination of deficit funding payments and investment returns more than offset a reduction in discount rates. However, it is the schemes' ongoing actuarial valuation base that determine any cash deficit payments into the pension plans. The Group's largest pension scheme is in the UK, where the results of the latest triennial valuation are expected to show that the actuarial valuation deficit had been eliminated with the latest deficit payment of £23m in January 2015. As a result, it is expected that further deficit funding payments to this scheme will not be required over the coming three years. In addition, we do not expect that our North American scheme will require any deficit funding in 2015.

Jez Maiden
Group Finance Director

"Being different underpins our financial success. We are set to double capital investment in our already well invested manufacturing sites and deliver our innovative project to produce 100% sustainable bio-surfactants. We make investments that differentiate us in the eyes of our customers, which will help protect and grow our sales and margins."

Our Risks
Protecting value

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

Risk Management Framework

The Board of Directors determines our overall risk appetite. It also oversees the Group's risk management and internal control systems, defines risks and monitors risk exposures and ensures that the nature and extent of the risks we take align with our strategic objectives, see page 50.

The Audit Committee supports the Board in risk mitigation by approving and directing Internal Audit's plans to perform assurance audits over controls in key risk areas, and in reviewing the findings. It also monitors the effectiveness of risk management and internal control systems and reviews the reliance placed by management on mitigating controls, including internal and external assurance, see page 53.

The Risk Management Committee of the Executive considers external and emerging risks and their relevance to the Group, assesses bottom-up risk registers to identify Group wide impacts and trends and to compare them with key risks, and evaluates whether any risks have escalated and require further attention. Its quarterly meetings feature a presentation by the Executive member responsible for ensuring best practice and continuous progress for each key risk. This covers the risk itself, the mitigating controls, and continuous improvement actions.

Market sectors and functions identify and own the risks arising from their day to day operations via sector boards and steering groups. They allocate owners to monitor and manage each risk, undertake a full review of risks, mitigating controls and the adequacy of these controls, at least half yearly, identify actions to improve control, and monitor the progress of these actions.

Manufacturing and selling locations manage the risks involved in their day to day operations. They allocate owners to monitor and manage each risk, and undertake a full review of risks, at least annually, during which they assess the mitigating controls in place and any necessary actions to improve controls.

Internal Audit supports the Audit Committee by providing assurance over the effectiveness of the mitigating controls identified for key risks. It reports to the Audit Committee quarterly and reports on risk to the Board twice yearly. The Vice President Risk and Control attends the Risk Management Committee, and is responsible for coordinating Internal Audit's reports and updates to the Audit Committee and Board.

Our Risk Management Framework

We implement a structured risk management framework throughout the Group. This includes a standard set of risk categories, generic risk descriptions and a scoring methodology, together with a process to analyse and manage risk. All our locations use this framework to identify their specific risks. We rank risks by combining their economic, operational or environmental impact and the likelihood that they may occur. We do this both before and after we identify the controls we have in place to mitigate each risk. Those risks that pose the greatest threat to our Business and score the highest, pre-mitigation, are identified as key risks.

All our people are responsible for managing risk. By using a common framework, we are able to view risk from both a top-down and bottom-up perspective and so ensure it is considered and managed at every level of our Business.

Our safety, health, environmental and quality (SHEQ) risks are reviewed and considered by a dedicated Executive level committee. This meets quarterly to consider the results of assurance audits over SHEQ controls and to monitor defined and agreed key performance indicators.

Our Key Risks

Risks affect every area of our Business. Their nature and potential impact changes constantly but regular reviews enable us to identify risks that could derail our strategy and to set up controls to mitigate their effects.

We categorise our risks into the following areas:

Strategic: Risks that could prevent us from achieving our strategic objectives.

Operational and regulatory: Risks which, if not successfully managed, would threaten our viability. These relate to our ability to operate a sustainable, safe and legal business.

Business systems: Risks relating to IT systems and information security.

Financial: Risks relating to the funding and fiscal security of the Group.

The table on page 30 shows the key risks identified in 2014 and any changes in risk ranking from 2013. Our Board and management consider that these pose the greatest threats to our business and they score highest on our pre-mitigation risk table. They fall into categories that relate closely to our business model or sustainability Material Areas. We do, of course, face other risks and uncertainties, but these have been assessed as lower risk, and so are not included here, or are beyond the direct control of the Group. 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.

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

How our Risk Management Process Evolved in 2014

- We improved the alignment of our sustainability Material Areas with our risks
- We carried out risk assurance reviews of the mitigating controls for certain key risks, based on our 2013 integrated assurance mapping exercise
- We restructured our risk registers in line with our new global organisation
- There were detailed presentations on chemical regulatory and product liability risks by the Executive risk owners, in line with our practice of the Board reviewing two key risks each year. These included summaries of the risks themselves, emerging issues, controls and scoring. The Board was able to question the risk owners and gain a deeper understanding of the risks and the controls that operate to mitigate them

Our Risks continued

Key risk	Potential impact on our business	How we respond	What we have done in 2014
Revenue generation in established and emerging markets 1 Delivering consistent top and bottom line growth	Failure to follow our customers as they move into emerging markets, or to continue to grow in established markets will adversely impact delivery against our strategic objective of delivering consistent top and bottom line growth.	Our local sales teams sell directly to customers and maintain excellent relationships at all levels in their organisation. They speak our customers language, with market and industry training and backgrounds. We have established research and development centres, customer centres and manufacturing closer to our customers.	Moved to a global organisation structure. We have expanded capacity in Asia and Latin America to shorten our customers' supply chain. We opened up a new sales office in Houston and created a dedicated EEMEA commercial team separate from Western Europe. We expanded our R&D groups in China, Singapore, Brazil, France and the UK.
Identification and integration of acquisition targets 1 Delivering consistent top and bottom line growth	The Group has grown through acquisitions and continues to pursue them to meet its strategic objectives. A failure to identify new business areas or extend our portfolio could impact our ability to grow. Our success in realising the benefits of acquisitions depends on focused due diligence before acquisition, the integration of the acquired businesses, and their performance in relation to expectations.	The new Executive position of President of Corporate Development has a remit to identify new strategic acquisition opportunities and to work closely with our market sector Presidents. Each business area has a strategic plan which includes a review of demand and of potential new opportunities, which are regularly monitored and challenged. Our Technology Investment Group is integrated within our market sectors to identify new technology acquisition opportunities.	We appointed a President of Corporate Development, an Executive position, from April 2014 to identify strategic growth opportunities. Acquisition opportunities have been identified with the full engagement of the market sectors. Responsibility for the integration of our recent acquisitions (Sipo, JD Horizons and AM Coatings) has been assigned to senior managers.
Product and technology innovation 2 Increasing the proportion of New and Protected Product sales	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. We have identified seven key technology platforms which we believe will drive innovation. We have outstanding technical resources in place, who focus on internal innovation projects. We partner with customers, universities and developers of emerging technologies and invest in external acquisitions to remain at the cutting edge.	Established a new process innovation team from January 2014 to consider, differentiated class leading technologies to give our products a technical edge. Globalised the technology group. Two external acquisitions brought new technology and expertise to the Group.
Protect new intellectual property 2 Increasing the proportion of New and Protected Product sales	Expansion into new markets and technologies has increased our risk of failure to protect our intellectual property, which could undermine our competitive advantage.	We have a dedicated professional Intellectual Property (IP) team who participate in the technical and business planning and strategy meetings to identify new products and technologies which may require protection. They monitor our IP and challenge infringements where necessary.	Differentiation and protection of many of our new products, including our range of excipients for the pharmaceutical industry, see page 16.

Risk decrease

Risk increase

No change

Link to Strategic Objectives

1 2 3

p20

Key risk	Potential impact on our business	How we respond	What we have done in 2014
Employee recruitment, retention and motivation (No change) 3 Investing in a sustainable future	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 in line with expectations.	Our framework of development and reward programmes, strong culture and world class learning and development opportunities support the retention and career development of the high quality teams we need. All Croda regions offer graduate development programmes, involving stretching and high profile assignments, and our structured development programmes, such as the Croda 2020 network and Leadership Development Groups, nurture internal talent. Our global appraisal system, Aspire, supports the annual personal review process.	The Executive has focused on developing a people strategy for each of our 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 planning for senior positions (No change) 3 Investing in a sustainable future	We rely on key employees whose vision and knowledge is critical to maintaining our success. If these individuals were to leave with no succession plan in place, it would take some time to replace them.	On an annual basis our talent review process considers succession plans for critical roles throughout the organisation. Output and actions arising from these reviews are monitored by the Executive and the Board to ensure that succession planning continues to be a focal point.	Our new Group HR Director appointed in April 2014 has provided focus and leadership to a renewed and more rigorous succession planning process. Areas of higher risk have been identified and are being addressed.
Product liability claims (No change) 3 Investing in a sustainable future	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 Head of Global Quality Assurance leads our quality programme. Many of our sites are EFfCI GMP-certified and several have the EXCiPACT™ quality standard. These are demanding quality standards valued by our customers. We work proactively with relevant trade associations to shape future regulation, see page 36.	The Board reviewed this risk with a presentation from the Executive risk owner. We communicated a new Group Quality policy and started working on a supporting manual. Quality reporting is now incorporated into the quarterly Group SHEQ meetings.
Major safety incident **Major environmental incident** (No change) 3 Investing in a sustainable future	We rely on the continued operation of our manufacturing sites around the world. Certain sites are particularly critical to the Group due to their size or what they produce. 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.	We have comprehensive global Safety, Health and Environment (SHE) policies, procedures and guidelines which are defined in the Group SHE manual. Our network of SHE specialists and process safety engineers at each site ensure compliance on a day to day basis, and all site processes undergo a Process Risk Review at five yearly intervals. A rotational SHE assurance programme is undertaken by our specialist audit team to assess compliance with the Group SHE manual with a comprehensive issue follow up process. External audits assess compliance with our OHSAS 18001 and ISO 14001 certifications. The SHEQ steering Committee meets quarterly to monitor and review progress against safety and environmental KPIs and targets. We have business continuity plans in place for each site and a Group crisis management plan which is tested at least annually. We go beyond the basic regulatory requirements setting stretching safety, health and environmental targets, see page 34.	The Croda Hazard Study Leader's Academy marked its first full year since its diploma was certified by the University of Derby. A new Group SHE manager was appointed to develop and lead our specialist Group SHE audit team. We continue to develop our balanced score card of leading lagging process safety KPIs, which are subject to formal quarterly review by the SHEQ Steering Committee, and can provide an early warning system for any problems.

Our Risks continued

Risk decrease

Risk increase

No change

Link to Strategic Objectives

1 2 3

p20

Key risk	Potential impact on our business	How we respond	What we have done in 2014
Global raw material shortage (No change) 3 Investment in a sustainable future	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.	We have professional purchasing teams based in our regions. They 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.	Some critical raw material supplies secured to 2016 and beyond. Our significant investment at Atlas Point will enable us to produce our own sustainable non-ionic surfactants by 2017 and reduce our reliance on petrochemical based ethylene oxide as a raw material in due course.
Chemical regulatory compliance (No change) 3 Investment in a sustainable future	As a global chemical producer, we operate 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.	We have a global team of technical and regulatory specialists who have in depth knowledge of the regional chemical regulatory frameworks within which we operate. They are integral in our new product development processes and can call on the support of local consultants where required in emerging markets. The use of the EHS module in SAP ensures that changes in regulatory requirements are also applied to existing products.	The Board reviewed this risk with a presentation from the Executive risk owner, see case study on page 51. We restructured the regulatory team to support the market sectors and to build in depth knowledge of both market sector and regional legislation.
Bribery Act breach by us or our agents and distributors (No change)	We are subject to UK legislation and the Bribery Act is far reaching in terms of global scope.	We have training and education programmes which are rolled out globally and which all relevant employees are required to complete. Refresher training is required periodically. Completion of gift registers is a requirement for gifts given and received.	A review of agents and distributors contracts was undertaken. Letters were sent to key suppliers to confirm our terms of business. Following our acquisition of Sipo we rolled out a Chinese language version of the online training. We also introduced a Group wide third party hosted whistleblowing service.
Security of business information and assets (No change)	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. Our Internal Audit function reviews these processes annually. Regular penetration testing is undertaken. We go further and identify that corporate knowledge is a valuable asset whether held electronically or not.	We worked with the Government (CPNI) on security and there was a presentation to the Board on the security strategy. We continued to make good progress towards obtaining our ISO 27001 certification (Information Security Management). We conducted penetration testing and followed up on actions. We established a new Corporate Knowledge competency in our appraisal framework.
IT application or system infrastructure failure (No change)	We rely heavily on IT systems for effective and efficient operations and to communicate globally. A lengthy systems failure would impact our operations and, ultimately, our financial position.	We run our key systems with full parallel processing with regular failover testing. Our disaster recovery plan is tested regularly. IT internal audit reviews and reports to the Audit Committee on the operation of controls annually.	Failover testing carried out with no impact on operations.
Ineffective management of pension fund (No change)	The Group has an open defined benefit pension scheme which constitutes a higher risk than a defined contribution scheme. A change in market conditions could increase future funding requirements and may adversely affect our financial position.	The pension fund investment strategy, developed by the Investment sub committee of the Trustee Board, is prudent and delivered with the support of professional advisors. Trained pension fund Trustee Directors take professional advice and monitor and review arrangements quarterly. The Company maintains close dialogue with the Trustee Board.	Comprehensive pension risk review undertaken in 2014. The Board reviewed the pension investment risk with a presentation from the Trustee chairman.

"Croda has proved to be a first mover and early adopter of solutions to source and deliver physical certified sustainable palm oil products. Through commitment and engagement with suppliers and clients, in 2014 Croda has played a key role in influencing others in the supply chain."

Darrel Webber
Secretary General
RSPO

"Croda has made an important contribution to our initiative in supporting sustainable palm derivatives."

Eric Bollens
Corporate Raw Material Purchasing Director
L'Oréal

Our Responsibility
Leading the way to Sustainable Palm Oil

Engage

Palm oil (PO) is used in many everyday products, from soap to cooking oil and around 70% of the world's cosmetics contain palm derived ingredients. With many consumers concerned about the deforestation to grow palm, our customers are increasingly looking for sustainably sourced PO ingredients.

Create

We have been members of the Roundtable on Sustainable Palm Oil (RSPO) since 2006. In 2010 we became one of the first chemical ingredient manufacturers to supply PO and palm kernel oil (PKO) volume equivalent calculations for our derivatives. This enabled our customers to declare that they are supporting sustainable PO through a Book & Claim certificate process, working with our suppliers to further develop physical certified sustainable PO (CSPO).

Make

We now have seven manufacturing sites certified to the RSPO Mass Balance process, which enables certified and conventional PO to be mixed, but with the certified oil volume being traced throughout the supply chain. These sites handle more than 80% of our total volume of palm derivatives: an important step in developing a certified physical supply chain.

Sell

Our leading role in driving the change to sustainable PO has been recognised by our customers and RSPO. Our significance reflects the fact that we produce the widest range of personal care ingredients globally and touch the majority of cosmetic formulations.

We supply sustainable PO ingredients to more than 300 customers around the world. Many of our businesses offer these ingredients, including Coatings & Polymers, Health Care, Home Care, Lubricants, Personal Care and Polymer Additives.

Our Responsibility
Building a sustainable future

Sustainability is more than just a part of our business; it is integral to everything we do. Across all our functions and global locations, we approach sustainability holistically.

Our sustainability programme is built upon the global drivers of change and the opportunities for business growth that these present, particularly the ingredient sustainability mega trend. As such it is integral to our business model and is reflected in our strategic objectives.

Our Materiality
Materiality is simply what matters most to us. In addressing the opportunities and challenges of most importance to our Business, we also consider all of our stakeholders' needs, particularly those of our customers.

We have 10 Material Areas. Each has an expert owner, a long term objective and targets against which we report progress, internally through quarterly reports and externally through our annual Sustainability Report. Within our Material Areas we focus on a wide range of issues that have the potential to affect our future success through the economies, environments and societies in which we operate.

We first defined our materiality and developed a materiality matrix in 2011. The matrix mapped the areas of highest impact to us compared to those of most importance to our stakeholders.

Each year, our Group Sustainability Steering Committee, a group of experts from across the Business, reviews progress against our Material Areas with the Executive Committee to ensure that our focus remains aligned with our strategy. In 2014, we developed a number of our existing Material Areas to better reflect the importance of the opportunities and challenges we face. This process incorporated stakeholder feedback on our sustainability programme.

Download the 2014 Sustainability Report at www.croda.com/sustainability

Our Stakeholder Engagement
During 2014 we surveyed employees, customers, suppliers and local communities around the world about the 10 Material Areas we established in 2013.

Some highlights from the survey include:

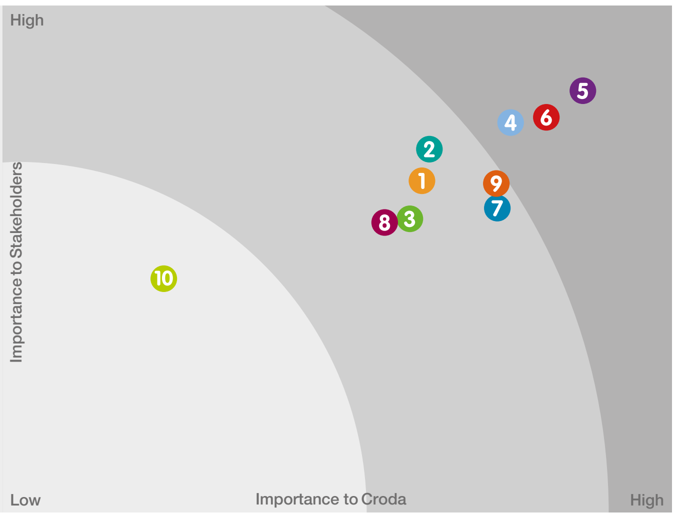
- Quality and safety are the most important themes to all stakeholders
- 100% of customers believe we are very transparent/transparent in communicating our sustainability programme
- 100% of customers and 67.7% of suppliers consider that our programme is a very important/important reason to engage with us
- Process safety and employee safety are the priorities for the local communities in which we operate
- 57.3% of employees say our sustainability programme is a very important/important reason for working for us

Our Continuing Commitment
Our sustainability programme will evolve as we continue to establish clear commitments and performance targets aligned to our Material Areas. We will take into account the sustainability issues facing our stakeholders, which we will address by maintaining a culture of communication and open dialogue.

From the raw materials we source and the way we use them, to the ingredients we make and the people who produce them, our entire Business will retain a truly holistic approach to sustainability.

Our Materiality Matrix

1. Environmental Impact
2. Product Stewardship
3. Product Design
4. Quality Assurance
5. Process Safety
6. Occupational Health & Safety
7. Our People
8. Diversity & Inclusion
9. Corporate Knowledge
10. Community Education & Involvement



Environmental Impact

Minimise the impact of our operations

As an ethical and responsible business, we strive to continually minimise our impact on the environment. This includes constantly looking at ways that our Business operations, particularly manufacturing sites, can alleviate the pressures on a fragile earth, affected by climate change and a scarcity of natural resources.

Key Highlight

25.5%

of our energy was generated from non-fossil fuel sources, exceeding our target ahead of schedule

2014 Performance

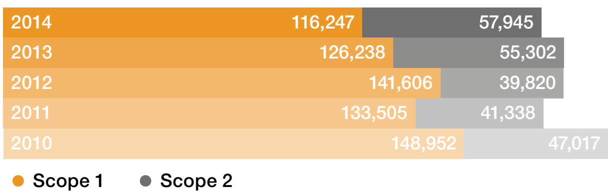
The landfill gas pipeline at our Atlas Point manufacturing site in North America continues to be a major contributor to our increasing use of non-fossil fuel, enabling us to exceed our 25% target a year ahead of schedule. We are continuing to invest in energy saving projects across the Group, although we have recorded a marginal increase in total energy use during 2014 due to the installation and commissioning of increased capacity at a number of our manufacturing sites.

Our 48.9% reduction in Volatile Organic Compounds (VOC) is very pleasing, as is our continued reduction in waste sent to landfill, where we have had a 45.2% decrease compared to our 2010 baseline year. Eight manufacturing sites sent zero waste to landfill in 2014.

We also reduced water consumption by 12.5% compared to 2010, a purification and recycling project at our Gouda manufacturing site in the Netherlands is expected to generate further savings.

Our total Scope 1 and Scope 2 GHG emissions have decreased from 181,540Te CO_2e in 2013 to 174,192Te CO_2e in 2014. This equates to 610.3Te CO_2e per £1m EBITDA in 2014, compared with 608.2Te CO_2e in 2013. Scope 1 includes VOC and CO_2 emissions, which excludes those from the burning of sequestered carbon. Our increased use of non-fossil energy sources has resulted in Scope 1 reduction to 116,247Te CO_2e, a decrease of 7.9%. Scope 2 GHG emissions, however, have increased from 55,302Te in 2013 to 57,945Te in 2014.

Changes in GHG emission relative to 2010 baseline year for continuing operations (Te CO_2e)*



* Scope 1 emissions are calculated using the International Energy Agency's published conversion factors for the tonne equivalents of CO_2. Scope 2 emissions are determined using the country emission factors for electricity generation published by the International Energy Agency. Emissions from our sales offices and distribution centres are not material in comparison to our manufacturing sites, so they are not included.

Product Stewardship

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

Product stewardship covers our responsibility for managing the health, safety and environmental impact of our products throughout their whole lifecycle. It affects all areas of our operations, from sourcing raw materials in an increasingly fragile world, to environmentally sensitive manufacturing processes, and clear and comprehensive customer information for safe use and disposal.

Key Highlights

7

manufacturing sites have RSPO certification, handling more than 80% of our global palm oil derivatives

150

of our palm derived products are certified to support sustainable palm oil and are supplied to over 300 customers around the world

2014 Performance

Our continued focus on sustainably sourced palm oil and palm kernel oil derivatives remains a priority for us, our customers and their consumers. In 2014 we obtained Roundtable on Sustainable Palm Oil (RSPO) Mass Balance certification of three more manufacturing sites, and our seven RSPO certified sites now handle more than 80% of our global palm derivative consumption.

We are on track with our target to engage with suppliers representing 80% of the volume of materials we buy to make sure that they understand our Supplier Code of Conduct. During 2014 we also surveyed a number of these key raw material suppliers on our full sustainability programme to ensure that we are taking a collaborative approach in pursuing ethical practices across the supply chain.

We continue to make progress in populating our ingredient sustainability database, collating data for 10 environmental metrics. This provides a greater depth of information to our customers on the ingredients we make, in order to help them achieve their sustainability targets.

Our Responsibility continued

Product Design

Deliver the most innovative and sustainable ingredients to our customers

As concerns around climate change and the scarcity of natural resources continue to grow, our customers and their consumers increasingly want to know that the products they use are sustainable. Product design focuses specifically on the sustainable chemistry of the ingredients we make, particularly our use of natural, renewable raw materials and the *12 Principles of Green Chemistry* during research and development.

Key Highlights

67.4%

of the raw materials we used in 2014 came from natural, renewable sources

10.7

was the average score of our new products against the *12 Principles of Green Chemistry* and 48% met all 12 Principles

2014 Performance

Our focus on the *12 Principles of Green Chemistry* is central to the design and creation of our new products. The '12 Principles' cover areas such as using safer solvents, preventing waste generation and designing ingredients that will not harm the environment during use or disposal. During 2014, our new products scored an average of 10.7 against the 12 Principles, with 48% meeting all 12.

During the year, we also began to measure our new launches against our own 13th Principle, the product affords a sustainability benefit to the customer directly or their consumers at some point in the value chain. 88% of our new products met this 13th Principle.

We continue to measure the total percentage of raw materials we use that come from natural, renewable sources. In 2014 this was 67.4%, which continues to provide us with a leading position in supporting our customers who are addressing the growing trend for naturally derived consumer products.

Quality Assurance

To contribute to, and proactively seek, higher quality standards across product and operational aspects of our Business to ensure consumer safety

Our focus on quality assurance means that we can more effectively safeguard our customers, supply chains, communities and, ultimately, the consumers who use our ingredients in the products they buy. It also means that we can better manage and implement quality and compliance within our global Business. Quality assurance is an evolution of our former 'policy & regulation' Material Area, developed to align us more closely with our customers' expectations and the increasingly challenging legal and regulatory environments.

Key Highlight

220+

industry associations were engaged in dialogue with us during 2014

2014 Performance

In 2014, we continued to proactively engage with over 220 committees and associations across our industry. We maintained our leading role in the development of Good Manufacturing Practice (GMP) standards and also assisted in discussions around standards for bio-based product content with CEN, the European Committee for Standardisation.

During the year, our remaining manufacturing sites who make ingredients for cosmetics gained European Federation for Cosmetic Ingredients (EFfCI) GMP certification. This was ahead of schedule and included an additional site, Gouda in the Netherlands. Our Mevisa manufacturing site in Spain and Rawcliffe Bridge site in the UK also achieved EXCiPACT™ certification.

To ensure that our quality assurance continues to meet or exceed expectations, we seek and evaluate feedback from customers and other industry stakeholders. As a direct consequence of this feedback, we developed our Group Quality Policy, in line with our 2014 target, and have begun work on a new Group Quality Manual that will be implemented across the Group during 2015.

Process Safety

Keeping our manufacturing sites safe and legally compliant

As a global operator of chemical manufacturing processes, we have a duty to keep our employees, customers and surrounding communities safe. Our Process Safety Management (PSM) system is central to this, as it enables us to deliver a consistent approach to process safety at all our manufacturing sites and requires evidence from the sites of continuous improvement.

Key Highlight

7

engineers completed the first year of our new Hazard Study Leaders Diploma

2014 Performance

Owing to the importance of process safety, we aim to embed knowledge of our PSM system at all levels of our Business. All Group Executive Committee members and senior managers have now completed externally accredited process safety leadership training; we delivered our own tailored course to Site Engineers and Operation Managers, and we carried out on site process safety training for our Operators and Technicians.

Additionally, we ran three of our Hazard Study Leaders Diploma courses during 2014. Our first cohort of engineers completed their first year of this two year course, and we made good progress against our targets to have all Basis of Safety documents and Process Risk Reviews compliant with our new internal quality standard.

To ensure that the most senior people in our Business can oversee our ongoing safety monitoring and performance, every quarter our Group Safety, Health, Environment and Quality Steering Committee continued to review a set of KPIs, which cover leading and lagging indicators as well as near misses and progress against Group targets in this area.

Occupational Health & Safety

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

We aim to provide a safe working environment where employees can identify and manage all possible risks to both themselves and their fellow colleagues. Our strategy for personal safety improvement focuses on: targeting sites with relatively lower performance; improving our incident investigation and root cause analysis; and developing our behavioural safety programmes.

Key Highlight

0.21

per 100,000 hours worked was our lost time injury rate, a reduction from 0.31 in 2013

2014 Performance

Our key occupational safety indicator is the lost time injury (LTI) rate. We track three LTI rates: for employees only; for contractors only; and a combined rate for employees and contractors. In 2014, our combined LTI rate was 0.21 (2013: 0.31).

This improvement in our LTI rate was partly due to the introduction of a new standard for incident investigation, which is now in place at all of our manufacturing sites. We also put more resource into bringing recent acquisitions up to our high corporate standard, which included delivering training and translating materials into Mandarin for our joint venture in China, Croda Sipo.

We achieved our target of establishing a behavioural safety programme at each of our manufacturing sites, who all also met our commitment to conduct a risk assessment of an ageing workforce. This was completed to ensure that we understand and mitigate against any potential issues. Subsequently, several sites invested in equipment such as automated lifting machinery to prevent injury from manual handling.

Our Responsibility continued

Our People

Create an environment where people can thrive

Our Business is only as good as our people, so we must ensure that we have the right people in the right roles, with the right skills. To do this, we are focusing on delivering a clearly defined people strategy, which aligns with our wider Business strategy. It is underpinned by core human resources policies and a standardised approach that our regional operations can use and adapt. We continue to comply with the ILO Declaration on Fundamental Principles and Rights at Work. Policies can be found at **www.croda.com/companypolicy**.

Key Highlight

91.2%

of our employees received training in 2014, totalling 103,980 hours

2014 Performance

In April 2014, we appointed our first Executive level Group Human Resources Director. As a result of his new focus, combined with our move to a new global organisation structure, some of our existing targets changed to reflect our updated people strategy.

We continue to invest in employee training and, in 2014, 91.2% of our people received training totalling 103,980 hours. Development needs are identified during annual appraisals, which were completed by 70% of employees during 2014.

Talent retention remains a key part of our people strategy, with employee turnover standing at 6%. In 2014, we increased participation in our Company share scheme, which is an important part of our benefits package and sees 80.6% our UK employees and 56.7% of non-UK employees participate.

Whilst we remain committed to conducting a global engagement survey, we postponed this in 2014. Several smaller surveys did go ahead and we will assess what changes have resulted, or could be implemented, from these findings in the first instance.

Diversity & Inclusion

Embrace and empower all individuals

For us, diversity & inclusion is about supporting, valuing and respecting our workforce, and ensuring that all employees feel empowered and included. In this way, we attract and retain the right people and bring out the best in them to benefit from their expertise.

Key Highlight

Launch

of Croda SpeakUp, our Group wide whistleblowing hotline

2014 Performance

In line with our target to enhance our existing whistleblowing policy and procedure, in 2014 we launched Croda SpeakUp, a Group wide third party managed independent phone line and website. We also incorporated unconscious bias training into our Leadership Development Group programme.

Our recruitment practices support the hiring of a diverse workforce, and in 2014 we started a review that includes looking at work-life balance and the differing professional and personal needs of our employees. This will facilitate our target of ensuring that all of our locations have policies and activities to support, value and respect diversity in their workforce by the end of 2016.

Gender Diversity

Executive and Non-Executive Board Members

7 1

2013: 8 – 0

Executive Committee Members

11 1

2013: 9 – 1

Regional and Business Board Members and Senior Functional Heads

91 21

2013: 84 – 20

Across the Group

2,455 1,155

2013: 2,393 – 1,152

Male Female

Corporate Knowledge

Safeguard our knowledge and expertise

Our corporate knowledge sets us apart from our competitors. It is the foundation of everything we do, from how we create ground breaking innovations, to the way we support customers with market insights, and run consistent, quality processes. As employees become increasingly mobile and the pace of change and innovation is ever increasing, we work hard to protect and capitalise on our corporate knowledge.

Key Highlight

New

knowledge sharing competency was introduced into our global employee appraisal framework

2014 Performance

In November 2014, we introduced a new competency into our global employee appraisal framework, Croda Aspire, which aims to promote improved knowledge sharing globally. The launch of the competency was initiated by a team within our 2020 Network Development Programme and is the first step in a longer term plan to embed a culture of knowledge sharing across our Business.

Due to the scope of the work conducted by the 2020 Network, and the research involved, we have been able to broaden and exceed our 2014 target, which was: "To complete a feasibility study on the implementation of a global knowledge transfer process by the end of 2015". The project included the assessment of current practices and the identification of gaps, leading to the implementation of the competency and future plans to launch a series of activities that will further aid knowledge transfer.

Our Three Point Strategy

Capture

Through our recruitment strategies and acquisitions, we aim to learn and grow in new areas.

Retention

We recognise and reward employee expertise to help keep it within the Business, and we also use systems and procedures to protect knowledge as people retire or choose to work elsewhere.

Sharing

We focus on improving our employees' access to the insights and learning of their fellow specialists around the world.

Community Education & Involvement

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

We add value to local communities around the world through community education & involvement. Our education initiatives aim to raise the profile of science, technology, engineering and maths (STEM), whilst our employees' involvement in local good causes is made possible by our award winning employee volunteering scheme, 1% Club. These programmes help establish the strong local relationships that are essential to maintaining our social licence to operate.

Key Highlight

56.8%

increase in volunteering hours, totalling 6,879 hours

2014 Performance

Each of our operations, large and small, recognises the importance of their contribution to community education, especially where we have a research and development centre or significant engineering team. 17 such locations proactively participated in STEM events at local schools, whilst our UK STEM team produced learning materials that can be adapted to meet the local needs in many other countries. To support its delivery, Education Ambassador training was completed across Latin American and in Italy during 2014.

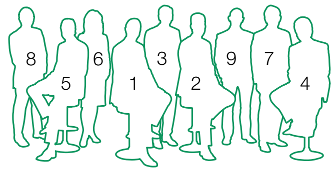
Our 1% Club programme enables employees to use 1% of their working time to support local community projects. During the year, employees volunteered for a total of 6,879 hours, equivalent to over £120,000 of in-kind donations, an impressive 56.8% increase in 2013. Each of our locations has a 1% Club Champion who volunteers to coordinate activities and keeps employees informed of opportunities to get involved. In 2014, we launched a new Champions' communication network to inspire new initiatives across our diverse locations, which contributed to the rise in volunteering hours during 2014.

Signed on behalf of the Board who approved the Strategic Report on 24 February 2015.

Steve Foots
Group Chief Executive

Our Board

Key



1. Martin Flower
Chairman

Appointment: Appointed to the Board in May 2005 and became Chairman at the end of September 2005.

Key strengths and experience: Considerable board and international experience and a broad knowledge of strategic management. Martin formerly held various senior executive positions over 36 years with Coats plc, culminating in a period as Chairman before his retirement in 2004. He was Deputy Chairman and Senior Independent Director of Severn Trent Plc until June 2006. In 2010 he retired as Chairman of Autogrill Holdings UK Plc and he was Senior Independent Director of Morgan Crucible until he retired from the board in 2014.

External appointments: Chairman of Low & Bonar PLC.

Committee membership: Chairman of the Nomination Committee, member of the Remuneration Committee.

2. Steve Foots
Group Chief Executive

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

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

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

3. Jez Maiden
Group Finance Director

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

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

External appointments: Chairman of the Audit Committee and Senior Independent Director of Synthomer plc.

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

4. Keith Layden
Chief Technology Officer

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

Key strengths and experience: Deep understanding of chemical innovation and broad operational and management experience. Keith joined Croda in 1984 and is currently responsible for global R&D, and the Technology Investment Group. Previously he held a number of Managing Director roles across Croda's European business.

External appointments: Keith represents Croda as a member of the advisory board for chemistry at the Universities of Nottingham and York. He is a Representative of the Careers Advisory Board and Alumni Board of the University of Sheffield. In 2014 he was appointed as a Trustee and member of Council at the Royal Society of Chemistry.

Committee membership: Member of the Group Executive, Group Finance, Risk Management and Group SHEQ Steering Committees.

5. Alan Ferguson
Non-Executive Director

Appointment: Appointed to the Board in July 2011.

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

External appointments: Has been a Non-Executive Director of Johnson Matthey PLC since January 2011 and was appointed as a Non-Executive Director of The Weir Group PLC in December 2011. He chairs the Audit Committees at both of these companies and is the Senior Independent Director at Johnson Matthey.

Committee membership: Chairman of the Audit Committee, member of the Remuneration and Nomination Committees.

6. Helena Ganczakowski
Non-Executive Director

Appointment: Appointed to the Board in February 2014.

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

External appointments: Helena is a Non-Executive Director of Greggs plc and runs a consulting business working with a range of organisations helping them to develop and implement strategies.

Committee membership: Member of the Audit, Remuneration and Nomination Committees.

7. Nigel Turner
Non-Executive Director (Senior Independent Director)

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

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

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

Committee membership: Member of the Audit, Remuneration and Nomination Committees.

8. Steve Williams
Non-Executive Director

Appointment: Appointed to the Board in July 2010.

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

External appointments: Since 2008, Steve has been a Non-Executive Director of Whitbread PLC where he is also the Senior Independent Director. In addition, Steve is a Non-Executive Director of Eversheds LLP, an international law firm, and a senior adviser to Spencer Stuart LLP. He is Chairman of the De La Warr Pavilion Charitable Trust and a member of the Board of Leverhulme Trust and Moorfields NHS Trust.

Committee membership: Chairman of the Remuneration Committee and member of the Audit and Nomination Committees.

9. Tom Brophy
Group General Counsel & Company Secretary

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

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

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

Corporate Governance

Our governance framework underpins and supports our Business and the decisions we make every day.

Chairman's Letter

Dear fellow shareholder,
An effective governance framework that is embedded into our organisation is vital to ensuring that Croda remains successful and sustainable. Your Board is committed to high standards of corporate governance and to complying with the provisions of the UK Corporate Governance Code (Code). I am pleased to report that, except in the area of Non-Executive Director meetings with investors, the Company has complied with the Code for the period under review.

The Board is accountable to Croda's shareholders for good governance and this report, together with the Directors' Remuneration Report, set out on pages 61 to 79, describes how the Code's main principles of governance have been applied by the Company. This report also includes several case studies that give a practical insight into how our governance framework underpins and supports our Business and the decisions we make every day.

Board and Senior Management Appointments

Sean Christie stood down from the Board and his role as Group Finance Director with effect from 22 January 2015. The Board and the Nomination Committee spent a great deal of time seeking a suitable replacement for Sean, and I was pleased to announce in October 2014 the appointment of Jez Maiden as our new Group Finance Director. Jez joined from National Express Group PLC where he had been group finance director since 2008. Jez has an exceptional track record as a group finance director and has had extensive experience working across the speciality chemical sector. He is a valuable addition to our senior team. I would like to thank Sean for the outstanding contribution he has made to Croda over the past nine years. We wish him all the very best for the future.

Following the retirement of Stanley Musesengwa, Helena Ganczakowski joined the Board in February 2014 as a Non-Executive Director. Helena has a wealth of experience in consumer marketing and innovative product development and has brought a fresh perspective to the Board. Much thought and effort was given to ensuring Helena received a comprehensive induction to Croda so that she developed an understanding of our businesses and people. Details of Helena's induction can be found on page 48.

There have also been some important appointments to our Executive Committee. Lee Johnson joined in April 2014 as the Group HR Director. Lee has 25 years' experience in HR and is playing a central role in developing and implementing a comprehensive people strategy; in particular, in ensuring that our reward structures support our strategic objectives and that we have a strong pipeline of talented employees progressing through the Business. Anthony Fitzpatrick also joined in April as President of Corporate Development. Anthony has a strong understanding of the chemical industry and significant transaction experience, having spent 20 years in investment banking, where he specialised in the chemical sector. Anthony works closely with the senior management team to find new strategic acquisition opportunities.

Board Effectiveness

The actions agreed following the internally conducted 2013 Board effectiveness review have progressed well. In 2014 we commissioned our second externally facilitated review to evaluate the effectiveness of the Board and its Committees. This built on both the 2013 internal review and our first externally facilitated review in 2012. The evaluation was once again positive, with some minor areas for improvement identified and agreed. Further details can be found on page 47.

Diversity

The Board is committed to greater diversity within our Business. A broader range of ideas, skills, knowledge, experience and ethnicity and more balanced gender representation throughout our organisation is key to our continuing long term success. Our Board diversity policy objectives include increasing the Board's female composition as vacancies arise and suitable candidates are identified, and appointing at least one female Board Director by the end of 2014. I am pleased to report that Helena's appointment meets this objective. The Board will review its diversity policy and consider future objectives. A copy of the policy is available at **www.croda.com**.

Shareholder Engagement

As Chairman, I am responsible for effective communication with shareholders and for ensuring the Board understands the views of major shareholders. During the year I met with several major shareholders as well as speaking with many shareholders at our Annual General Meeting. Our shareholders support our strategy and the new global organisational structure, and are happy with our approach to corporate governance and remuneration.

Priorities for 2015

The Strategic Report provides an explanation of the Group's business model, the basis on which it generates value over the long term, and the plan for delivering our strategic objectives. In the coming year, the Board will continue to concentrate on strategic themes such as innovation, sustainability, and emerging markets. Our new organisational structure aims to ensure we work as one global team, remain responsive to customer needs and take full advantage of growth opportunities: we will monitor the changes to ensure they are operating effectively and are embedded in the organisation.

2015 marks my final year as Chairman, and the Board and Nomination Committee are investing a considerable amount of time identifying my successor. The incoming chairman will have a crucial role in maintaining and developing Croda's governance framework to safeguard the long term sustainable success of the Company.

In addition, the Board and Audit Committee will start to prepare for the external audit tender (further details of which are in the Audit Committee report on page 56) and the Board will consider the Code changes that came into force in October 2014.

M Flower

Martin Flower
Chairman

Corporate Governance continued

Leadership

Role and Operation of the Board

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

Specific Board matters

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

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

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

With support from the Company Secretary, the Chairman sets the annual Board agenda programme and Board meeting agendas, and determines the number of meetings to be held during the year. He ensures enough time is devoted, during meetings and throughout the year, to discussing all material matters, including strategic, financial, operational, business, risk, HR and governance issues. The agenda programme spans two years rather than a traditional one year cycle. This allows more time to be spent on agenda items and for consideration of unscheduled or unanticipated matters.

At the date of this report, the Board comprises eight Directors: the Chairman; the Group Chief Executive; the Group Finance Director; the Chief Technology Officer; and four independent Non-Executive Directors. The small size of our Board allows time for full discussion and debate of items and enables all Directors' views to be heard. The Non-Executive Directors have a broad range of business, financial and international skills and experience, which provides appropriate balance and diversity within the Board. Biographical notes appear on pages 40 and 41.

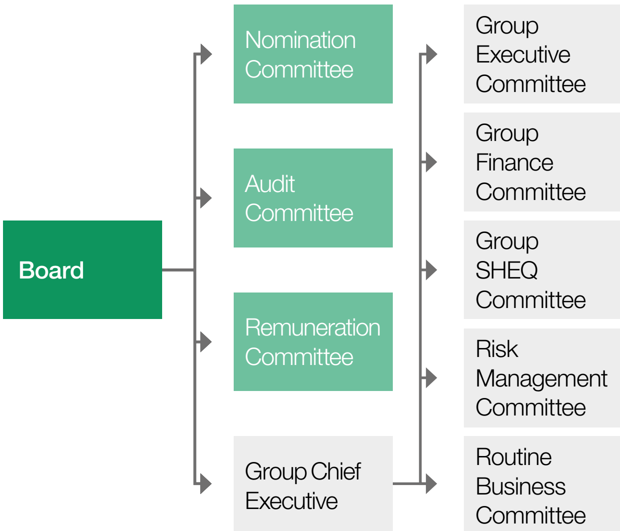
Membership of the Board as at 31 December 2014 and attendance (eligibility) at Board meetings held during the year

Martin Flower (Chairman)	10 (10)
Sean Christie	10 (10)
Alan Ferguson	10 (10)
Steve Foots	10 (10)
Helena Ganczakowski[1]	8 (9)
Keith Layden	10 (10)
Stanley Musesengwa[2]	3 (3)
Nigel Turner	10 (10)
Steve Williams	10 (10)

1 Helena Ganczakowski was appointed as a Non-Executive Director on 1 February 2014. Helena was unable to attend the May Board meeting due to another commitment. This was discussed with the Chairman prior to her appointment to the Board and the conflict will not arise in future

2 Stanley Musesengwa retired from the Board on 24 April 2014

Governance Structure



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

Audit Committee: chaired by Alan Ferguson

Monitors the integrity of the Group's financial statements/announcements, the accounting processes, and the effectiveness of internal controls and risk management. For more information see pages 53 to 57.

Remuneration Committee: chaired by Steve Williams

Approves the Company's remuneration policy and framework and determines the remuneration packages for members of senior management. For more information see pages 61 to 79.

Nomination Committee: chaired by Martin Flower

Reviews the structure, size and composition of the Board and its Committees, identifies and nominates suitable candidates for appointment to the Board, and has responsibility for succession planning. For more information see pages 58 to 59.

The day-to-day operational management of the Business is delegated by the Board to the Group Chief Executive, who uses several Committees to assist him in this task: the Group Executive Committee; the Group Finance Committee; the Risk Management Committee; the Group SHEQ Steering Committee; and the Routine Business Committee. For further information on each of these Committees see page 60.

Board Roles

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

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

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

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

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

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

The independent Non-Executive Directors' role is to constructively challenge the Executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board.

Outside the Boardroom

In addition to formal Board meetings, in 2014, the Directors attended meetings to review the Group's strategy and were present at the AGM. They also met with the Company's financial and public relations advisers to discuss the feedback from investors and analysts on the Group's annual results. The Chairman and Non-Executive Directors met together without the Executive Directors present and the Non-Executive Directors (excluding the Chairman) met in order to appraise the Chairman's performance.

During the year, each Non-Executive Director considered in detail a key strategic objective of the business. In September 2014, Nigel Turner and Steve Williams had an in-depth review of how sustainability operates in the business, led by the sustainability team. In November 2014, Alan Ferguson and Helena Ganczakowski met with the Performance Technologies management board, gaining a greater understanding of the innovation pipeline in this market sector. The Non-Executive Directors reported back to the Board following their site visits, including recommendations and suggestions for improvements.

All Directors are involved in the Group's Leadership Development Programme. This involves attending various sessions, including roundtable discussions on topical business issues chaired by a Director, for example, on emerging markets, ethics or risk management, and interacting with employee course members in team-building sessions or at dinners.

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

Corporate Governance continued

Link to Strategic Objectives

1 2 3

p20

The Board's 2014 Activities and Priorities

The Board has an agenda programme that ensures strategic, operational, business, financial, HR and corporate governance items are discussed at the appropriate time at Board meetings. The Board agenda has strong links to the strategic objectives for the business. Key highlights of the Board's 2014 activities are set out below.

Strategy

1 Delivering consistent top and bottom line growth

- Geo Technologies, Health Care and Personal Care Business Area reviews
- New global organisational structure
- Globalisation of manufacturing

2 Increasing the proportion of New and Protected Product sales

- Forward looking capex
- Technology led acquisitions
- New and Protected Products pipeline
- Innovation and R&D in Performance Technologies

3 Investing in a sustainable future

- Safety, health, environment and quality
- Sustainability strategy and targets
- Investment in technology to make bio-based surfactants derived from plants

People

- Talent review and succession planning
- Appointment of a new Group Finance Director
- Appointment of a new Non-Executive Director
- Pension investment risks and scheme strategy
- UK pension landscape in light of Budget changes

Financial, risk and performance management

- Capital expenditure approvals
- Refinancing of the Group's banking facilities
- The Group's budget, forecasts and key performance targets
- Strategic milestone review
- Dividends
- Chemical regulatory risk review
- Product liability risk review

Governance and reporting

- Annual Report and Accounts and other financial statements
- Board evaluation and effectiveness
- Developments in corporate governance and differing roles of Executive and Non-Executive Directors

Case study: Embedding sustainability in our business

We adopt an holistic approach to sustainability. It is embedded into our business model, built into our strategy and influences how we engage with our customers, employees and other stakeholders. This approach is supported at all levels of our Company and rooted within our governance framework.

Our daily communication with customers, suppliers, employees, local communities and regulatory bodies helps us understand the sustainability issues that matter most to them. This enables us to focus on the things that are most important for the future of our Business and long term growth.

All our locations have a sustainability champion tasked with reporting progress against sustainability targets and KPIs. Each region has a representative who chairs a regional sustainability committee and who sits on the Group Sustainability Steering Committee (GSSC). The regional representatives gather and bring forward issues, ideas and concerns from their respective regions for discussion and consideration to the GSSC.

The GSSC is made up of specialists from different Croda functions and regions and provides thought leadership on our sustainability strategy and the Material Areas we should focus on. It reviews progress in meeting existing targets and develops new targets and Material Areas for consideration by the Executive Committee.

The Executive Committee reviews performance in meeting our sustainability targets. It also considers the sustainability strategy formulated by the GSSC, including any proposed new material areas or targets. The Executive Committee ensures that the sustainability strategy is aligned with that of the business and that consideration is given to resources and investment priorities.

The Board has ultimate responsibility for our sustainability strategy. It provides challenge and direction to management and its members give valuable insights from their roles in other businesses and industries. The Board has time built in to its agenda programme to review progress against the agreed sustainability targets.

Once the sustainability targets are agreed and approved, implementation plans are discussed and developed and rolled out across our organisation.

Our governance structure facilitates the continual evolution of our sustainability strategy and ensures sustainability is at the heart of our business. Further details of our sustainability programme can be found on page 34.

Effectiveness

The Nomination Committee

The Nomination Committee report, which describes the membership of the Nomination Committee, its responsibilities, its main activities in 2014 and its priorities for 2015, is set out on page 58.

Board Evaluation

The Board undertakes a formal review of its performance and that of its Committees each year. During 2013, the Board review was conducted using an online survey, tailored to our activities and concerns. Agreed areas for improvement, and the key actions and progress in meeting them, are summarised below:

Focus on succession planning of senior Executive roles	Ongoing
Receive more analysis on the competitive environment and on customers	Completed
Revisit the agreed strategy during 2014, including progress against milestones	Completed
Move the Board agenda programme to a two year cycle	Completed
Receive in-depth technology training from the Chief Technology Officer to align with upcoming Board presentations	Ongoing

Completed Ongoing

In 2014 we commissioned an externally facilitated review, conducted by Sheena Crane, an experienced consultant with no other connection to the Group. Although an externally facilitated review was not required by the Code until 2015, the Board considered that regular external input would be valuable. Mrs Crane conducted the 2012 Board review and this year's review built upon her findings in 2012, as well as the output from the internally facilitated 2013 review.

Mrs Crane conducted one to one meetings with each Director and the Company Secretary to gather their overall views on how the Board and its Committees are working and on specific key areas (including strategy, financial monitoring, risk management, Board dynamics, balance and composition, succession planning and HR). The Board had a feedback session, facilitated by Mrs Crane, which included an open and detailed discussion of the findings. Separately, the Chairman fed back on a one-to-one basis to each of the Non-Executive Directors and the Group Chief Executive.

The review concluded that:

- The Board is open and collaborative, operating as a unified team, and benchmarks well with companies of a similar size in key aspects of its work
- Very good progress has been made in most aspects of the Board's work with greater Non-Executive Director involvement to understand the business and seeking ways to add value for the Group Chief Executive and his Executive management team
- There is a strong risk culture in Croda, with the Board and management team taking it very seriously with appropriate tone from the top
- Good progress has been made in non-financial monitoring, particularly in the areas of safety, quality and sustainability
- Looking to the future, the Board will think carefully about its optimum balance and composition to support the growth and development of the business

The Board has begun to implement many of the action points and objectives that were agreed following the feedback.

Key actions for 2015 include:

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

Board Re-Election

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

These skills support the strategic aims of the Company. Following individual performance assessments, the Board is satisfied that each Director continues to perform effectively, allocates sufficient time for their duties, and remains fully committed to their role in the Company. With the exception of Sean Christie, who leaves the Company on 22 April 2015, all Directors will stand for re-election at the 2015 AGM, with Jez Maiden offering himself for election. Full biographies for the Directors can be found on pages 40 and 41.

Corporate Governance continued

Directors' Induction

On joining Croda, Directors receive a tailored induction programme. Helena Ganczakowski is currently undergoing her induction following her appointment to the Board on 1 February 2014. Details of our approach to Board inductions and of Helena's induction can be found in the case study below.

Case study: Equipping new Directors

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

In planning an induction for Helena Ganczakowski, we took the following steps:

- **Bespoke programme:** Our Company Secretary and Helena discussed how the programme could be tailored to her needs
- **Varied delivery:** We used diverse formats to communicate information. These included iPad reading materials, meetings with employees and fellow Directors, briefings and training from external advisers, and site visits
- **Length:** Conscious of Helena's other commitments and not wanting to overload her with too much information in too short a time, we are delivering the induction over the full Board cycle of 12 months
- **Review:** The Company Secretary and Helena had regular reviews, with input from the Chairman, to agree what extra insights the induction needed to deliver

"The induction programme has been thorough and enjoyable, giving me an insight into Croda and enabling me to understand the challenges and opportunities we face as a business," said Helena Ganczakowski.

"One of the most valuable aspects of the induction programme has been meeting so many employees, be it the chemists in the laboratories, the engineers and operators on site or the sales and marketing teams. It is through these interactions that I have been able to quickly grasp an understanding of Croda's culture, which provides an important context to my role as a Non-Executive Director."

Period	Focus	Topics
March	Executive Directors and Company Secretary	Company overview, covering: business model, strategy, technology, finance, investor relations, regulatory issues, Board procedures, governance
	Cowick laboratory tour and Rawcliffe Bridge site visit, UK	R&D teams, Personal Care market sector overview, multinational customers, global operations overview, process safety, quality
	Corporate legal advisers and Auditor	Directors' duties, governance, audit, accounting overview
April	Gouda site visit, the Netherlands	Performance Technologies and Industrial Chemicals market sector overview
June	Leek and Ditton site visits, UK	Health Care and Sun Care business overviews
July	Brokers	Investor relations, major shareholder views
August/September	Meetings with senior managers (HR, IT, Finance, Risk, and Internal Audit)	Remuneration, leadership development, succession and talent; information technology; banking and treasury, budgeting, management accounts; internal audit and internal control environment, risk management
	Remuneration advisers	Regulatory and legal issues, market practice and trends
	Atlas Point and Mill Hall site visits, US	US region overview, operations, Geo Technologies business area overview
	Edison laboratory tour, US	Innovation
November	Chairman of Croda Pension Trust and Pension advisers	Scheme overview, investment risks, scheme strategy

Board Support

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

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

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

Independence of Non-Executive Directors

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

The independence of the Non-Executive Directors is kept under review. The Chairman was independent on his appointment in 2005 but, as Chairman, is not classified as independent. Steve Williams has consultancy roles with Eversheds LLP, which provides some legal services to the Group and Spencer Stuart, a search consultancy firm that has previously been used by Croda. The Board does not consider that these roles would affect his judgement in relation to Croda and its Business and, therefore, considers that all Non-Executive Directors who served during the year are independent in character and judgement, with no relationships or circumstances that are likely to affect, or could appear to affect, their judgement.

Conflicts of Interest

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

Details of the professional commitments of the Chairman and the Non-Executive Directors are included in their biographies on pages 40 and 41. The Board is satisfied that these do not interfere with the performance of their duties for the Company.

Sean Christie is a Non-Executive Director of two Aim-listed companies, Accys Technologies Plc and Applied Graphene Materials plc. He is also a Non-Executive of Eminate. Jez Maiden is the Audit Committee Chairman and Senior Independent Director of Synthomer plc. Details of the payments received in respect of these appointments are set out in the Directors' Remuneration Report on page 79.

During 2014, no Non-Executive Director had served on the Board for more than nine years from the date of their first election, with the range between one year and five and a half years. The Chairman has been a Director for nine and a half years, having been appointed to the Board in May 2005.

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

Time Commitment

Each Director is aware of the need to allocate sufficient time to the Company to discharge their responsibilities effectively. In addition to time spent at Board and Committee meetings, the Directors participate in several Company related events; details are set out on page 45.

External Consultants

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

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

Corporate Governance continued

Accountability

The Audit Committee
The Audit Committee report, which describes the membership of the Audit Committee, its responsibilities, and main activities in, and priorities for, 2014, is set out on pages 53 to 57.

Risk Management and Internal Control
The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management. In accordance with the *Turnbull Guidance (2005)* and in order to discharge this responsibility, the Directors have established an organisational structure with clear operating procedures, lines of responsibility, and delegated authority.

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

- Financial reporting, with clear policies and procedures governing the financial reporting process and preparation of the financial statements. There is a clear and documented framework of required controls. Each reporting location prepares an annual self-assessment of compliance with these controls, which is assured via planned internal audit visits that are approved by the Audit Committee
- Comprehensive monitoring and quantification of business risks, under the direction of the Risk Management Committee. The Group's approach to risk management is discussed in more detail in the Strategic Report on pages 28 to 32 and in the Group's separate Sustainability Report
- Capital investment with detailed appraisal, risk analysis, authorisation and post-investment review procedures

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

- Written confirmations from relevant senior executives and divisional directors concerning the operation of those elements of the system for which they are responsible
- Internal audit work carried out by KPMG LLP which report through the Vice President Risk and Control to the Audit Committee
- Reports from the external auditors
- Presentations of key risks and controls by the Executive owner and other assurance providers, see case study on page 51

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

Fair, Balanced and Understandable
The process of compiling the Annual Report was improved and brought forward to give the Board more time to assess whether it was fair, balanced and understandable, as now required by the Code. The Board considered whether the Annual Report contained the necessary information for shareholders to assess the Company's performance, business model and strategy. We have revisited how the business model is presented and the linkage to our strategy, providing more clarity to assist shareholders. The tone was reviewed to ensure a balanced approach and, with the support of the Audit Committee, the Board made sure the narrative at the front end of the report was consistent with the financial statements.

Case study: Managing key risks

As a global chemical producer we operate in a highly regulated market, which is subject to 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.

To manage this key risk, in 2014, we carried out a comprehensive assurance mapping exercise. This had various stages:

- Our Risk Management Committee evaluated the likelihood and impact of chemical regulatory non-compliance and the mitigating controls. This was led by Stuart Arnott (President, Global Operations), the Executive Committee member with responsibility for this risk
- The Board carried out an in-depth review of the risk and discussed the exposure of the Business and the controls in place to manage it. The Board determined the tolerance Croda had for the risk, in regard to our strategic objectives, and agreed improvement opportunities
- The Audit Committee reviewed the adequacy and effectiveness of the controls that management relied on to mitigate the risk
- Our Internal Audit team supported the Audit Committee by carrying out a risk-based review of our product regulatory team's activities. This assessed relevant policy documentation, the monitoring controls used to maintain compliance, and the processes used to keep up to date with regulatory developments. We also reviewed our processes for the governance and management of the automated system for release of product codes and labelling, an important control in mitigating this risk area
- The findings from the risk-based review were discussed with the regulatory team and the risk owner and fed back to the Audit Committee. The Audit Committee discussed the key findings and agreed the resulting action plan

Chemical regulatory compliance is just one of the key risks we face. Our robust risk management governance framework ensures that we work systematically to identify and monitor all key risks, to evaluate the control environment and, as necessary, to agree improvement action plans. Further details of our risk management framework can be found on pages 28 to 32.

Relations with Shareholders

Communication with Shareholders

We recognise the importance of communicating with our shareholders. The Chairman, Executive Directors and other senior managers maintain regular contact with existing and potential shareholders to ensure our strategy and trading trends are clearly understood. During the year, numerous meetings were held with investors in the UK, US, Europe and Asia, including face-to-face meetings, telephone and video conferences, and hosted site visits in all of these regions. The Chairman, Group Chief Executive and Group Finance Director ensure that shareholders' views are communicated to the entire Board by giving feedback from shareholder meetings and brokers' reports. The Board invites the Company's brokers and financial public relations advisers to attend at least one meeting each year at which the economic and investment environment, Croda's performance, generally and in comparison with its sector peers, and investor reactions are discussed. The Chairman and the Senior Independent Director attended the Company's results announcements. These presentations are webcast live, so all shareholders have access to them, and are also available to download. We answer all investor questions sent to our website.

The Company has not complied with the part of Code provision E.1.1 that says that "Non-Executive Directors should be offered the opportunity to attend scheduled meetings with major shareholders" and that the "Senior Independent Director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders". The Board considers that there is sufficient dialogue with shareholders through the Group Chief Executive, Group Finance Director and the Chairman, who meet with shareholders regularly. These meetings provide an appropriate means of capturing shareholders' opinions and the Board is regularly apprised of shareholders' views and key issues. The Board believes it is unnecessary for the Senior Independent Director or other Non-Executive Directors to attend further meetings with major shareholders. All Non-Executive Directors are, however, available to attend meetings if requested by shareholders and the Senior Independent Director is available to discuss matters concerning the Chairman if the need arises; no such meetings were requested by shareholders during the year.

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

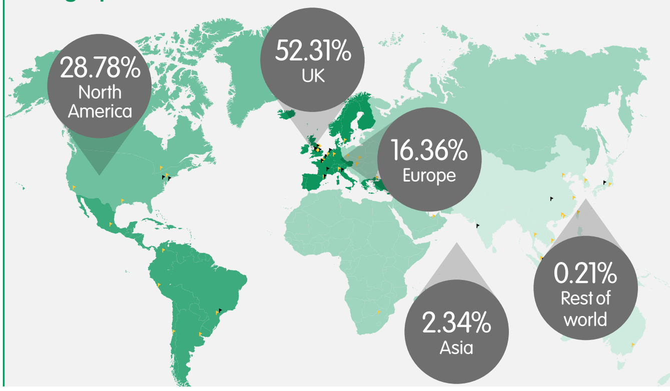
Corporate Governance continued

Substantial Shareholders

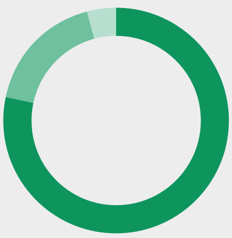
As at 31 December 2014 the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority:

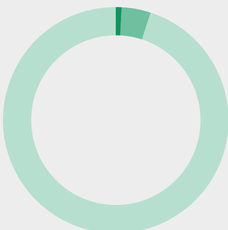
	Number of shares	% of issued capital
Artisan Partners Limited Partnership	7,764,789	5.72%
MFS Investment Management	6,719,161	4.95%
Mondrian Investment Partners	6,374,715	4.69%
Mawer Investment Management Limited	4,315,556	3.18%
Aberdeen Asset Management Limited	4,212,514	3.10%

Geographical breakdown of shareholder base



Investor concentration: size of holding

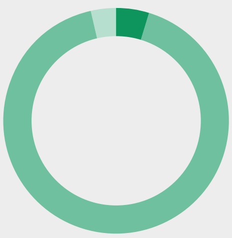




Size of holding	Number of holders
1–5,000	4,777
5,001–100,000	1,065
100,001–upwards	251

Size of holding	% of issued capital
1–5,000	1.95
5,001–100,000	6.77
100,001–upwards	91.28

Investor concentration: type of holder



Type of holder	% of issued capital
Private holders	4.79
Institutional holders	91.69
Other holders	3.52

Annual General Meeting

The AGM provides an opportunity for private shareholders to raise questions with Board members. The Directors are also available to answer questions afterwards in a more informal setting. The Annual Report and Accounts, including notice of AGM, are sent to shareholders at least 20 working days before the meeting. There is a separate investor relations section on **www.croda.com** which includes, among other items, presentations made to analysts. The AGM will be held at the Royal York Hotel, Station Road, York, North Yorkshire YO24 1AA, on 22 April 2015 at 12 noon.

Deadlines for Exercising Voting Rights

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

Report of the Audit Committee for the year ended 31 December 2014

The Committee delivered on its priorities for 2014 and has a clear plan for 2015.

Members and attendance (eligibility) at meetings held during the year ended 31 December 2014[1]

Alan Ferguson (Chairman)	5 (5)
Helena Ganczakowski	4 (4)
Stanley Musesengwa[2]	2 (2)
Nigel Turner	5 (5)
Steve Williams	5 (5)

1 The Audit Committee met twice between 31 December 2014 and the publication of this Annual Report
2 Stanley Musesengwa retired from the Board on 24 April 2014

Audit Committee

Dear fellow shareholder,
In my capacity as Chairman of the Audit Committee, I am pleased to present the Audit Committee Report for the year ended 31 December 2014.

The Audit Committee has delivered on our 'business as usual' work, as set out in our terms of reference, and from this perspective, there is nothing to highlight for your attention. Last year, we noted four priorities for 2014:

Key priorities	Actions during the year	Progress
With Internal Audit, look more closely at how we can continue to develop our systems-based audit approach.	The Committee received a presentation on SAP that considered, among other things, the extension of automated control reliance within SAP and the use of analytics to assess the effectiveness of the SAP system controls. This work was shared with PwC to ensure maximum reliance could be placed upon the controls as part of the external audit work.	✓
Review progress made by PwC following the 2013 changes in structure and personnel, to confirm the anticipated benefits were delivered and embedded for the future.	The Committee assessed the effectiveness of PwC, as described in more detail on page 56. The review confirmed that the changes made in 2013 had resulted in improved service delivery, including valuable contributions and insights at Committee meetings from both PwC partners.	✓
To better understand the comfort levels we have with the various types and levels of risk assurance, with Internal Audit spending more time and resource in this area.	Internal Audit's risk assurance activity, focused on two key risk areas – chemical regulatory and product liability. The Committee reviewed the reliance placed by management on mitigating controls, and analysed the assurance that applied to these controls.	✓
Commit further time to better understanding our processes for mitigating cyber risk.	The Committee continued to monitor the control environment within SAP, supported by the work of internal audit. The scope of the cyber security risk assurance review was agreed and will take place in the first half of 2015.	→

✓ Completed → Ongoing

In summary, we have delivered what we set out to do and have a clear plan for 2015.

Corporate Governance continued

Committee Membership

The Committee is made up of four Non-Executive Directors. The experience of each member of the Committee is summarised on pages 40 and 41. I have held a number of senior financial roles, most recently as Chief Financial Officer of Lonmin Plc, and am chairman of the Audit Committee of two FTSE 100 companies. Such consideration provides the Board with assurance that the Audit Committee has the appropriate skills and experience and meets the Code requirement that at least one member has significant, recent and relevant financial experience. The Board considers that each member of the Committee is independent within the definition of the Code and has relevant financial experience as well as a broad spread of commercial experience.

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

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

Responsibilities of the Committee and Activities Since the Publication of the 2013 Annual Report

The Committee assists the Board in ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and supports the Board in considering whether the Group's published financial statements are fair, balanced and understandable. Its key responsibilities are to monitor the integrity of the financial statements and results announcements of the Group and to review significant financial reporting issues and judgements. The Committee also reviews the adequacy and effectiveness of the Group's internal controls and risk management systems, and the internal audit function. It has several responsibilities related to the Group's external auditors, including their appointment and removal, their fee, assessing their independence and monitoring non-audit services. Detailed responsibilities are set out in the Committee's terms of reference. These were reviewed and revised during the year to reflect the updated UK Corporate Governance Code and the Financial Reporting Council (FRC) Guidance on audit committees. A copy of the terms of reference can be found at **www.croda.com**.

Main Activities

The Committee met five times in 2014 and twice between the year end and the publication of this Annual Report. The key issues covered at the Committee meetings were reported to the subsequent Board meeting.

In addition to the focus areas outlined on page 53, the Committee's main activities were as follows:

Financial reporting

The Committee:

- Monitored the Group's financial statements and results announcements and reviewed significant financial reporting and accounting issues
- Received an update on material accounting standards and governance changes that would impact the Group
- Received a paper on Revenue Recognition and agreed to a minor addition to the accounting policy to better reflect the terms of a revenue stream that is becoming more significant
- Considered the effect of the new organisational structure on external segmental reporting and agreed the new reporting format
- Reviewed the process of compiling the Annual Report and Accounts and reported back to the Board to assist its determination as to whether it is fair, balanced and understandable

External audit

The Committee:

- Discussed and approved the external audit plan, including: the assessment of significant audit risks; the scope of the audit (covering 83.6% of the Group's consolidated pre-tax profit); the materiality level (circa 5% of the Group's consolidated pre-tax profit, or £11.5 million); and the *de minimus* reporting threshold (£0.5 million). The audit fees were approved by the Committee
- Reviewed the provision of non-audit services by the external auditor and reapproved the Group's policy in this area
- Considered the regulatory frameworks relating to the requirement to tender the external audit and agreed the Company's approach

Internal Audit and risk management

The Committee:

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

– Assessed the 2014 risk-based assurance activity carried out by Internal Audit. The risk assurance reporting is now aligned for all assurance functions (Group safety, health and environment, Group quality and Internal Audit) and an assessment was made of the benefits of reports from external assurance providers

– Reviewed and approved the 2015 Internal Audit plan and considered the results of the 2014 internal audits, the adequacy of management's response to matters raised, and the time taken to resolve such matters

– Considered the impact of the new organisational structure on the risk and internal control activity and agreed it would be reviewed in 2015

Governance

The Committee:

– Undertook regular reviews of the Group's material litigation and an annual review of its tax strategy, and was satisfied with the approach to provisioning

– Reviewed the effectiveness of the Group's whistleblowing procedure after the introduction of a third party hosted reporting line to support anonymous reporting

– Met with Internal Audit and external audit without management being present

– Received presentations from key members of the operational finance team

– Undertook an effectiveness review as part of the externally facilitated review of the Board and its Committees as detailed on page 47. The review concluded that the Committee was operating effectively

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

Significant Financial Statement reporting issues

In monitoring the Group's financial statements and results announcements, the Committee reviewed whether suitable accounting policies had been adopted and if management had made appropriate estimates and judgements. With support from the external auditors, the Committee considered a number of significant issues related to the financial statements for the year ended 31 December 2014, as set out below:

Impairment of goodwill: The Committee reviewed the carrying value of goodwill in light of the minor reduction in the Group's profits in the current year. The Committee focused on key judgements made by management in choosing appropriate assumptions in the impairment assessments to support the carrying value of the goodwill, such as the business unit the carrying value is assessed against, the discount rate, and future cash flow projections. After challenge and debate, the Committee considered the carrying values put forward by management were reasonable and there had been no impairment of goodwill. For more details see note 12 on page 112.

Inventory: The Committee reviewed the carrying value of inventory, in particular where purchased from another Croda company, including a consideration of its ageing. It concluded that the value was appropriate.

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

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

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

Corporate Governance continued

Internal Audit and Risk Management

In 2014 I met with the Vice President Risk and Control several times outside of the formal meetings to discuss the performance and output of the internal audit function and aspects of risk management. The Vice President Risk and Control attended each Committee meeting and presented an internal audit report that was fully reviewed and discussed, highlighting any major deviations from the annual plan agreed with the Committee.

At each meeting, the Committee considered the results of the audits undertaken by the internal auditor and considered the adequacy of management's response to matters raised, including the time taken to resolve such matters. It also focused on where there was a major divergence between the outcome of the internal audit and the scoring of the self-assessment questionnaire, completed annually by each business unit. The Committee looked at recurring themes identified as issues across a number of locations; such issues influence our planning for future years' audit work. The Committee reviewed the IT work being carried out by internal audit and continued to examine ways to increase our use of data interrogation techniques. We also agreed the internal audit plan for 2015; this takes into account such factors as the results of previous audits, both external and internal, the self-assessment questionnaire, recurring themes from 2014 and the views of Executive management.

In February, the Committee conducted its annual review of the internal auditor, including the audit plans, general performance and its relationship with the external auditors. This did not highlight any significant areas for development.

Details on how the Business implements its risk management and controls on a Group wide basis are set out on pages 28 to 32 and page 50.

External Auditors' Effectiveness

In 2013 we changed the structure and personnel of the PwC external audit team. The Committee considered that we would be best served by a two partner model and the decision was made to appoint Ian Morrison, the Yorkshire and North East Regional Leader based in Leeds, as the lead audit partner, supported by Ian Chambers, a London-based partner with considerable FTSE 100 experience.

During the year the Committee assessed the effectiveness of PwC as Group external auditor and reviewed progress following the changes to confirm that the anticipated benefits were delivered and embedded for the future. To assist in the assessment, the Committee examined the results of the internal survey completed by all senior financial management (approximately 20) across the Group, covering their views on the effectiveness of PwC in carrying out the 2014 audit. The approach was consistent with previous years and included 12 questions covering four broad areas:

- quality of planning, delivery and execution of the audit;
- quality and knowledge of the audit team;
- effectiveness of communications between management and the audit team; and
- robustness of the audit, including the audit team's ability to challenge management and demonstrate independence.

The questions were graded from one to five and averaged a score of four. This was an overall improvement on 2013. The Committee also considered the quality of reports from PwC and the additional insights provided by the audit team, particularly at partner level. It took account of the views of the Group Finance Director and Group Financial Controller who had met some local audit partners when visiting the Group's key jurisdictions, to gauge the quality of the team and their knowledge and understanding of the Business. The Committee considered how well the auditors assessed key accounting and audit judgements and the way it applied constructive challenge and professional scepticism in dealing with management. To assess the overall quality of PwC's work we also tabled the FRC's Audit Quality Inspection report on the firm. This showed that the principal findings of the reviews undertaken were positive. A review of effectiveness also forms part of PwC's own system of quality control.

Following the review, the Committee concluded that the audit was effective and that the changes to the structure and personnel had led to improved service delivery, including valuable contributions and insights at Committee meetings by the two PwC partners.

Audit Tendering

In 2013, when the Committee decided to change the delivery structure of the audit team, the regulatory landscape and best practice around audit tendering were still evolving. The Committee felt we would be best served by refining the service provided by PwC before going out to tender.

Since then, the EU has adopted legislation to reform the statutory audit market, which will apply from 17 June 2016. The legislation requires rotation of audit firms every 10 years unless there is a tender, in which case the audit firm can remain as auditor for up to 20 years. The transitional rules stagger the introduction of mandatory firm rotation depending on the length of audit tenure as at 17 June 2014. As PwC have been the Group's auditors for more than 20 years, we have a six year transition period, meaning they cannot be reappointed as our auditors after 17 June 2020.

We fully support the principle of audit tendering. As reported in last year's report, the Committee will tender the audit to coincide with the expiry of Ian Morrison's term as lead audit partner, when he would sign the 2017 Annual Report, or sooner if the Committee considers it necessary. We will not, however, run a tender in 2015 as this would be inappropriate given the recent appointment of Jez Maiden as the new Group Finance Director. A tender will therefore occur in either 2016 or 2017. There are no contractual obligations that restrict our choice of external auditor, although, as noted, under the European rules, we are obliged to rotate PwC from the audit by 2020.

External Auditors' Independence

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

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

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

In previous years the Committee has been aware of shareholder concerns about the level of non-audit fees, and so it is pleasing to report that non-audit fees have fallen for the third consecutive year. In 2014, they were £0.4 million, less than the total audit fees of £0.8 million; the audit to non-audit fees ratio stands at 2:1.

I am required to give prior approval for work carried out by PwC and its associates above predetermined thresholds. These were lowered from £50,000 to £20,000 in 2012 by the Committee in recognition of the level of spend on non-audit services performed by PwC. My review also includes determining that other potential providers of non-audit services have been properly considered. Despite the fall in non-audit fees, the Committee decided to keep the threshold at £20,000 for the foreseeable future and amended the policy accordingly.

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

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

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

External Auditor Reappointment

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

Priorities for 2015

In addition to our routine business, the Committee has five focus areas for 2015. We will:

- Examine with management how we can further develop our systems-based internal audit approach. This will take some time but should bring real benefits
- Study the revised UK Corporate Governance Code and the FRC's *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting* and decide, in conjunction with the Board, how to respond to revisions to the Code
- Consider and start to plan the external audit tender. To benefit from emerging practice, we will take advice from those who have tendered recently. By planning this process well in advance we will maximise the chance of getting the best outcome, particularly in terms of quality from the tender
- We will work with Jez Maiden, the newly appointed Group Finance Director, and assist in his induction to ensure a seamless handover from Sean Christie
- We will re-examine the control framework in light of the recent changes in organisation structure to ensure it remains robust and fit for purpose

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

Alan Ferguson
Chairman of the Audit Committee

Corporate Governance continued

Report of the Nomination Committee for the year ended 31 December 2014

The Nomination Committee evaluates the balance of skills, knowledge, experience and diversity on the Board and identifies and nominates suitable candidates for appointment.

Members and attendance (eligibility) at meetings held during the year ended 31 December 2014

Martin Flower (Chairman)	5 (5)
Alan Ferguson	5 (5)
Steve Foots	5 (5)
Helena Ganczakowski[1]	3 (4)
Stanley Musesengwa[2]	1 (1)
Nigel Turner	5 (5)
Steve Williams	5 (5)

1 Helena Ganczakowski was appointed as a Non-Executive Director on 1 February 2014. Helena was unable to attend the May Committee meeting due to another commitment. This was discussed with the Chairman prior to her appointment to the Board and the conflict will not arise in future years

2 Stanley Musesengwa retired from the Board on 24 April 2014

Nomination Committee

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

Main Activities

In 2014, the Committee's main task was searching for a new Group Finance Director to replace Sean Christie. We identified the key skills and experience required of the new post-holder and agreed a role specification. The Committee retained an external search firm, Russell Reynolds, which has no other connection with the Group, to assist in identifying potential candidates for nomination to the Board. Following the successful search, in September 2014 the Committee recommended the appointment of Jez Maiden. The Board approved his appointment with effect from 1 January 2015.

My term as Chairman of the Board comes to an end in September 2015. The Committee, chaired by Nigel Turner, Senior Independent Director, has commenced the process to find a successor. A role specification has been agreed and Zygos has been retained as the external search firm to assist in the process. Zygos has no other connection with the Group.

In accordance with the Code, all Non-Executive Directors with a term beyond six years have been subject to a rigorous review. In January 2015, the Committee recommended the extension of Nigel Turner's term for a further three years to June 2018, which would bring his term to nine years. Given my departure this year, the Nomination Committee felt the extension of Nigel's term beyond six years was in Croda's best interests as, particularly in his role as senior Independent Director, Nigel will help facilitate a smooth handover to the new Chairman.

The Committee also recommended that the Board extend Alan Ferguson's term of office for a further three years until 30 June 2017.

The Committee carried out its customary corporate governance review and was satisfied that the size, structure and composition of the Board, and the required time commitment from Non-Executive Directors, remain appropriate. It was also satisfied that all the Non-Executive Directors continue to fulfil the criteria of independence and are able to commit the required time for the proper performance of their duties.

Boardroom Diversity

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

Key Responsibilities of the Committee

- To review regularly the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations of any changes to the Board
- To give full consideration to succession planning for Directors and other senior Executives in the course of its work, taking into account the challenges and opportunities facing the Company and, consequently, what skills and expertise the Board will need in future
- Where a Board vacancy is identified, to evaluate the balance of skills, knowledge, experience and diversity on the Board and prepare a description of the role and capabilities required for the respective appointment
- To identify and nominate candidates to fill Board vacancies, for the approval of the Board, as and when openings arise
- To keep the organisation's leadership needs, both Executive and Non-Executive, under review to ensure that Croda continues to compete effectively in the marketplace
- To review annually the time required from a Non-Executive Director and the Chairman
- To make recommendations on succession planning for the Board

Priorities for 2015

- To complete the search for my replacement as Chairman of the Board
- To continue to review the balance, experience and skills of the Board
- To progress succession planning for the Group Chief Executive

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

Martin Flower
Chairman of the Nomination Committee

Corporate Governance continued

Other Committees

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

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

Group Executive Committee

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

Group Finance Committee

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

Risk Management Committee

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

Group SHEQ Steering Committee

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

Routine Business Committee

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

Committee membership (as at the date of this report)[1]		Group Executive Committee	Risk Management Committee	Group SHEQ Steering Committee	Group Finance Committee
Steve Foots	Group Chief Executive	Chairman	Member	Member	Chairman
Stuart Arnott	President Global Operations	Member	Member	Chairman	Member
Sandra Breene	President Life Sciences	Member	Member	Member	
Tom Brophy	Group General Counsel and Company Secretary	Member	Member	Member	
Nick Challoner	President Asia	Member	Member	Member	
Anthony Fitzpatrick	President Corporate Development[2]	Member	Member	Member	
Kevin Gallagher	President Personal Care	Member	Member	Member	
Maarten Heybroek	President Performance Technologies & Industrial Chemicals	Member	Member	Member	
Lee Johnson	Group HR Director[2]	Member	Member	Member	
Keith Layden	Chief Technology Officer	Member	Member	Member	Member
Jez Maiden	Group Finance Director[3]	Member	Chairman	Member	Member
Graham Myers	Group Financial Controller	Member	Member	Member	Member

● Chairman ● Member

1 David Barraclough, former President Asia, retired with effect from 1 November 2014
2 Appointments effective from 1 April 2014
3 Jez Maiden replaced Sean Christie as Group Finance Director on 22 January 2015

Remuneration Report

The Remuneration Committee is alert to the challenges framing remuneration practices that promote the success of the Company, whilst ensuring that rewards are proportionate.

Report of the Remuneration Committee for the year ended 31 December 2014

Dear fellow shareholder,
On behalf of the Remuneration Committee and the Board, I am pleased to present the Company's Remuneration Report for the 2014 financial year.

The report is in two parts. First is the Directors' Remuneration Policy Report, containing a summary of the Policy Report which was adopted by shareholders at last year's Annual General Meeting (AGM) with the expectation being that it would last for three years. The second part is the Annual Report on Remuneration (ARR), detailing how we applied the policy during 2014. The ARR will be the subject of an advisory vote at the AGM on 22 April 2015.

Executive remuneration remains of great interest to shareholders, employees and society at large. The Remuneration Committee is alert to the challenge of framing remuneration practices that promote the success of the Company, while ensuring that rewards are proportionate. These practices must be supported by all Croda employees and, indeed, all stakeholders in the Company's success. We therefore welcome the revised guidance from the Financial Reporting Council which emphasises that a properly structured remuneration policy's principal aim is the long term success of a company.

We believe our policy is flexible enough to respond to both emerging best practice and changing conditions. However, it is not set in stone. During 2015 the Committee will examine whether the policy needs to be adjusted to further promote the Company's interests and reputation, while ensuring it continues to reinforce the Croda way of doing things.

Performance and Reward for 2014

As a natural consequence of the importance we place on customer intimacy and in recognition of the fact that many of our customers are now multinational, we have moved elements of our core commercial sector from a regional to a global organisational structure. Our new structure will enable us to meet customers' needs, as well as helping us to develop more strategic management focus across each of the markets in which we operate. To support these changes, there have been changes to key personnel and to the responsibilities of certain individuals.

In considering how our business performance translated into reward, we should distinguish between the annual bonus and long term incentives. No annual bonus was earned for 2014 performance against the challenging targets set.

Remuneration Report continued

With regard to longer-term incentives, 2014 saw the maturity of grants made in 2012 under the Long Term Incentive Plan (LTIP) and Bonus Co-Investment Plan (BCIP). Despite delivering TSR of 25.3% and adjusted earnings per share growth of 12.1%, no vesting occurred in respect of these awards. Notwithstanding positive returns for shareholders, over the three year performance period, the vesting result demonstrates the challenging approach to target setting taken by the Committee.

As announced on 28 November 2014, Jez Maiden joined the Company on 1 January 2015 as an Executive Director, and succeeded Sean Christie as Group Finance Director on 22 January 2015. On appointment, Jez Maiden's salary was set at £420,000 which is lower than his previous employment. Notwithstanding, Jez Maiden had a number of long term incentive awards in relation to his role at National Express Group Plc, the Committee resolved not to offer compensation for the forfeiture of these awards.

Remuneration Policy for 2015

The Committee considers that the current policy of an incentive structure weighted to long term performance serves the business well.

An annual bonus scheme, requiring an absolute out-performance of the previous year, and a single LTIP programme together enable rigorous target setting in the shorter term and an alignment with the Company's strategic cycle in the longer term. Incentive payments are subject to clawback provisions and aligned with Croda's key performance indicators (KPIs), and from 2015 longer-term rewards are subject to a minimum holding period of two years. These features, allied to clear share ownership guidelines and a mandatory deferral requirement of one third of the annual bonus paid into Company shares for three years, emphasises the long term health of the business above the short term consideration of bonus awards.

The Committee will continue to take an active interest in the views of shareholders, regulators, the government and all stakeholders as we adapt our policy to promote business opportunity.

On behalf of the Board, I thank shareholders for their support.

Steve Williams
Chairman, Remuneration Committee

Policy Report

For completeness and transparency, this part of the Remuneration Report includes the Policy Report approved by shareholders at last year's AGM and intended to operate until the AGM in 2017.

Overview of Remuneration Policy

The key objectives of our executive remuneration policy are:

– to set remuneration structures that are simple and easily communicated to employees and stakeholders;

– to support a high performance culture through setting stretching performance targets that are linked to the Key Performance Indicators (KPIs) of the Group which are structured so that they do not encourage undue financial or operational risk-taking or give rise to environmental, social or governance risks by inadvertently motivating irresponsible behaviour;

– to ensure a balance between fixed and performance related remuneration with substantial weighting in the overall package on variable pay related to objective measurement of the financial performance of the Group;

– to give full consideration to the relevant principles on directors' remuneration set out in the UK Corporate Governance Code; and

– to ensure that individual rewards and incentives are comparable with those provided by similar companies having regard to the Group's turnover, business sector and market worth and the need for skills to manage international businesses.

The table below sets out the main components of Croda's Remuneration Policy:

Link to strategy	Operation	Maximum opportunity
Basic salary To assist in the recruitment and retention of high-calibre executives	Reviewed annually with increases effective from 1 January. Base salaries will be set by the Committee, taking into account: – The performance and experience of the individual concerned – Any change in responsibilities – Rates of pay in international manufacturing and pan-sector companies of a comparable size and complexity – Pay and employment conditions elsewhere in the Group – Rates of inflation and market- wide wage increases across international locations – The geographical location of the Executive	Salaries may be increased each year (in percentage of salary terms). The Committee will be guided by the salary increase budget set in each geography and across the workforce generally. Increases beyond those linked to the geography of the Executive or the workforce as a whole (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value or complexity of the Group. The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases in subsequent years, in order to bring the salary to the desired positioning, subject to individual performance.

Framework used to assess performance and for the recovery of sums paid
The Committee considers individual salaries at the appropriate Committee meeting each year taking due account of the factors noted in operation of the salary policy.

Link to strategy	Operation	Maximum opportunity
Benefits To provide competitive benefits to act as a retention mechanism and reward service.	The Group typically provides the following benefits: – Company car (or cash allowance) – Private fuel allowance – Health and other insured benefits – Other ancillary benefits, including relocation expenses/ arrangements (as required) Additional benefits might be provided from time to time (e.g. in circumstances where an Executive Director is recruited from overseas). The Committee will consider whether the payment of any additional benefits is appropriate and in line with market practice when determining whether they are paid.	Cost of benefits is not pre-determined and may vary from year to year based on the cost to the Group.

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

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

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

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

Remuneration Report continued

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

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

Link to strategy	Operation	Maximum opportunity
Pension To provide competitive long term retirement benefits. To act as a retention mechanism and reward service.	Pension benefits are typically provided either through (i) participation in the Group's defined benefit pension plan with a cash supplement provided above any pension salary cap or (ii) a cash supplement provided in lieu of pension. Only basic salary is pensionable.	Defined benefit pension with up to 1/60th accrual up to a capped salary of £150,000 as of April 2014 plus cash allowance of up to 25% of salary above the cap. Or Cash allowance of up to 25% of salary.

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

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

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

Bonus Plan and Long Term Incentive Policy

The Committee will operate the annual bonus plan, PSP and all-employee plans according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. These include the following (performance targets restricted to the descriptions detailed in the preceding policy table):

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

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

Shareholding Guidelines

The Committee operates share ownership guidelines which apply to all Executive Directors and the Group Executive Committee. The Group Chief Executive is subject to a share ownership guideline of 200% of salary and the other Executive Directors to 150% of salary.

It is expected that the guideline will be met within a five year time period from its adoption (or date of joining for new appointments) through a combination of share purchases and the retention of incentive shares. On the exercise of Sharesave options or the vesting of awards from the Company's long term incentive plans, Executives are required to retain shares awarded representing 50% of the net of tax gain until the ownership target is met or exceeded.

Choice of Performance Measures and Approach to Target Setting

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

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

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

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

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

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

How Executive Directors' Remuneration Policy Relates to the Wider Group

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

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

Remuneration Report continued

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

The performance related bonus scheme operates on a tiered basis from 125% of salary down to 30% of salary across the most senior global grades. Outside of the most senior tiers of Executives, the PSP is not operated as this arrangement is reserved for those anticipated as having the greatest potential to influence Group level performance.

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

How the Views of Employees are Taken into Account

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

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

How the Views of Shareholders are Taken into Account

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

Recruitment and Promotion Policy

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

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

Directors' Service Contracts and Payments for Loss of Office

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

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

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

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

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

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

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

External Appointments

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

Non-Executive Directors' Letters of Appointment

The Chairman and Non-Executive Directors have letters of appointment for an initial fixed term of three years subject to earlier termination by either party on written notice. In each case, this term can be extended by mutual agreement. Non-Executive Directors have no entitlement to contractual termination payments.

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

Remuneration Report continued

Non-Executive Directors' fees

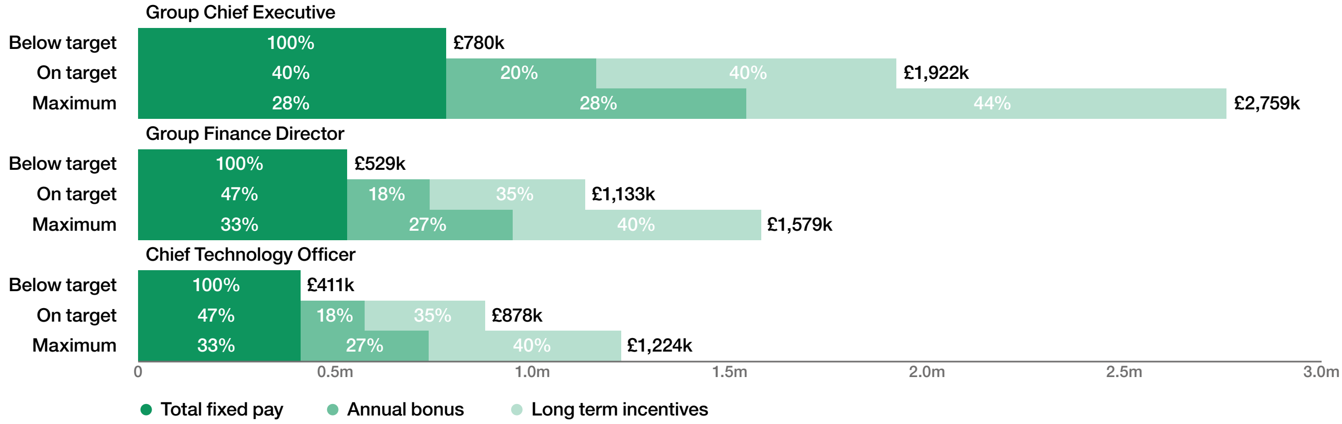
The policy on Non-Executive Directors' fees is:

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

Framework used to assess performance and for the recovery of sums paid

None.

Remuneration Scenarios for Executive Directors



Note: Salary levels (on which other elements of the package are calculated) are based on those applying on 1 January 2015. The value of taxable benefits is based on the cost of supplying those benefits (as per the single figure table) for the year ending 31 December 2014. The CFO's benefits have been included at an estimated level of £25,000. Pension: 20% of salary above £150,000 cap plus value of final salary pension for year ended 31 December 2014 (CEO) and 20% of salary (CFO/CTO). Annual bonus: 125% of salary maximum (CEO) and 100% of salary maximum (CFO/CTO) – assumed half max on-target. Long term incentives: 200% of salary LTIP award (CEO) and 150% of salary LTIP award (CFO/CTO) – assumed 62.5% vests at target

Annual Report on Remuneration (unaudited information)

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

The Role of the Remuneration Committee

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

Membership and Operation

The Committee comprises all Non-Executive Directors including the Chairman. Steve Williams took over as Chairman of the Committee on 24 April 2014 when Stanley Musesengwa stood down from the Board.

Members and attendance (eligibility) at meetings held during the year ended 31 December 2014

Alan Ferguson	8 (8)
Martin Flower	8 (8)
Helena Ganczakowski[1]	6 (7)
Stanley Musesengwa[2]	3 (3)
Nigel Turner	8 (8)
Steve Williams (Chairman)	8 (8)

1 Helena Ganczakowski was appointed as a Non-Executive Director on 1 February 2014. Helena was unable to attend the May Committee meeting due to another commitment. This was discussed with the Chairman prior to her appointment to the Board and the Committee and the conflict will not arise in future years

2 Stanley Musesengwa retired from the Board on 24 April 2014

The Committee invites individuals to attend meetings to ensure that decisions are informed and take account of pay and conditions in the wider Group. During 2014 invitees included other directors and employees of the Group and the Committee's advisers (see below), including Steve Foots (Group Chief Executive), Lee Johnson (Group HR Director), Samantha Brook (former VP Human Resources), Graham Myers (Group Financial Controller) and Tom Brophy (Group General Counsel and Company Secretary).

External Advisers to the Remuneration Committee

New Bridge Street (part of Aon plc) was retained as the appointed adviser to the Committee during 2014 to provide independent advice on remuneration policy and practice. New Bridge Street has no connection with the Group other than in providing advice in relation to executive remuneration and non-executive fees. Another subsidiary of Aon plc provides insurance broking services to the Group. The Committee is comfortable that no conflicts arise out of these relationships. The total fees paid to New Bridge Street for its services during the year were £125,158 (excluding VAT). New Bridge Street is a signatory to the Remuneration Consultants Group Code of Conduct.

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

Key Committee Activities During 2014

- Determining and agreeing with the Board the remuneration policy for the Executive Directors
- Consulting major institutional investors about the proposed 2014 Remuneration Policy and finalising the policy in light of consultation feedback
- Setting 2015 Executive Director salary levels
- Determining annual bonus awards in respect of 2013 performance
- Finalising the annual bonus plan terms for 2014
- Testing performance targets for the Company's 2011 long term incentive awards
- Approving 2014 Performance Share Plan rules
- Determining 2014 long term incentive award levels, the associated performance targets and the granting of the awards
- Approving payments in connection with Sean Christie's cessation of employment and the remuneration package of Jez Maiden
- Considering the corporate governance environment and monitoring developments in investors' expectations
- Noting remuneration trends across the Group
- Remuneration Committee effectiveness review

Statement of Shareholder Voting

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

	Annual Report on Remuneration		Policy Report	
Votes cast in favour	89,268,157	98.3%	88,907,426	98.2%
Votes cast against	1,534,605	1.7%	1,596,432	1.8%
Discretion to third party	1,628	0.0%	1,628	0.0%
Total votes cast	90,804,390	100%	90,505,486	100%
Abstentions	231,224		530,128	

Remuneration Report continued

Implementation of Remuneration Policy for Year Ending 31 December 2015

Basic salary

The Executive Directors' base salaries were reviewed during the final quarter of the financial year ending 31 December 2014. The Committee considered each individual's progression in their role as well as their responsibilities, performance, skills and experience. The Committee also took into account the wider pay levels and salary increases being proposed across the Group as a whole.

Executive Director	Salary as at 01.01.15	Salary as at 01.01.14	Increase
Steve Foots	£609,000	£600,000	1.5%
Sean Christie[1]	£375,278	£369,732	1.5%
Keith Layden	£325,171	£295,610	10.0%
Jez Maiden[2]	£420,000	–	–

1 Sean Christie will leave the company on 22 April 2015. His base salary was increased in line with the level of salary increase awarded across the Company with effect from 1 January 2015
2 The base salary of Jez Maiden, appointed Group Finance Director with effect from 22 January 2015, was set at £420,000. The Committee considers this is appropriate in view of his calibre, experience and the base salary set in his previous employment

The increases awarded to Steve Foots of 1.5%, was consistent with the level of salary increases awarded across the Group and reflected his continued robust performance.

During 2014 we created three global market sectors, each with individual income statement responsibilities. This change put our customers at the heart of each business and allows our sales and R&D teams to be more alert to our customers' needs and work as one global team, fully accountable for sector performance. This change is supported by our commitment to invest, by business area, in new and protected products.

This revised structure has resulted in a larger role for our Chief Technology Officer who is now responsible for the co-ordination of the R&D teams supporting each business area to ensure the delivery of new and protected product initiatives. This requires working with the leadership teams within each business area as well as at Group level to meet customers' needs. In addition to his existing responsibilities, the Chief Technology Officer is also responsible for corporate development, in particular new technologies that can enhance and build on Croda's existing portfolio of technologies. He is also leading open innovation networks with universities and other external bodies, again a key driver of innovation within the Group.

This is expected to increase his overall workload when compared with his role under the previous organisational structure. As a result, in the light of his continued strong performance and experience in post, the Committee considered it appropriate to recognise the increased size of his role with a commensurate base salary increase. At this time, the Committee does not envisage any further significant increases will be necessary to reposition the salary in line with the new role, but it will remain subject to an annual salary review in line with the approved policy.

Pension

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

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

Steve Foots' pension provision

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

Sean Christie's pension provision

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

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

The above Executive Directors also receive a cash allowance above a pension benefit cap of £150,000. This payment relates to a change in benefit structure that was made with effect from 6 April 2011; each individual's cash supplement above the cap was set to be cost neutral to the Company. From April 2014 the cap reduced from £187,500 to £150,000.

Keith Layden's pension provision

Keith Layden started to draw his pension under the CPS on 19 October 2014. He is currently receiving an annual pension of £65,678.76 and he chose to receive a tax free lump sum of £437,858.16 on drawing down his pension. He can draw this deferred pension, with Company consent, while continuing in employment. His pension will increase in line with retail price inflation (RPI) to a maximum of 10% per annum for pension accrued before April 2006 and a maximum of 2.5% for pension accrued afterwards.

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

Jez Maiden's pension provision

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

Other benefits

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

Performance related annual bonus

In 2015, Executive Directors will be eligible to receive a performance-related bonus of up to 125% of salary (Group Chief Executive) and 100% of salary (other Executive Directors).

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

2015 performance targets

For the 2015 financial year, the bonus structure will continue to operate on a similar basis to that operated in previous years. The targets operate as a sliding scale with no bonus becoming payable until the previous year's income has been exceeded by inflation, through to a maximum bonus becoming payable for delivery of the maximum target. The targets for 2015 are shown below:

Level of award	Income	% of bonus payable
Threshold	At least equivalent to 2014 actual	0%
Maximum	2014 actual plus CPI plus 10%	100%

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

The Committee considers the range of income targets set for 2015 to be comparable to the range of targets set for the 2014 annual bonus.

One third of any bonus earned will be the subject of a mandatory deferral into the Company's shares for three years. This approach provides a clear link between the achievement of short term objectives and long term alignment with shareholders.

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

The 2015 annual bonus is also subject to clawback provisions which enable the Committee to recover the value overpaid to an Executive Director in respect of 2015 performance in the event of a misstatement of the Group's financial results, an error being made in assessing how far performance targets were ultimately achieved, or serious misconduct. Recovery of any value overpaid includes the ability to withhold future incentive pay awards as well as seeking reimbursement from an individual. The clawback provisions will operate for three years following the date on which the bonus is paid.

In relation to Sean Christie, who leaves the Company on 22 April 2015, the Committee has exercised its discretion to determine that he would be eligible for a cash bonus in respect of the financial year ending 31 December 2015 to the extent that the applicable performance conditions are met. Any such bonus will be pro-rated to reflect his service in the 2015 financial year. Any bonus will be paid (subject to any required deferral in accordance with the bonus scheme rules) on the same date that the bonuses are paid to other participants in the bonus scheme. Any bonus awarded will be disclosed in the Directors' Remuneration Report to be published in 2016. Claw back provisions will also continue to apply.

Remuneration Report continued

Performance Share Plan (PSP)

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

2015 PSP award levels

The maximum normal award limit under the PSP is 200% of salary. The awards for 2015 were set after taking due account of (i) the need to motivate and retain Executive Directors and other participants and (ii) the challenging nature of the performance targets.

It is intended that awards will be granted at the following levels during 2015 (as nil-cost options):

Executive Director	2015 PSP award (percentage of salary)
Steve Foots	200%
Keith Layden	150%
Jez Maiden	150%

In light of Sean Christie leaving the Company with effect from 22nd April 2015, no PSP award will be granted to him in 2015.

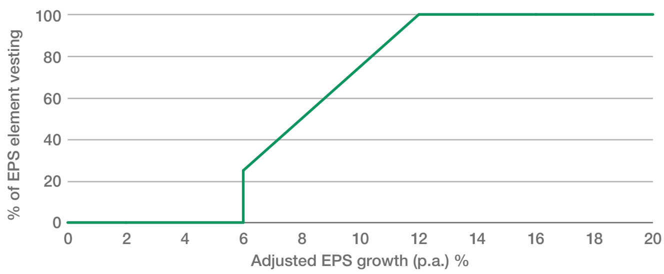
2015 performance targets

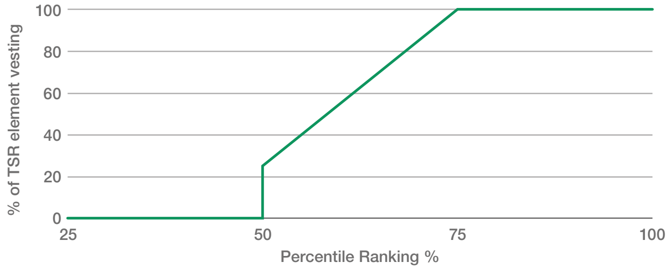
Consistent with awards made under the previous LTIP, awards under the PSP will be subject to a performance condition which is split into two equal parts, each with a separate performance condition. One half will vest dependent on the relative TSR measured against the FTSE 350 Index (excluding investment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

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

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

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





As with the awards granted in 2014, the EPS targets that have been proposed for the 2015 PSP follow the Committee's review of internal financial planning, external market expectations, analysis of the current trading environment and consideration of the base point from which growth will be measured. As such the targets set are considered to be no less challenging to the range of targets set for the 2014 awards, providing a realistic incentive at the lower end of the performance range, but with full vesting requiring exceptional outperformance in the current commercial context.

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

For the awards granted in 2015, the after-tax number of vested shares must be retained for a minimum of two years. PSP awards granted in 2015 to Executive Directors are also subject to clawback provisions. These enable the Committee to reclaim the value overpaid to an Executive Director, in respect of performance during the three years ending 31 December 2017, if there is a material misstatement of the Group's financial results or misconduct. Recovery of any value overpaid includes the ability to withhold future incentive pay awards as well as seeking reimbursement from a relevant individual. The clawback provisions will operate for three years after the date on which the awards vest.

All-Employee Share Plans

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

Sourcing of Shares and Dilution

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

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

As at 31 December 2014, the headroom under the Company's 5% and 10% limits was 1.4% and 2.0% respectively, out of an issued share capital of 139,949,969 shares.

Service Contracts

Steve Foots, Sean Christie and Keith Layden have service contracts dated 16 September 2010, 15 December 2006 and 6 February 2012 respectively. These can be terminated by the Company on one year's notice and by the Director on six months' notice. Jez Maiden's service contract is dated 9 October 2014 (although he commenced employment on 1st January 2015). His contract is also terminable by the Company on one year's notice and by himself on six months' notice.

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

Chairman and Other Non-Executive Directors' Remuneration

The fees paid to the Chairman, to the Non-Executive Directors (including for chairmanship of Committees) and to the Senior Independent Director were last reviewed in January 2014. In line with the general policy of reviewing every two years, no changes to the 2014 fee levels will be made for the current financial year. Therefore, the fee structure for the Chairman and other Non-Executive Directors for 2015 remains as follows:

– Chairman: £200,000

– Non-Executive Director base fee: £52,000

– Senior Independent Director: £7,000

– Chairman of the Audit Committee: £10,000

– Chairman of the Remuneration Committee: £10,000

The effective dates of the letters of appointment for the Chairman and each Non-Executive Director who served during 2014, are shown in the table below:

Non-Executive Director	Original appointment date	Expiry date of current term
Martin Flower[1]	16 May 2005	28 September 2015
Alan Ferguson[2]	1 July 2011	30 June 2017
Helena Ganczakowski[3]	1 February 2014	31 January 2017
Stanley Musesengwa[4]	7 May 2007	6 May 2014
Nigel Turner[5]	1 June 2009	31 May 2018
Steve Williams	1 July 2010	30 June 2016

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

2 In May 2014 the Board approved the extension of Alan Ferguson's term of office by a further three years to 30 June 2017

3 Appointed to the Board on 1 February 2014

4 Stepped down from the Board on 24 April 2014

5 In February 2015, the Board approved the extension of Nigel Turner's term of office by a further three years to 31 May 2018

Remuneration Report continued

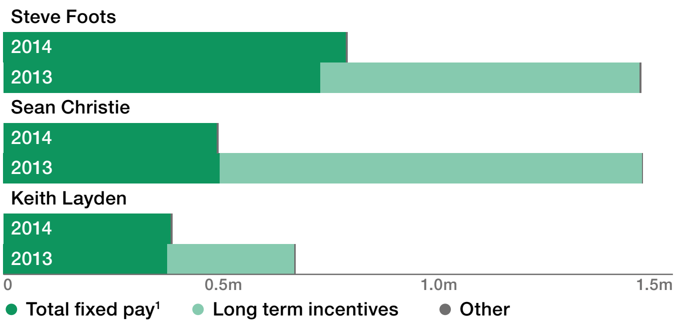
Annual Report on Remuneration (Audited Information)

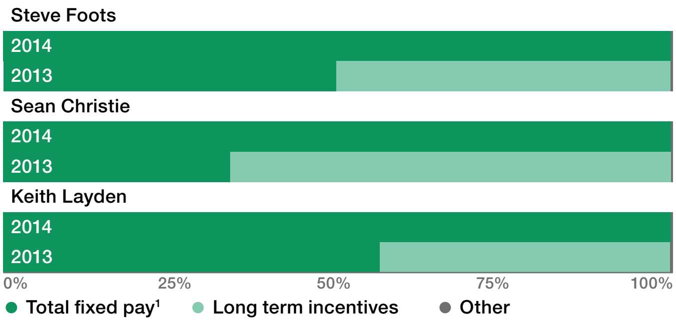
Directors' Remuneration

The remuneration before tax of Executive Directors for the year ended 31 December 2014 payable by Group companies was as follows:

Executive Director		Salaries and fees £	Benefits[2] £	Pension[3] supplement £	Pension[4] £	Annual bonus[5] £	Long term incentives[6] £	Other[7] £	Total £
Steve Foots	2014	600,000	28,573	88,125	50,759	0	0	1,957	**769,414**
	2013	535,000[1]	23,689	72,500	77,909	0	716,108	1,950	1,427,156
Sean Christie[8]	2014	369,732	25,340	42,071	40,390	0	0	1,508	**479,041**
	2013	360,714	22,928	34,642	66,358	0	945,209	1,501	1,431,352
Keith Layden	2014	295,610	20,618	59,122	0	0	0	1,508	**376,858**
	2013	288,400	20,726	57,680	320	0	284,255	1,501	652,882
Total 2014		**1,265,342**	**74,531**	**189,318**	**91,149**	**0**	**0**	**4,973**	**1,625,313**

1 Steve Foots' salary net of salary sacrifice pension contributions of £15,000
2 Benefits include benefit-in-kind for company car or cash allowance, benefit-in-kind for private medical insurance and private fuel allowance and for Sean Christie the allowance paid for the use of his private apartment
3 Represents the 20% cash supplement paid to Directors in relation to benefits provided above the final salary pension cap
4 For final salary pensions the amount included is the additional value accrued during the year, calculated using HMRC's methodology for the purposes of income tax using a multiplier of 20
5 The 2014 bonuses for Executive Directors were calculated by reference to the amount by which the income for the year, exceeded the income for 2013 calculated on the same basis (the 'base income'). Bonuses for 2014 are payable against a graduated scale once the 2013 income exceeds the base income by more than inflation (defined as the consumer prices index (CPI)), with maximum bonuses due at CPI plus 10%
Actual income in 2014 was £255.7m against a base of £274.4m. Income growth was below the base target set resulting in no bonuses
The Committee determined that Sean Christie would be eligible for a 2014 annual bonus, based on performance against the objectives set at the start of the financial year, as he remained in employment for the full financial year
6 The LTIP and BCIP awards granted in February and April 2012 respectively reached the end of their performance periods on 31 December 2014 and did not vest
7 Sharesave awards valued as the value of the discount on the date of grant. SIP shares valued using the value of the partnership shares awarded over the year based on the average purchase price for the year
8 Sean Christie stood down as Group Finance Director on 22 January 2015 and will leave the Company on 22 April 2015





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

The remuneration of Non-Executive Directors for the year ended 31 December 2014 payable by Group companies was as follows:

Non-Executive Director		Salaries and fees £	Benefits £	Total £
Martin Flower	2014	200,000	504	**200,504**
	2013	195,000	504	195,504
Stanley Musesengwa[1]	2014	19,609	–	**19,609**
	2013	60,000	–	60,000
Nigel Turner	2014	58,833	–	**58,833**
	2013	57,000	–	57,000
Steve Williams	2014	58,848	–	**58,848**
	2013	52,000	–	52,000
Alan Ferguson	2014	61,833	–	**61,833**
	2013	60,000	–	60,000
Helena Ganczakowski[2]	2014	47,666	–	**47,666**
	2013	–	–	–
Total 2014		**446,789**	**504**	**447,293**

1 Stepped down from the Board on 24 April 2014
2 Appointed to the Board on 1 February 2014

PSP Awards Granted in 2014

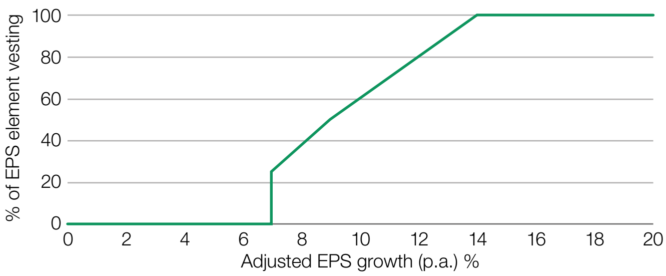
Directors were eligible to receive PSP awards up to a value of 200% of salary at grant. The PSP awards granted on 12 May 2014 were as follows:

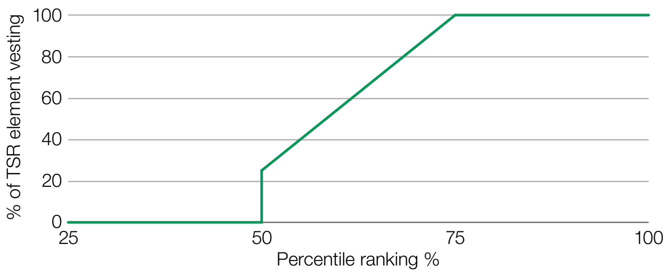
Executive Director	Number of PSP shares awarded	Basis of award granted (% of salary)	Face/maximum value of awards at grant date*	% of award vesting at threshold (maximum)	Performance period
Steve Foots	48,198	200%	£1,199,985	25% (100%)	01.01.14 – 31.12.16
Sean Christie	22,275	150%	£554,580	25% (100%)	01.01.14 – 31.12.16
Keith Layden	17,809	150%	£443,390	25% (100%)	01.01.14 – 31.12.16

* Face value/maximum value of award is calculated based on a share price of £24.897, being the average mid-market share price of the three dealing days prior to the date of grant

The 2014 PSP awards, as in previous years, are subject to a performance condition which is split into two equal separate parts. Half of the award is subject to a relative TSR performance condition, comparing Croda's TSR performance against the constituents of the FTSE 350 (excluding investment trusts) over a three-year performance period. The remaining half of the award is subject to an EPS growth condition.

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





All-Employee Share Plan Awards Granted in 2014

SIP

Details of shares purchased and awarded to Executive Directors under the SIP are shown in the table below. A brief description of the SIP is set out in note 22 on page 24.

Executive Director	SIP shares held 01.01.14	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.14	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.14
Steve Foots	5,478	64	64	5,606	506	4,776
Sean Christie	2,042	64	64	2,170	506	1,340
Keith Layden	5,478	64	64	5,606	506	4,776

Unrestricted shares (which are included in the total shares held at 31 December 2014) are those held until there is no longer a tax liability if they are withdrawn from the plan.

Sharesave

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

Date of grant	Earliest exercise date	Expiry date	Face value*	Exercise price	Number at 01.01.14 (10p shares)	Granted in year	Number at 31.12.14 (10p shares)
Steve Foots							
21 September 2012	1 November 2015	30 April 2016	£2,232.84	1942p	92	–	92
19 September 2013	1 November 2016	30 April 2017	£2,247.56	2141p	84	–	84
18 September 2014	1 November 2017	30 April 2018	£2,247.06	1763p	–	102	102
					176	**102**	**278**
Sean Christie							
21 September 2012	1 November 2015	30 April 2016	£11,216.18	1942p	463	–	463
					463	**–**	**463**
Keith Layden							
21 September 2012	1 November 2015	30 April 2016	£11,216.18	1942p	463	–	463
					463	**–**	**463**

During 2014, the highest mid-market price of the Company's shares was 2631p and the lowest was 1998p. The year end closing price was 2667p. The year end mid-market price was 2619p.
* Face value is calculated using the market value on the day before the date of grant, multiplied by the number of shares awarded

Remuneration Report continued

Gains Made on Exercise of Share Options and LTIPs

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

Executive Director	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain (before tax)
Steve Foots	6 March 2014	13,989	LTIP	Nil	2505p	350,382
	6 May 2014	12,358	BCIP	Nil	2522p	311,669
	3 November 2011	252	Sharesave	1432p	2285p	2,150
						664,201
Sean Christie	5 March 2014	18,119	LTIP	Nil	2523p	457,052
	6 May 2014	16,734	BCIP	Nil	2522p	422,031
						879,083
Keith Layden	5 March 2014	5,302	LTIP	Nil	2523p	133,743
	6 May 2014	5,212	BCIP	Nil	2522p	131,447
						265,190

Note: As previously disclosed, Mike Humphrey retired as Group Chief Executive at the end of 2011 and, in line with the rules of the LTIP and BCIP, was treated as a 'good leaver'. Following the vesting of the 2011 LTIP and BCIP awards during 2014 he received shares to the value of £520,700 (2013: £1,884,479) and £250,796 (2013: £494,318) following their respective vesting on 23 February and 6 May 2014.

Directors' Interests in the Share Capital of the Company

The interests of the Directors who held office at 31 December 2014, are set out in the table below:

	Legally owned		LTIP awards	BCIP awards	PSP	Sharesave	SIP		Total	% of salary held under shareholding guideline
	31.12.14	31.12.13	(unvested)	(unvested)	(unvested)	(unvested)	Restricted	Unrestricted	31.12.14	(100% of salary)
Executive Director										
Steve Foots	128,484	114,300	49,022	14,661	48,198	278	830	4,776	246,249	>100%
Sean Christie	238,801	220,371	33,305	18,692	22,275	463	830	1,340	315,706	>100%
Keith Layden	70,112	68,493	18,639	11,690	17,809	463	830	4,776	124,319	>100%
Non–Executive Director[1]										
Martin Flower	27,925	27,925	–	–	–	–	–	–	27,925	–
Nigel Turner	15,000	15,000	–	–	–	–	–	–	15,000	–
Steve Williams	11,071	10,524	–	–	–	–	–	–	11,071	–
Alan Ferguson	2,500	2,500	–	–	–	–	–	–	2,500	–
Helena Ganczakowski	350	–	–	–	–	–	–	–	350	–

1 Stanley Musesengwa legally owned 15,000 shares at the date of his retirement on 24 April 2014

There have been no changes in the interests of any Director between 31 December 2014 and the date of this report, except for the purchase of 9 SIP shares and 9 matching shares by Steve Foots and Keith Layden during January and February 2015. Sean Christie purchased 9 SIP shares and 9 matching shares during the same period. Jez Maiden, who joined the Board on 1 January 2015, legally owns 1,000 shares in the Company.

Pension Rights

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

Defined benefit schemes

Executive Director	Normal retirement date under the CPS	Accrued pension 2014 £000	Single remuneration figure 2014 £000[1]	Single remuneration figure 2013 £000
Steve Foots	14 September 2033	111	139	150
Sean Christie	20 October 2022	38	82	101
Keith Layden	18 October 2020	66	59	58

1 The value of all pension savings made during the financial year inclusive of cash supplement on behalf of Directors. Steve Foots and Sean Christie are also entitled to death-in-service benefits from the CPS. Keith Layden has a separate agreement which provides death-in-service benefits outside of the CPS

Note: Members of the CPS have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in this table. During 2014, Steve Foots was paid £88,125 (2013: £72,500), Sean Christie was paid £42,071 (2013: £34,642) and Keith Layden was paid £59,122 (2013: £57,680) in addition to their basic salary to enable them to make independent provision for their retirement. This contribution reflects the introduction of a cap to the maximum salary on which benefits at retirement are based under the CPS or, in the case of Keith Layden, the full provision. Accordingly, for Steve Foots and Sean Christie benefits above this cap are now provided by a salary supplement in lieu of pension benefits above the cap of £150,000 (decreased from £187,500 in April 2014).

Payments for Cessation of Employment

In relation to Mr Christie, the financial arrangements associated with his departure are as follows:

Current year reward structure

1. Mr Christie will continue to receive his salary and benefits in accordance with his current contractual arrangements until his leaving date

2. The Remuneration Committee has exercised its discretion to determine that Mr Christie will be eligible for a cash bonus in respect of the financial year ending 31 December 2015 to the extent that the applicable performance conditions are met. Any such bonus will be pro-rated to reflect his service in the 2015 financial year. Any bonus will be paid (subject to any required deferral in accordance with the bonus scheme rules) on the same date that the bonuses are paid to other participants in the bonus scheme. Any bonus awarded will be disclosed in the Directors' Remuneration Report to be published in 2016. Clawback provisions will also continue to apply

Payments on cessation

3. Mr Christie will receive a payment of £71,422 in lieu of his unserved notice period of 55 days, as determined in accordance with his service contract. This comprises a payment in lieu of basic salary, pension contributions (calculated as 20% of his basic annual salary as required by his service agreement) and other benefits. The payment in lieu of notice will be paid in monthly instalments over the unexpired period of notice. If Mr Christie commences alternative employment or engagement, his outstanding instalments will be reduced by the monthly remuneration from his new employment

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

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

Treatment of any share awards

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

7. Mr Christie's partnership shares under the Company Share Incentive Plan and any matching shares held by him for three or more years (comprising a total of 1,990 shares) will be transferred to him by the Share Incentive Plan trustee on the cessation of this employment. Where required, these shares will only be available to Mr Christie subject to any necessary sales to meet income tax and employee national insurance contributions, for which the Company has to account on his behalf. Alternatively Mr Christie's matching shares under the Share Incentive Plan which have been held for less than three years will be forfeited

8. Under the Company's Bonus Co-Investment Plan, the Remuneration Committee has exercised its discretion to allow Mr Christie's unvested matching awards over 14,747 and 3,945 shares, granted in 2012 and 2013 respectively, to vest at the end of the their respective performance periods subject to applicable performance conditions and time pro-rating to reflect Mr Christie's actual service during the applicable performance period. The 14,747 shares granted under the BCIP in April 2012 did not vest. Mr Christie will have 12 months from the applicable vesting dates (or if later, the third anniversary of the applicable date of grant) to exercise any awards that vest, unless the Remuneration Committee exercises its discretion to shorten the exercise window

9. Under the Company's Long Term Incentive Plan, the Remuneration Committee has exercised its discretion to allow Mr Christie's unvested share awards over 18,154 and 15,151 shares, granted in 2012 and 2013 respectively, to vest at the end of the their respective performance periods subject to the applicable performance conditions being satisfied, and subject to time pro-rating to reflect Mr Christie's actual service during the applicable performance period. The 18,154 shares granted under the LTIP in February 2012 did not vest. Mr Christie will have 12 months from the applicable vesting dates (or if later, the third anniversary of the applicable date of grant) to exercise any awards that vest, unless the Remuneration Committee exercises its discretion to shorten the exercise window

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

General

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

Remuneration Report continued

Payments in Connection with Recruitment of Jez Maiden

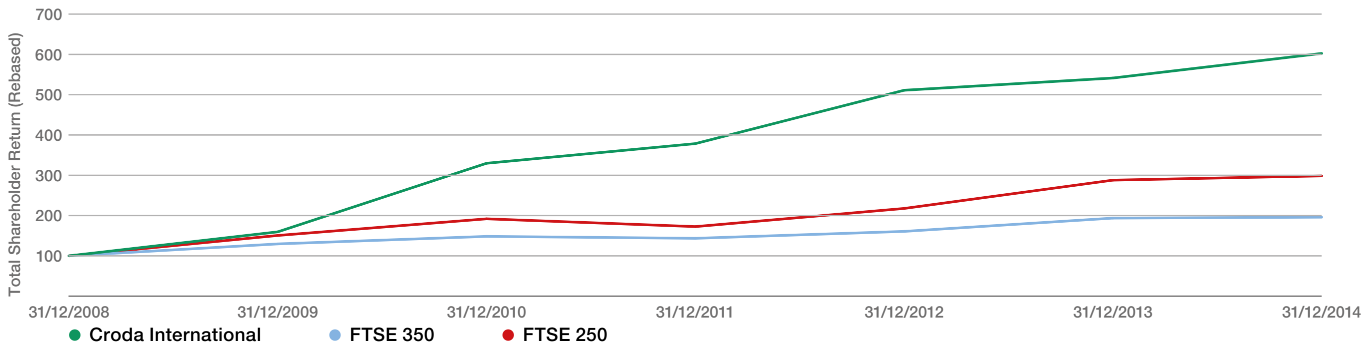
Jez Maiden's terms of appointment are aligned with the Remuneration Policy approved by shareholders at the 2014 AGM. Set out below are some specific terms agreed with Croda:

1. No compensation in respect of the forfeiture of all outstanding long term share awards granted to Mr Maiden by his previous employer
2. In line with the Company's recruitment policy, (i) reimbursement of his relocation costs (to include stamp duty costs and associated fees) and (ii) provision of rental accommodation for a period of up to six months during his relocation period. Should he leave Croda within 12 months of his employment he will be required to repay the Company his relocation costs. His relocation must be within a reasonable distance of the Company's head office (ie, within a one-hour commute). The arrangements have been structured so that he only receives reimbursement of expenses incurred on a net-of-tax basis
3. Mr Maiden is eligible for compensation to the extent that he forfeits the deferred element of his 2013 annual bonus from his previous employer. This element was due to be paid to Mr Maiden if he was employed by his previous employer on 28 February 2015. The Board requested that Mr Maiden join the Company on 1 January 2015 to ensure he could have responsibility for the presentation of the Company's 2014 final results in February 2015. As such, the Committee considered that it was appropriate that Mr Maiden be compensated for the loss of this deferred element of his 2013 annual bonus. Any payment in relation to such compensation will be of equal value to the amount forfeit and paid at the time he would have received his cash bonus from his previous employer

Other Unaudited Information

Performance Graph

The graph below shows the value, at 31 December 2014, of £100 invested in Croda International Plc on 31 December 2008 compared with the value of £100 invested in the FTSE 350 and FTSE 250 Index.



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

Total Remuneration Figures for Group Chief Executive

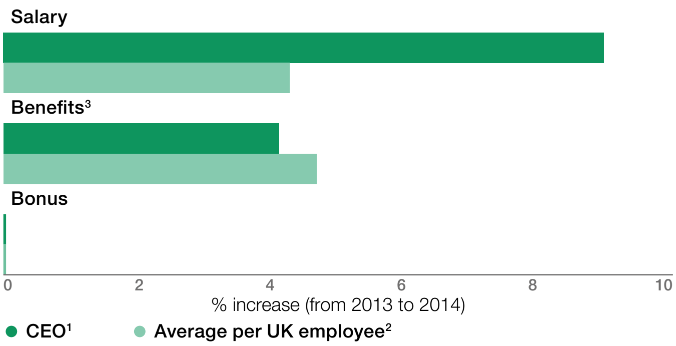
The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years. The annual bonus and LTIP percentages show the payout for each year as a percentage of the maximum.

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

* relate to Mike Humphrey ^ relate to Steve Foots

Percentage Change in Remuneration Levels

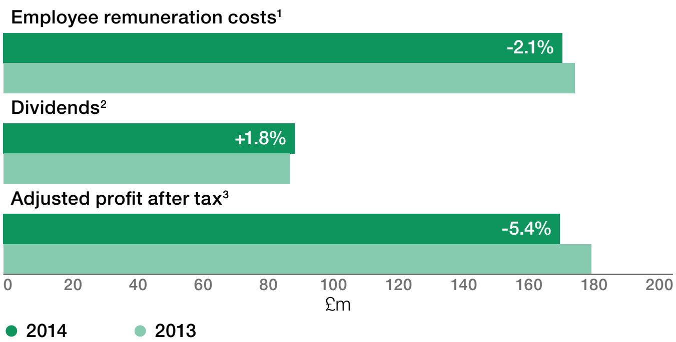
The following table shows the movement in the salary, benefits and annual bonus for the Group Chief Executive between the current and previous financial year compared to that of the average UK employee. The Committee has chosen this comparator as it feels it provides a more appropriate reflection of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



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

Relative Importance of the Spend on Pay

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



1 Employee remuneration costs, as stated in the Notes to the Group Accounts on page 107. These comprise all amounts charged against profit in respect of employee remuneration for the relevant financial year, less redundancy costs and share-based payments, both of which can vary significantly from year to year
2 Dividends – the amounts payable in respect of the relevant financial year
3 Adjusted profit after tax – profit for the relevant year adjusted for exceptional items, aquisition costs, amortisation of intangible assets arising an acquisition, and the tax thereon

External Directorships

Executive Directors are permitted to accept external appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for non-executive roles. Sean Christie continued as a Non-Executive Director of Eminate Limited during 2014. Sean receives no fixed remuneration but is entitled to a share of the value created by the Company's future projects. He is also a Non-Executive Director of Accys Technologies Plc and Applied Graphine Materials Plc, for which he receives annual fees of £45,000 and £25,000 respectively. Jez Maiden is a Non-Executive Director of Synthomer Plc and receives an annual fee of £55,000.

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

On behalf of the Board

Steve Williams
Chairman of the Remuneration Committee

24 February 2015

Other Disclosures

In 2014 63.5% of our employees participated in one of our all-employee share plans, indicating employees' continued desire to be involved in the Company.

Pages 40 to 83 inclusive (together with the sections of the Annual Report incorporated by reference) constitute a Directors' Report that has been drawn up and presented in accordance with applicable English company law: the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

Going Concern

The Financial Statements which appear on pages 89 to 139 have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Research & Development

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

Dividends

The Directors are recommending a final dividend of 36p per share (2013: 35.5p). If approved by shareholders, total dividends for the year will amount to 65.5p per share (2013: 64.5p per share). Details of dividends are shown in note 8 on page 106; details of the Company's Dividend Reinvestment Plan can be found on page 141. The Company has established various employee benefit trusts (EBTs) in connection with the obligation to satisfy future share awards under employee share incentive schemes. The trustees of the EBTs have waived their rights to receive dividends on certain Ordinary Shares of the Company held in the EBTs. Such waivers represent less than 1 per cent of the total dividend payable on the Company's Ordinary Shares. Further details of the EBTs can be found in note 24 on page 129.

Directors

The Company's Articles of Association (the 'Articles') give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board of Directors. The present Directors of the Company are shown on pages 40 and 41. In line with the UK Corporate Governance Code, each Director will be standing for re-election or election at the AGM. Details of the Directors' service contracts are given in the Directors' Remuneration Report on page 73.

As well as the present Directors, Sean Christie was a Director of the Company throughout 2014 and Stanley Musesengwa retired as a Director in April 2014.

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

A statement indicating the beneficial and non-beneficial interests of the Directors in the share capital of the Company, including share options, is shown in the Directors' Remuneration Report on page 76.

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

Directors' Indemnities

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company has also granted indemnities to each of its Directors and the Company Secretary which represent "qualifying third party indemnity provisions" (as defined by Section 234 of the Companies Act 2006), in relation to certain losses and liabilities which the Directors (or Company Secretary) may incur to third parties in the course of acting as Directors (or Company Secretary) or employees of the Company or of any associated company. In addition, such indemnities have been granted to other officers of the Company who are directors of subsidiary companies within the Group. The Company has also granted an indemnity representing "qualifying pension scheme indemnity provisions" (as defined by Section 235 of the Companies Act 2006) to a paid director of the corporate trustee of the Group's UK pension scheme. Such indemnities were in place during 2014 and at the date of approval of the Group financial statements.

Share Capital

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

Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Power to Issue or Buy Back Shares

At the 2014 AGM, authority was given to the Directors to allot unissued shares in the Company up to a maximum amount equivalent to approximately one third of the issued share capital (excluding shares held in treasury) for general purposes, plus up to a further one third of the Company's issued share capital (excluding shares held in treasury), but only in the case of a rights issue. No such shares have been issued.

A further special resolution passed at that meeting granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006. Both these authorities expire on the date of the 2015 AGM, that is 22 April 2015, and so the Directors propose to renew them for a further year.

At last year's AGM the members renewed the Company's authority to purchase up to 10% of its Ordinary Shares. No purchases were made during the year. As a result the Company will be seeking to renew its authority to purchase its own shares at the 2015 AGM. Shares will only be purchased if the Board believes that such purchases will improve earnings per share and be in the best general interest of shareholders. It is the Company's intention that any shares purchased will be held as treasury shares. At the date of this report the Company holds 4,168,181 shares in treasury.

Articles of Association

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

Significant Contracts and Change of Control

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

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

Employees

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

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

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

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

The continuous development of our employees is key to meeting the future demands of our customers, especially in relation to enhanced creativity, innovation and customer service. During 2014, 91.2% of our employees received training, totalling 103,980 hours; an average of 29 hours of training per employee.

Involvement: Croda is committed to ensuring that employees share in the success of the Group. Owning shares in the Company is an important way of strengthening involvement in the development of the business and bringing together employees' and shareholders' interests. In 2014 63.5% of our employees participated in one of our all-employee share plans, indicating employees' continued desire to be involved in the Company.

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

Other Disclosures continued

Sustainability
Sustainability is not just one part of our business; it is integral to everything we do. Our business model, on pages 12 and 13, conveys how deeply sustainability is embedded within Croda. It shapes the way we structure our business and develop our strategy, how we interact with stakeholders, including employees, local communities, customers and investors, and how we deal with the challenges of policy and regulation. Details of our activities are set out on pages 34 to 39 of this report, with more detailed information available in our Sustainability Report, which can be downloaded at **www.croda.com/sustainability**.

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

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

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

Political Donations
No donations were made for political purposes during the year (2013: £nil).

Financial Risk Management
The Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risks are contained in note 19 on pages 117 to 121.

Capitalised Interest
The Group's policy for capitalising borrowing costs directly attributable to the purchase or construction of fixed assets is set out on page 100. Given the strong cash generation of the Group in recent years, there has been no requirement for specific external funding for capital expenditure, hence the Group does not have capitalised interest of any significance on its balance sheet.

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

- Information on greenhouse gas emissions – page 35
- An indication of likely future developments in the Group's business can be found in the Strategic Report, starting on page 1
- An indication of the Company's overseas branches – page 140

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

Section	Topic	Page reference
(1)	Capitalised interest	Page 82
(2)	Publication of unaudited financial information	Not applicable
(3)	Smaller related party transactions	Not applicable
(4)	Details of long term incentive schemes established specifically to recruit or retain a Director	Not applicable
(5) and (6)	Waiver of emoluments by a Director	Not applicable
(7) and (8)	Allotments of equity securities for cash	Page 81
(9)	Participation in a placing of equity securities	Not applicable
(10)	Contracts of significance	Page 81
(11) and (14)	Controlling shareholder disclosures	Not applicable
(12) and (13)	Dividend waiver	Page 80

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

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

Independent Auditors

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

Each of the Directors, whose details are set out on pages 40 and 41 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; 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.

Audit Information

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

The Directors' Report and the Strategic Report, including the sections of the Annual Report and Accounts incorporated by reference, is the 'management report' for the purposes of the Financial Services Authority Disclosure and Transparency Rules (DTR 4.1.8R). It was approved by the Board on 24 February 2015 and is signed on its behalf by

Tom Brophy
Group General Counsel and Company Secretary

24 February 2015

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

Report on the Group financial statements

Our opinion

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

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

Croda International Plc's financial statements comprise:

- the Group Balance Sheet as at 31 December 2014;
- the Group Income Statement and Group Statement of Comprehensive Income for the year then ended;
- the Group Statement of Cash Flows for the year then ended;
- the Group Statement of Changes in Equity for the year then ended;
- the Group Accounting policies; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report & Accounts 2014 (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

Our audit approach

Overview

- Overall Group materiality: £11.5m, which represents 5% of profit before tax

- The Group audit team performed the audit work in both the US and UK. Combined with where component teams perform full scope audits, our Group audit covered 73.4% of Group revenues and 83.6% of Group profit before tax
- For other significant parts of the Group, which are audited by component auditors, we were heavily involved at all stages of their audits by virtue of numerous communications throughout the process, including the issuance of detailed audit instructions and discussion of audit findings, in particular over our areas of focus

- Valuation of defined benefit pension scheme liability
- Provision for environmental remediation
- Taxation

The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus
Valuation of defined benefit pension scheme liability *Refer to page 55 (Audit Committee Report), page 94 (Group Accounting Policies) and pages 108 to 112 (notes).* The Group has a number of defined benefit pension schemes that are in a net deficit position of £126.7m, which is significant, both in the context of the overall balance sheet and the results of the Group. The schemes in the UK and the US together account for £71.4m and £33.8m of the net deficit, respectively. The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions, a number of which can be volatile. Changes in a number of the key assumptions (including salary increases, inflation, discount rates, and mortality) can have a material impact on the calculation of the liability.	We focused our work on the pension plan liabilities in the UK and the US which, together, account for the majority of the balance and, hence, estimation uncertainty. We evaluated the Directors' assessment of the assumptions they made in relation to the valuation of the liabilities in the pension plan as follows: – we agreed the discount and inflation rates used in the valuation of the pension liabilities to our internally developed expectations using our own actuarial expertise and compared the assumptions around salary increases and mortality to national and industry averages; – we evaluated the sensitivity of the pension scheme deficits to differences between our independent judgements and those made by the Directors, both individually and in aggregate; and – we tested the integrity of the actuarial valuations used by the Directors in preparing the financial statements. Our testing in this area did not identify any exceptions that required reporting to the Audit Committee.
Provision for environmental remediation *Refer to page 55 (Audit Committee Report), page 94 (Group Accounting Policies) and page 122 (notes).* As a consequence of the Group's production of chemicals, there are a number of open claims and litigation against the Group relating to soil and potential groundwater contamination on sites, both currently in use and previously occupied, in the UK and the Americas. Environmental standards and legislation are particular to each territory the Group operates in. As such, understanding the potential environmental risks the Group is exposed to is often complex. The provision held for environmental liabilities within the balance sheet is £13.2m, which relates to a number of matters. For each, the Directors, in conjunction with experts they have engaged, have assessed the likelihood of the Group being found liable for any remedial work as well as any associated fines and legal costs. Assessing the likelihood and quantum of any financial obligations arising, requires judgement. There is a risk that the provision could be materially misstated and the required disclosures insufficient due to the inherent uncertainties and the potentially wide range of outcomes and timelines in respect of each matter. Management performed a detailed assessment of environmental liabilities to ensure that the level of environmental provision held remains appropriate. This assessment has included a most likely outcome being allocated by site totalling £13.2m.	We audited each of the specific environmental matters that the Directors make us aware of, as there is a risk with each matter that the liability is misstated. We evaluated and challenged the Directors' assumptions, both in terms of the likelihood of the Group being found liable and of any resulting financial obligations by: – reading publicly available information, correspondence with relevant stakeholders and other information available to the Directors, both relating to the specific matters identified and in a wider context to assess the completeness of the list of claims of which the Directors made us aware; – reading remediation plans drawn up by the Directors' external experts and comparing historic provisions with actual remediation costs incurred during the year; – evaluating the competence of the experts that the Directors engage to assess the likely outcome of the cases against the Group, and the cost of remediation needed, by confirming they are qualified and affiliated with the appropriate industry bodies in the respective local territory; – assessing management's accuracy in estimating exposures for fines and legal costs by comparing historic provisions for cases that have been settled with the actual fine/legal costs; – discussing all matters with the Group's legal counsel and head of sustainability, and obtaining independent confirmations from the Group's external legal advisors on the progress of each claim; and – discussing all matters arising in Europe and the Americas with local management, and corroborating information received from all parties. We consider that the Directors have in place a robust process for identifying potential environmental liabilities and have taken into consideration all available information when forming their judgments as to the likelihood and quantum of any financial liability and the required disclosures in the financial statements.

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

Area of focus	How our audit addressed the area of focus
Taxation *Refer to page 55 (Audit Committee Report), page 94 (Group Accounting Policies) and pages 104 and 105 (notes).* Due to the large number of tax jurisdictions in which the Group operates, the calculation of the Group's tax position is complex and is subject to scrutiny and challenge by different tax authorities. Due to the size of the operations in the US, UK and France, the associated tax positions in these countries are significant, and, as such, an error in the interpretation of, often complex, tax regulations, particularly relating to transfer pricing, could lead to a material misstatement in the tax expense. The Group also holds a number of specific judgmental tax accruals which relate to specific transfer pricing risks, open tax investigations/audits and other such matters. The estimation of the accrual is dependent on the Directors' assessment of the outcome of the outstanding matters.	We evaluated and challenged the Directors' assumptions and calculations when calculating and consolidating the tax expense, balances and accruals by: – focusing our work on the US, French and UK tax expense (which together make up 78% of the total tax charge for the year); – obtaining Group tax computations and testing the deductions and tax rates applied, focusing in particular on transfer pricing arrangements and challenging uncertain tax positions; – obtaining the Group's latest internal transfer pricing studies and associated documentation and using our own tax expertise to assess its reasonableness; – independently assessing the reasonableness of the specific tax accruals based on our experience of similar situations both related and unrelated to the Group; – reading the latest correspondence between the Group and tax authorities and considering any implications this may have on the tax position reported in the Group's financial statements; – utilising our experience of similar challenges elsewhere to independently assess the evidence described above; and – comparing the levels of tax expense in other territories with the local statutory tax rates and investigating the basis for any differences. Our testing did not identify any matters that the Directors had not adequately reflected in their estimate of the tax expense, balances and accruals.

How we tailored the audit scope

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

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

We, as the Group team performed the audit work at the two most significant components – the UK and the US. For other significant parts of the group, which are audited by component auditors, we were heavily involved in their audits. We formally issued detailed audit instructions at the planning stage of our audit, which included the areas of focus. We then received formal communications from them with the results of their audit work, and discussed with them throughout their fieldwork any significant matters identified to ensure they were appropriately resolved. We, as the Group team were also responsible for other head office activities such as the consolidation, financial statement disclosures and share based payments.

The audit procedures performed by both the Group team and the full scope audits performed by component auditors, accounted for 73.4% of the Group's external revenues and 83.6% of the Group's profit before tax.

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£11.5m (2013: £12.5m).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We had regard to profit before tax, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5m (2013: £0.5m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 94, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
– Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
– The statement given by the Directors on page 83, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit	We have no exceptions to report arising from this responsibility.
– The section of the Annual Report on pages 53 to 57, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee	We have no exceptions to report arising from this responsibility.

Adequacy of information and explanations received

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

Directors' remuneration

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

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 83, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

Responsibilities for the financial statements and the audit continued

What an audit of financial statements involves

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

– whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;

– the reasonableness of significant accounting estimates made by the Directors; and

– the overall presentation of the financial statements.

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

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

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

Other matter

We have reported separately on the company financial statements of Croda International Plc for the year ended 31 December 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ian Morrison

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

24 February 2015

Group Consolidated Statements

Group Income Statement
for the year ended 31 December 2014

	Note	2014 Before adjustments £m	2014 Adjustments £m	2014 Total £m	2013 Before adjustments £m	2013 Adjustments £m	2013 Total £m
Revenue	1	**1,046.6**	**–**	**1,046.6**	1,077.0	–	1,077.0
Cost of sales		**(703.0)**	**–**	**(703.0)**	(713.9)	–	(713.9)
Gross profit		**343.6**	**–**	**343.6**	363.1	–	363.1
Operating costs	2	**(95.2)**	**(6.0)**	**(101.2)**	(98.5)	(1.3)	(99.8)
Operating profit		**248.4**	**(6.0)**	**242.4**	264.6	(1.3)	263.3
Financial costs	4	**(13.8)**	**–**	**(13.8)**	(14.5)	–	(14.5)
Financial income	4	**0.8**	**–**	**0.8**	1.3	–	1.3
Profit before tax		**235.4**	**(6.0)**	**229.4**	251.4	(1.3)	250.1
Tax	5	**(65.8)**	**1.6**	**(64.2)**	(72.2)	–	(72.2)
Profit after tax for the year	3	**169.6**	**(4.4)**	**165.2**	179.2	(1.3)	177.9
Attributable to:							
Non-controlling interests				**(0.1)**			0.4
Owners of the parent				**165.3**			177.5
				165.2			177.9

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

Earnings per 10p share	Note	2014 Pence	2013 Pence
Basic	7	**121.9**	131.2
Diluted	7	**121.2**	130.1

Group Statement of Comprehensive Income
for the year ended 31 December 2014

	2014 £m	2013 £m
Profit for the year	**165.2**	177.9
Other comprehensive (expense)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of post employment benefit obligations	**(15.7)**	(6.4)
Tax on items that will not be reclassified	**6.0**	(4.1)
	(9.7)	(10.5)
Items that may be reclassified subsequently to profit or loss:		
Currency translation	**0.5**	(19.4)
Other comprehensive expense for the year	**(9.2)**	(29.9)
Total comprehensive income for the year	**156.0**	148.0
Attributable to:		
Non-controlling interests	**(0.1)**	–
Owners of the parent	**156.1**	148.0
	156.0	148.0
Arising from:		
Continuing operations	**156.0**	148.0

Group Consolidated Statements continued

Group Statement of Changes in Equity
for the year ended 31 December 2014

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2013		15.1	93.3	19.5	216.3	0.1	344.3
Profit for the year attributable to equity shareholders		–	–	–	177.5	0.4	177.9
Other comprehensive expense		–	–	(19.0)	(10.5)	(0.4)	(29.9)
Transactions with owners:							
Dividends on equity shares	8	–	–	–	(83.6)	–	(83.6)
Share based payments		–	–	–	3.6	–	3.6
Consideration received for sale of own shares held in trust		–	–	–	0.9	–	0.9
Total transactions with owners		–	–	–	(79.1)	–	(79.1)
Transactions with non-controlling interests:							
Recognition of non-controlling interest on acquisition		–	–	–	–	6.2	6.2
Total transactions with non-controlling interests		–	–	–	–	6.2	6.2
Total equity at 31 December 2013		**15.1**	**93.3**	**0.5**	**304.2**	**6.3**	**419.4**
At 1 January 2014		15.1	93.3	0.5	304.2	6.3	419.4
Profit/(loss) for the year attributable to equity shareholders		–	–	–	165.3	(0.1)	165.2
Other comprehensive income/(expense)		–	–	0.6	(9.7)	(0.1)	(9.2)
Transactions with owners:							
Dividends on equity shares	8	–	–	–	(88.1)	–	(88.1)
Share based payments		–	–	–	0.6	–	0.6
Consideration received for sale of own shares held in trust		–	–	–	1.1	–	1.1
Total transactions with owners		–	–	–	(86.4)	–	(86.4)
Total equity at 31 December 2014		**15.1**	**93.3**	**1.1**	**373.4**	**6.1**	**489.0**

Other reserves include the Capital Redemption Reserve of £0.9m (2013: £0.9m) and the Translation Reserve of £0.2m (2013: (£0.4m)).

Group Balance Sheet
at 31 December 2014

	Note	2014 £m	2013 £m
Assets			
Non-current assets			
Intangible assets	12	**244.9**	239.5
Property, plant and equipment	13	**387.8**	362.6
Investments	15	**0.8**	0.8
Deferred tax assets	6	**44.9**	47.1
		678.4	650.0
Current assets			
Inventories	16	**201.0**	192.8
Trade and other receivables	17	**145.0**	136.7
Cash and cash equivalents		**47.6**	37.5
		393.6	367.0
Liabilities			
Current liabilities			
Trade and other payables	18	**(127.5)**	(126.5)
Borrowings and other financial liabilities	19	**(25.9)**	(26.6)
Provisions	20	**(8.1)**	(6.8)
Current tax liabilities		**(37.4)**	(31.9)
		(198.9)	(191.8)
Net current assets		**194.7**	175.2
Non-current liabilities			
Borrowings and other financial liabilities	19	**(201.9)**	(213.1)
Other payables		**(1.9)**	(2.6)
Retirement benefit liabilities	11	**(126.7)**	(135.8)
Provisions	20	**(10.2)**	(12.3)
Deferred tax liabilities	6	**(43.4)**	(42.0)
		(384.1)	(405.8)
Net assets		**489.0**	419.4
Shareholders' equity			
Preference share capital	23	**1.1**	1.1
Ordinary share capital	21	**14.0**	14.0
Share capital		**15.1**	15.1
Share premium account		**93.3**	93.3
Reserves		**374.5**	304.7
Total equity attributable to owners of the parent		**482.9**	413.1
Non-controlling interests in equity	25	**6.1**	6.3
Total equity		**489.0**	419.4

The financial statements on pages 89 to 130 were signed on behalf of the Board who approved the accounts on 24 February 2015.

Martin Flower
Chairman

Jez Maiden
Group Finance Director

Group Consolidated Statements continued

Group Statement of Cash Flows
for the year ended 31 December 2014

	Note	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated by operations	ii	**233.3**	251.1
Interest paid		**(9.4)**	(9.7)
Tax paid		**(49.3)**	(50.1)
Net cash generated by operating activities		**174.6**	191.3
Cash flows from investing activities			
Acquisition of subsidiaries	27	**(1.9)**	(38.1)
Purchase of property, plant and equipment	13	**(62.9)**	(44.5)
Purchase of other intangible assets	12	**(1.9)**	(1.7)
Proceeds from sale of property, plant and equipment		**0.3**	0.7
Cash paid against non-operating provisions	20	**(1.4)**	(3.4)
Interest received		**0.8**	1.3
Net cash absorbed by investing activities		**(67.0)**	(85.7)
Cash flows from financing activities			
New borrowings		**186.5**	–
Repayment of borrowings		**(184.6)**	(47.7)
Capital element of finance lease repayments	iii	**(0.2)**	(0.4)
Sale of own shares held in trust	21	**1.1**	0.9
Dividends paid to equity shareholders	8	**(88.1)**	(83.6)
Net cash absorbed by financing activities		**(85.3)**	(130.8)
Net movement in cash and cash equivalents	i,iii	**22.3**	(25.2)
Cash and cash equivalents brought forward		**23.0**	50.2
Exchange differences	iii	**0.3**	(2.0)
Cash and cash equivalents carried forward		**45.6**	23.0
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		**47.6**	37.5
Bank overdrafts		**(2.0)**	(14.5)
		45.6	23.0

Group Cash Flow Notes
for the year ended 31 December 2014

(i) Reconciliation to net debt

	Note	2014 £m	2013 £m
Movement in cash and cash equivalents	iii	**22.3**	(25.2)
Movement in debt and lease financing	iii	**(1.7)**	48.1
Change in net debt from cash flows		**20.6**	22.9
Loans in acquired businesses		**–**	(16.8)
New finance lease contracts		**(0.2)**	(0.4)
Exchange differences		**1.6**	(0.2)
		22.0	5.5
Net debt brought forward		**(202.2)**	(207.7)
Net debt carried forward	iii	**(180.2)**	(202.2)

(ii) Cash generated by operations

	2014 £m	2013 £m
Continuing operations		
Adjusted operating profit	**248.4**	264.6
Exceptional items	**(5.5)**	–
Acquisition costs and amortisation of intangible assets arising on acquisition	**(0.5)**	(1.3)
Operating profit	**242.4**	263.3
Adjustments for:		
Depreciation and amortisation	**37.0**	33.9
Net provisions charged/(credited) (note 20)	**1.5**	(1.0)
Share based payments	**(4.1)**	0.9
Cash paid against operating provisions (note 20)	**(1.0)**	(1.8)
Pension fund contributions in excess of service cost	**(30.2)**	(41.2)
Movement in inventories	**(7.2)**	(17.0)
Movement in receivables	**(11.0)**	27.7
Movement in payables	**5.9**	(13.7)
Cash generated by continuing operations	**233.3**	251.1

(iii) Analysis of net debt

	2014 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2013 £m
Cash and cash equivalents	**47.6**	9.8	0.3	–	37.5
Bank overdrafts	**(2.0)**	12.5	–	–	(14.5)
Movement in cash and cash equivalents		22.3	0.3		
Borrowings repayable within one year	**(23.6)**	(10.7)	(1.1)	–	(11.8)
Borrowings repayable after more than one year	**(201.7)**	8.8	2.4	–	(212.9)
Finance leases	**(0.5)**	0.2	–	(0.2)	(0.5)
Movement in borrowings and other financial liabilities		(1.7)	1.3		
Total net debt	**(180.2)**	20.6	1.6	(0.2)	(202.2)

(iv) Cash flow on exceptional items
The total cash outflow during the year in respect of exceptional items, including those recognised in prior years' income statements, was £3.9m (2013: £4.9m)

Group Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards Interpretations Committee (IFRSIC), IFRSIC and the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements (February 2015). A summary of the more important Group accounting policies is set out below.

Going concern

The financial statements which appear on pages 89 to 130 have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Accounting estimates and judgements

The Group's critical accounting policies under IFRS have been set by management with the approval of the Audit Committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period. The critical judgements required when preparing the Group's accounts are as follows:

(i) Provisions – as disclosed in note 20, the Group has made significant provision for potential environmental liabilities. The rationale behind these and other provisions is discussed in note 20. The Directors believe that these provisions are appropriate based on information currently available.

(ii) Goodwill and fair value of assets acquired (note 12) – under IFRS, management are required to undertake an annual test for impairment of indefinite lived assets such as goodwill. Accordingly, the Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying cash generating units ("CGUs"). These calculations require the use of estimates to enable the calculation of the net present value of cashflow projections of the relevant CGU, the critical estimates are as follows:

- Growth in EBITDA (calculated as operating profit before depreciation and amortisation) – estimated at between 3% and 5% long term, a prudent estimate given the Group's historic growth rates
- Timing and quantum of capital expenditure – estimated to grow from current levels at the same 3% to 5% rates
- Selection of appropriate discount rates to reflect the risks involved – typically the Group's weighted average cost of capital would be used as a starting point unless the risk profile of a particular acquired business warranted different treatment

Currently, recoverable amounts significantly exceed carrying values, including goodwill, there is thus no impairment within a reasonable range of assumptions. Goodwill arising on acquisition is allocated to the CGU that is expected to benefit from the synergies of the acquisition. Such goodwill is then incorporated into the Group's standard impairment review process as described above.

(iii) Retirement benefit liabilities – as disclosed in note 11, the Group's principal retirement benefit schemes are of the defined benefit type. Year end recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Group in conjunction with the schemes' actuaries and the Directors are of the view that any estimation should be prudent and in line with consensus opinion.

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

Changes in accounting policy

(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 2014, none of which have a material impact on the Group:

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The impact of IFRS 10 has been assessed and is not considered to have any material impact to the financial statements.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. This did not have a material impact on the financial statements.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. This did not have a material impact on the financial statements.

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have a significant effect on the financial statements.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment did not have a significant effect on the financial statements.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 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 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss.

Group Accounting Policies continued

Changes in accounting policy continued

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement. The Group is yet to assess IFRS 9's full impact.

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 2017 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 15.

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

Group accounts

General information

Croda International Plc is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. The address of its registered office can be found on page 142.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Intangible assets

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. Goodwill arising on acquisitions is capitalised and carried at cost less accumulated impairment losses. Goodwill is subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units ("CGUs"). If the recoverable amount of the CGU is less than the carrying value of the goodwill, an impairment loss is recognised immediately against the goodwill value. The recoverable amount of the CGU is the higher of fair value less costs to sell and value in use. Value in use is estimated with reference to estimated future cash flows discounted to net present value using a discount rate that reflects the risks specific to the CGU. Typically the Group's weighted average cost of capital would be used as a starting point unless the risk profile of a particular acquired business warranted different treatment. The Group uses prudent growth estimates that track below the Group's historic growth rates.

Other intangible assets arising on acquisition

On acquisition, intangible assets other than goodwill will be recognised if they can be identified through being separable from the acquired entity or arising from specific contractual or legal rights. Once recognised, such intangible assets will be initially valued using either the "market approach" (where a well- defined external market for the asset exists), the "income approach" (which looks at the future income the asset will generate) or the "cost approach" (the cost of replacing the asset), whichever is most relevant to the asset under consideration. Following initial recognition, the asset will be written down on a straight line basis over its useful life. Useful lives are regularly reviewed to ensure their continuing relevance.

Research and development

Research expenditure, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is charged to the income statement in the year in which it is incurred. Internal development expenditure, whereby research findings are applied to a plan for the production of new or substantially improved products or processes, is charged to the income statement in the year in which it is incurred unless it meets the recognition criteria of IAS 38 'Intangible Assets'. Measurement and other uncertainties generally mean that such criteria are not met. Where, however, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch. Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off immediately to income.

Computer software

Acquired computer software licenses covering a period of greater than one year are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Revenue recognition

Sale of goods

Revenue comprises the fair value for the sale of goods, excludes inter-company sales and value-added taxes and represents net invoice value less estimated rebates, returns and settlement discounts.

The Group supplies products to customers from its various manufacturing sites and warehouses and in some limited instances from consignment inventory held on customer sites, under a variety of standard terms and conditions. In each case revenue is recognised when the transfer of legal title, which is defined and generally accepted in the standard terms and conditions, arises between the Group and the customer. This will nearly always be on dispatch or delivery, but never before dispatch. Provisions for sales discounts and rebates to customers are based upon the terms of sales contracts and are recorded in the same period as the related sales as a deduction from revenue. The Group estimates the provision for sales discounts and rebates based on the terms of each agreement at the time the revenue is recognised.

Group Accounting Policies continued

Royalties and profit sharing arrangements

Revenues are recognised on an accruals basis in accordance with the substance of the underlying agreement, subject to reliable measurement of the amounts.

Interest and dividend income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Segmental reporting

An operating segment is a group of assets and operations engaged in providing products and services that are subject to risks or returns that are different from those of other segments. Operating segments presented in the financial statements are consistent with the internal reporting provided to the Group's Chief Operating Decision Maker, which has been identified as the Group Executive Committee.

Employee benefits

Pension obligations

The Group accounts for pensions and similar benefits under IAS 19 'Employee Benefits' (revised). In respect of defined benefit plans (pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation), obligations are measured at discounted present value whilst plan assets are recorded at fair value. The liability recognised in the balance sheet in respect of defined benefit pension plans is the net of the plan obligations and assets. No allowance is made in the past service liability in respect of either the future expenses of running the schemes or for non-service related death in service benefits which may arise in the future. The operating costs of such plans are charged to operating profit and the finance costs are recognised as financial income or an expense as appropriate. Service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised in the Statement of Comprehensive Income. Payments to defined contribution schemes (pension plans under which the Group pays fixed contributions into a separate entity) are charged as an expense as they fall due.

Other post-retirement benefits

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses are recognised in the Statement of Comprehensive Income. These obligations are valued annually by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Share based payments

The Group operates a number of cash and equity-settled, share-based incentive schemes. These are accounted for in accordance with IFRS2 'Share-based Payments', which requires an expense to be recognised in the income statement over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black-Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting, as the Group does not use market-based performance criteria.

Currency translations

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Transactions and balances

Monetary assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the Group income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Temporary differences arise on differences between the carrying value of assets and liabilities in the financial statements and their tax base and primarily relate to the difference between tax allowances on tangible fixed assets and the corresponding depreciation charge, and upon the pension fund deficit. Full provision is made for the tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings. Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised, using the liability method, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

All taxation is calculated on the basis of the tax rates and laws enacted or substantively enacted at the balance sheet date.

Exceptional items

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. In the current year all exceptional items relate to reorganisation costs. There were no exceptional items in the prior year. Details can be found in note 3 on page 103.

Income statement presentation

The acquisitions in 2014 of AM Coatings and JD Horizons increased acquisition costs and amortisation of acquired intangible assets. If the right targets can be found, these costs are likely to increase in the future. To avoid distorting the underlying trend in profitability, in 2013 the Group introduced the definitions "Adjusted operating profit", "Adjusted pre-tax profit" and "Adjusted earnings per share". In each case acquisition costs, amortisation or write off of intangible assets arising on acquisition and exceptional items, including the respective tax effect, are excluded. The Group income statement has been produced in a columnar format to further aid this analysis.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation, with the exception of assets acquired as part of a business combination which are initially recorded at fair value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The Group's policy is to write off the difference between the cost of all property, plant and equipment, except freehold land, and their residual value on a straight line basis over their estimated useful lives. Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear, and adjustments are made where appropriate. Under this policy it becomes impractical to calculate average asset lives exactly. However, the total lives range from approximately 15 to 40 years for buildings, and 3 to 15 years for plant and equipment. All individual assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. By far the bulk of the Group's 'plant and equipment' asset class relates to the value of plant and equipment at the Group's manufacturing facilities. Consequently, the Group does not seek to analyse out of this class other items such as motor vehicles and office equipment.

Group Accounting Policies continued

Impairment of non-financial assets
The Group assesses at each year end whether an asset may be impaired. If any evidence exists of impairment, the estimated recoverable amount is compared to the carrying value of the asset and an impairment loss is recognised where appropriate. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell. In addition to this, goodwill is tested for impairment at least annually. Non-financial assets other than goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Leases
Assets acquired under finance leases are included in the balance sheet under property, plant and equipment at an amount reflecting the lower of the present value of future rentals and the fair value of the asset and are depreciated over the shorter of the lease term and their estimated useful lives. The capital element of future lease rentals is included in borrowings. Finance charges are allocated to the income statement each year in proportion to the capital element outstanding. The cost of operating leases is charged to the income statement on a straight line basis over the lease period.

Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to interest rates and short term currency rate fluctuations.

Derivative financial instruments are recorded initially at cost. Subsequent measurement depends on the designation of the instrument as either: (i) a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (ii) a hedge of highly probable forecast transactions (cash flow hedge);

(i) Fair value hedge
Changes in the fair value of derivatives, for example interest rate swaps and foreign exchange contracts, that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Inventories
Inventories are stated at the lower of cost and net realisable amount on a first in first out basis. Cost comprises all expenditure, including related production overheads, incurred in the normal course of business in bringing the inventory to its location and condition at the balance sheet date. Net realisable amount is the estimated selling price in the ordinary course of business less any applicable variable selling costs. Provision is made for obsolete, slow moving and defective inventory where appropriate. Profits arising on intra Group sales are eliminated in so far as the product remains in Group inventory at the year end.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses. A provision for impairment is made when there is objective evidence that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and bank overdrafts are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, there is an intention to settle on a net basis and interest is charged on a net basis.

Environmental, restructuring and other provisions
The Group is exposed to environmental liabilities relating to its operations and liabilities arising from the restructuring of its operations following the acquisition of Uniqema. Provisions are made immediately where a constructive or legal obligation is identified, can be quantified and it is regarded as more likely than not that an outflow of resources will be required to settle the obligation. The Group does consider the impact of discounting when establishing provisions and provisions are discounted when the impact is material and the timing of cash flows can be estimated with reasonable certainty.

Share capital
(a) Investment in own shares
Employee Share Ownership Trusts
Shares acquired by the Trustees, funded by the Company and held for the continuing benefit of the Company are shown as a reduction in equity attributable to owners of the parent. Movements in the year arising from additional purchases by the Trustees of shares or the receipt of funds due to the exercise of options by employees are accounted for within reserves and shown as a movement in equity attributable to owners of the parent in the year. Administration expenses of the trusts are charged to the Company's income statement as incurred.

Treasury shares
Where any Group company purchases the Company's equity share capital as treasury shares, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(b) Preference share capital
Preference share capital is classified as equity as the Group has full discretion over the transfer of benefits associated with the shares.

(c) Dividends
Dividends on preference shares are recognised as a liability on an accruals basis. Other dividends are recognised as a liability when the liability is irrevocable. Accordingly, final dividends are recognised when approved by shareholders and interim dividends are recognised when paid.

Investments
Investments in quoted securities are treated as 'available for sale' and stated at fair value, being the appropriate quoted market value, with movements in the fair value being recognised in equity. Investments in unquoted securities are carried at fair value unless such value cannot be reliably measured, in which case the investments are carried at cost. Investments are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Held to maturity investments are measured at amortised cost using the effective interest rate method.

Notes to the Group Accounts

1. Segmental analysis

With effect from May 2014, in order to catalyse faster sales growth and sharpen innovation further, the Group's business has been 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 have been 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.

	2014 £m	2013 £m Restated
Income statement		
Revenue		
Personal Care	**369.1**	392.7
Life Sciences	**204.5**	200.5
Performance Technologies	**355.2**	355.2
Industrial Chemicals	**117.8**	128.6
Total Group revenue	**1,046.6**	1,077.0
Adjusted operating profit		
Personal Care	**117.3**	132.7
Life Sciences	**64.7**	58.6
Performance Technologies	**63.8**	62.7
Industrial Chemicals	**2.6**	10.6
Total Group operating profit (before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition)	**248.4**	264.6
Exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition*	**(6.0)**	(1.3)
Total Group operating profit	**242.4**	263.3

* Relate to Personal Care £2.0m (2013: £0.1m), Life Sciences £1.1m (2013: £Nil), Performance Technologies £2.2m (2013: £0.7m) and Industrial Chemicals £0.7m (2013: £0.5m)

	2014 £m	2013 £m Restated
Balance sheet		
Total assets		
Segment total assets:		
Personal Care	**454.2**	439.5
Life Sciences	**103.6**	95.2
Performance Technologies	**290.6**	264.3
Industrial Chemicals	**130.3**	132.6
Total segment assets	**978.7**	931.6
Tax assets	**44.9**	47.1
Cash and investments	**48.4**	38.3
Total Group assets	**1,072.0**	1,017.0

Capital expenditure and depreciation

	2014 £m		2013 £m Restated	
	Additions to non-current assets	Depreciation and amortisation	Additions to non-current assets	Depreciation and amortisation
Personal Care	**20.1**	**13.3**	11.5	12.3
Life Sciences	**13.2**	**5.8**	10.1	5.3
Performance Technologies	**25.3**	**12.6**	20.3	13.0
Industrial Chemicals	**7.9**	**5.3**	4.7	3.3
Total Group	**66.5**	**37.0**	46.6	33.9

The Group manages its business segments on a global basis. The operations are based mainly in the following geographical areas; Europe, with manufacturing sites in the UK, France, Holland, Italy and Spain; the Americas, with manufacturing sites in the USA and Brazil; and Asia, with manufacturing sites in Singapore, Japan, India, China and Indonesia.

The Group's revenue from external customers in the UK is £48.5m (2013: £49.6m), in Germany is £107.6m (2013: £117.8m), in the US is £252.6m (2013: £251.2m) and the total revenue from external customers from other countries is £637.9m (2013: £658.4m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £83.3m (2013: £84.7m), and the total of the non-current assets located in other countries is £315.8m (2013: £288.9m). Goodwill has not been split by geography as this asset is not attributable to a geographical area.

No single external customer represents more than 3% of the total revenue of the Group.

2. Operating costs

	2014 £m	2013 £m
Analysis of net operating expenses by function:		
Distribution costs	**38.9**	38.1
Administrative expenses	**62.3**	61.7
	101.2	99.8

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

3. Profit for the year

	2014 £m	2013 £m
The Group profit for the year is stated after charging/(crediting):		
Depreciation and amortisation (note 12 & 13)	**37.0**	33.9
Staff costs (note 9)	**165.7**	173.0
Redundancy costs		
Non-exceptional	**0.9**	1.1
Exceptional	**3.8**	–
Inventories		
Cost recognised as expense in cost of sales	**615.4**	625.6
Provision increase in year	**2.0**	2.4
Research and development	**22.7**	22.3
Hire of plant and machinery and other operating lease rentals	**5.4**	5.9
Net foreign exchange	**(0.1)**	0.6
Bad debt charge (note 17)	**0.2**	0.2

Adjustments in the Group income statement of £6.0m include £5.5m (2013: £Nil) of costs associated with the reorganisation of the Group during the year (redundancy costs, office closure and asset write off costs). Also included are acquisition costs of £0.2m (2013: £1.0m), amortisation of intangible assets arising on acquisition of £0.3m (2013:£0.3m) and the tax thereon of £1.6m (2013: £Nil).

	2014 £m	2013 £m
Services provided by the Group's auditors		
Audit services		
Fees payable to the Group auditor for the audit of parent company and consolidated financial statements	**0.1**	0.1
Fees payable to the Group auditor and its associates for the audit of the Company's subsidiaries	**0.7**	0.7
Other audit services		
Fees payable to the Group auditor and its associates for other services:		
Tax compliance services	**0.4**	0.2
	1.2	1.0

In addition to the amounts above, included within additions to other intangibles in 2013 were £0.5m of capitalised costs relating to work carried out by the auditors on computer system implementations in various of the Group's smaller locations. No similar costs were incurred in 2014.

Notes to the Group Accounts continued

4. Net financial costs

	2014 £m	2013 £m
Financial costs		
$100m US loan note due 2020	**3.6**	3.8
2010 Club facility due 2015	**2.3**	4.7
2014 Club facility due 2019	**1.9**	–
Net interest on retirement benefit liabilities (note 11)	**4.4**	4.8
Other bank loans and overdrafts	**1.6**	1.2
	13.8	14.5
Financial income		
Bank interest receivable and similar income	**(0.8)**	(1.3)
Net financial costs	**13.0**	13.2

5. Tax

	2014 £m	2013 £m
(a) Analysis of tax charge for the year		
United Kingdom current corporate tax	**12.2**	13.9
Overseas current corporate taxes	**42.6**	46.0
Current tax	**54.8**	59.9
Deferred tax (note 6)	**9.4**	12.3
	64.2	72.2
(b) Tax on items (credited)/charged to equity		
Deferred tax on actuarial movement on retirement benefit liabilities	**(6.0)**	4.1
Deferred tax on share based payments	**0.5**	(0.3)
	(5.5)	3.8
(c) Factors affecting the tax charge for the year		
Profit before tax	**229.4**	250.1
Tax at the standard rate of corporation tax in the UK, 21.5% (2013: 23.25%)	**49.3**	58.1
Effect of:		
Deferred tax rate change	**–**	(1.4)
Tax cost of remitting overseas income to the UK	**0.4**	0.5
Expenses and write offs not deductible for tax purposes	**0.5**	0.5
Effect of higher overseas tax rates	**14.0**	14.5
	64.2	72.2

6. Deferred tax

	2014 £m	2013 £m
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Retirement benefit obligations	**31.3**	31.9
Provisions	**13.6**	15.2
	44.9	47.1
Deferred tax liabilities		
Excess of capital allowances over depreciation	**40.3**	38.8
Revaluation gains	**1.9**	1.9
Other	**1.2**	1.3
	43.4	42.0
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax (charged)/credited through income statement		
Continuing operations	**(10.4)**	(12.3)
Exceptional items	**1.0**	–
Deferred tax credited/(charged)directly to equity (note 5(b))	**5.5**	(3.8)
Exchange differences	**0.3**	0.4
	(3.6)	(15.7)
Net balance brought forward	**5.1**	20.8
Net balance carried forward	**1.5**	5.1
Deferred tax (charged)/credited through the income statement relates to the following:		
Retirement benefit obligations	**(7.3)**	(8.9)
Excess of capital allowances over depreciation	**(1.1)**	0.2
Exceptional items	**1.0**	–
Other	**(2.0)**	(3.6)
	(9.4)	(12.3)

Deferred tax is calculated in full on temporary differences under the liability method at rates appropriate to each subsidiary. Deferred tax expected to reverse in the year to 31 December 2015 and beyond has been measured using the rate due to prevail in the year of reversal.

Deferred tax assets have been recognised in all cases where such assets arise, as it is probable the assets will be recovered.

Deferred tax is only recognised on the unremitted earnings of overseas subsidiaries to the extent that remittance is expected in the foreseeable future. If all earnings were remitted, an additional £2.2m (2013: £2.2m) of tax would be payable.

All movements on deferred tax balances have been recognised in income with the exception of the charges shown in note 5(b), which have been recognised directly in equity.

Of the deferred tax assets, £4.7m are expected to reverse within 12 months of the balance sheet date, largely due to further deficit funding of the Group's UK pension scheme . No reversal of any of the deferred tax liability is expected within 12 months of the balance sheet date based on the Group's current capital expenditure programme.

Notes to the Group Accounts continued

7. Earnings per share

	2014 £m	2013 £m
Adjusted profit for the year[1]	**169.6**	179.2
Acquisition costs and amortisation of goodwill	**(0.5)**	(1.3)
Exceptional items net of tax	**(3.9)**	–
Non-controlling interests	**–**	(0.5)
	165.2	177.4

	Number m	Number m
Weighted average number of 10p ordinary shares in issue for basic calculation	**135.5**	135.2
Deemed issue of potentially dilutive shares	**0.8**	1.2
Average number of 10p ordinary shares for diluted calculation	**136.3**	136.4

	Pence	Pence
Basic earnings per share	**121.9**	131.2
Adjusted[1] basic earnings per share from continuing operations	**125.2**	132.2
Diluted earnings per share	**121.2**	130.1
Adjusted[1] diluted earnings per share from continuing operations	**124.4**	131.0

1 Before exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trusts (note 24) which are treated as cancelled as except for a nominal amount, dividends have been waived.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares.

Additional earnings per share measures are included above to give a better indication of the Group's underlying performance.

8. Dividends

	Pence per share	2014 £m	Pence per share	2013 £m
Ordinary				
Interim				
2013 interim, paid October 2013	**–**	**–**	29.00	39.2
2014 interim, paid September 2014	**29.50**	**40.0**	–	–
Final				
2012 final, paid May 2013	**–**	**–**	32.75	44.3
2013 final, paid May 2014	**35.50**	**48.0**	–	–
	65.00	**88.0**	61.75	83.5
Preference (paid June and December)		**0.1**		0.1
		88.1		83.6

The Directors are recommending a final dividend of 36.0p per share, amounting to a total of £48.8m, in respect of the financial year ended 31 December 2014.

Subject to shareholder approval, the dividend will be paid on 28 May 2015 to shareholders registered on 1 May 2015 and has not been accrued in these financial statements. The total dividend for the year ending 31 December 2014 is 65.5p per share amounting to a total of £88.8m.

9. Employees

	2014 £m	2013 £m
Group employment costs including Directors		
Wages and salaries	**125.4**	126.1
Share based payment charges (note 22)	**2.2**	8.9
Social security costs	**22.0**	23.1
Other pension costs (note 11)	**16.1**	14.9
Redundancy costs	**4.7**	1.1
	170.4	174.1

	2014 Number	2013 Number
Average employee numbers by function		
Production	**2,166**	2,074
Selling and distribution	**924**	880
Administration	**522**	447
	3,612	3,401

As required by the Companies Act 2006, the figures disclosed above are weighted averages based on the number of employees at each month end and include Executive Directors. At 31 December 2014, the Group had 3,610 (2013: 3,545) employees in total.

10. Directors' and key management compensation

Detailed information concerning Directors' remuneration, interests and options is shown in the Directors' Remuneration Report which is subject to audit on pages 61 to 79 which forms part of the Annual Report and Accounts.

Aggregate compensation for key management, being the Directors and members of the Group Executive Committee, was as follows:

	2014 £m	2013 £m
Key management compensation including Directors		
Short term employee benefits	**4.8**	5.3
Post employment benefits	**0.3**	0.3
Share based payments	**1.2**	3.0
Termination benefits	**0.1**	–
	6.4	8.6

Notes to the Group Accounts continued

11. Retirement benefit liabilities

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

	2014 £m	2013 £m
Balance sheet obligations for:		
Defined pension benefits	**110.8**	124.3
Post-employment medical benefits	**15.9**	11.5
	126.7	135.8
Income statement charge included in profit before tax for:		
Defined pension benefits	**17.5**	16.3
Post-employment medical benefits	**0.8**	0.9
	18.3	17.2
Remeasurements included in other comprehensive expense/(income) for:		
Defined pension benefits	**12.6**	9.1
Post-employment medical benefits	**3.1**	(2.7)
	15.7	6.4

Defined benefit pension schemes

The Group operates defined benefit pension schemes in the UK, US and several other territories under broadly similar regulatory frameworks. The Group's main schemes are of the final salary pension type, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the UK plans, pensions in payment are generally updated in line with the retail price index, whereas in the US plans, pensions generally do not receive inflationary increases once in payment. With the exception of this inflationary risk in the UK, the plans face broadly similar risks, as described on page 111.

The majority of benefit payments are from trustee administered funds; however, there are also a number of unfunded plans where the relevant Group company meets the benefit payment obligation as it falls due.

Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the trustees (or equivalent) and their composition. Responsibility for governance of the schemes – including investment decisions and contribution schedules – lies jointly with the relevant Group company and the particular scheme's board of trustees. The board of trustees must be composed of representatives in accordance with each scheme's regulations.

The amounts recognised in the balance sheet in respect of these schemes are as follows:

	2014 £m	2013 £m
Present value of funded obligations		
UK pension scheme	**(811.6)**	(725.5)
US pension scheme	**(109.9)**	(101.3)
Rest of World	**(131.0)**	(101.3)
	(1,052.5)	(928.1)
Fair value of schemes' assets		
UK pension scheme	**740.2**	631.1
US pension scheme	**95.8**	83.2
Rest of World	**110.5**	94.0
	946.5	808.3
Net liability in respect of funded schemes	**(106.0)**	(119.8)
Present value of unfunded obligations	**(4.8)**	(4.5)
Liability in Group balance sheet (excluding post-employment medical benefits)	**(110.8)**	(124.3)

	2014 £m	2013 £m
Movement in present value of retirement benefit obligations in the year:		
Opening balance	**932.6**	864.2
Current service cost	**13.6**	12.0
Settlements	**(9.7)**	–
Interest cost	**39.2**	36.4
Remeasurements		
Change in demographic assumptions	**5.5**	1.6
Change in financial assumptions	**109.8**	47.5
Experience (gains)/losses	**(1.0)**	1.5
Contributions paid in		
Employee	**2.7**	2.8
Benefits paid	**(34.0)**	(32.0)
Exchange differences on overseas schemes	**(1.4)**	(1.4)
	1,057.3	932.6
Movement in fair value of schemes' assets in the year:		
Opening balance	**808.3**	712.3
Interest income	**35.3**	32.1
Remeasurements		
Return on scheme assets, excluding amounts included in financial expenses	**101.5**	41.5
Contributions paid in		
Employee	**2.7**	2.8
Employer	**42.7**	53.1
Benefits paid out including settlements	**(42.6)**	(32.0)
Exchange differences on overseas schemes	**(1.4)**	(1.5)
	946.5	808.3

As at the balance sheet date, the present value of retirement benefit obligations was comprised of approximately £256m in respect of active employees, £301m in respect of deferred members and £500m in relation to members in retirement.

Total employer contributions to the schemes in 2015 are expected to be £32.5m.

The significant actuarial assumptions were as follows:

	2014 UK	2014 US	2013 UK	2013 US
Discount rate	**3.6%**	**4.0%**	4.4%	4.5%
Inflation rate	**3.2%**	**2.5%**	3.7%	2.5%
Rate of increase in salaries	**4.2%**	**4.0%**	4.7%	4.0%
Rate of increase for pensions in payment	**3.0%**	**n/a**	3.3%	n/a
Duration of liabilities (i.e. life expectancy) (years)	**20.1**	**12.0**	19.4	10.9
Remaining working life	**15.3**	**11.2**	15.0	11.0

Notes to the Group Accounts continued

11. Retirement benefit liabilities continued

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

	Impact on retirement benefit obligation		
	Sensitivity	Of increase	Of decrease
Discount rate	**0.5%**	-9.0%	+10.4%
Inflation rate	**0.5%**	+6.4%	-5.8%
Mortality (assume all scheme members one year younger)	**1 year**	+2.9%	n/a

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied as when calculating the retirement benefit obligation recognised in the Group balance sheet.

The weighted average duration of the defined benefit obligation is 19.6 years.

The assets in the schemes comprised:

	2014 £m	2014 %	2013 £m	2013 %
Quoted				
Equities	**467.0**	**49%**	459.2	57%
Government bonds	**44.5**	**5%**	72.6	9%
Corporate bonds	**143.4**	**15%**	99.6	12%
Other quoted securities	**23.1**	**2%**	15.8	2%
Unquoted				
Cash and cash equivalents	**47.8**	**5%**	19.7	3%
Real estate	**55.4**	**6%**	59.3	7%
Liability driven instruments	**107.2**	**12%**	34.3	4%
Other	**58.1**	**6%**	47.8	6%
	946.5	**100%**	808.3	100%

Post-employment medical benefits

The Group operates an unfunded post-employment medical benefit scheme in the US. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long term increase in healthcare costs of 7.3% a year (2013: 7.5%).

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

	2014 £m	2013 £m
Present value of unfunded obligations		
US scheme	**15.9**	11.5

	2014 £m	2013 £m
Movement in present value of retirement benefit obligations in the year:		
Opening balance	**11.5**	13.9
Current service cost	**0.3**	0.4
Interest cost	**0.5**	0.5
Remeasurements		
Change in demographic assumptions	**1.3**	–
Change in financial assumptions	**1.2**	(1.4)
Experience losses/(gains)	**0.7**	(1.3)
Benefits paid	**(0.5)**	(0.5)
Exchange differences on overseas schemes	**0.9**	(0.1)
	15.9	11.5

Pension and medical benefits – risks and volatility

Through its defined benefit pension schemes and post-employment medical schemes, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The schemes' liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, a deficit will be created. Both the UK and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. Whilst our Dutch scheme is less mature, regulatory pressures result in lower equity holdings. As the schemes mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. However, the Group and the Trustees believe that due to the long term nature of the scheme liabilities and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the schemes efficiently. See below for more details on the Group's asset-liability matching strategy.

Changes in bond yields

A decrease in corporate bond yields will increase scheme liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk

Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, the level of inflationary increases are usually capped to protect the scheme against extreme inflation. The majority of the schemes' assets are either unaffected by inflation in the case of fixed interest bonds or loosely correlated in the case of equities, meaning that an increase in inflation will thus increase the deficit. In the US schemes, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant in the UK scheme, where inflationary increases result in higher sensitivity to changes in life expectancy. In the case of the funded schemes, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long term investments that are cognisant of the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match a portion of assets to the pension obligations by investing in long term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group and Trustees actively monitor how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2014 consists of equities and bonds, although the schemes also invest in property, cash and Infrastructure funds. The Group believes that equities offer the best returns over the long term with an acceptable level of risk. Both the UK and Dutch schemes make use of a portfolio of derivative instruments to mitigate interest rate and inflation risk.

The triennial valuation of the UK scheme was completed as at 30 September 2014 but has not yet been finalised. The results are expected to show that the actuarial scheme deficit has been eliminated with the latest deficit payment of £22m in January 2015. As a result, it is expected that deficit funding payments to this scheme will not be required over the coming three years. The funding review of our US scheme is undertaken annually. As at 31 December 2013 the scheme was 107.3% funded, with the funding level allowing for contributions received during 2014. The Group's Dutch scheme, as alluded to earlier, is subject to a more rigorous regulatory environment under the supervision of the Dutch National Bank (DNB). As at 31 December 2014 the scheme was 118.0% funded on an actuarial basis relative to the DNB's required level of 114.4% and a minimum funding requirement of 105.4%.

Notes to the Group Accounts continued

11. Retirement benefit liabilities continued

The expected distribution of the timing of benefit payments is as follows:

	Less than a year £m	Between 1–2 years £m	Between 2–5 years £m	Beyond 5 years £m	Total £m
Pension benefits	31.6	33.7	106.5	216.8	388.6
Post-employment medical benefits	0.6	0.6	2.0	3.6	6.8
	32.2	34.3	108.5	220.4	395.4

Defined contribution schemes

	2014 £m	2013 £m
Contributions paid charged to operating profit	**2.2**	2.5

12. Intangible assets

	Goodwill £m	Software £m	Other intangibles £m	Total £m
Cost				
At 1 January 2013	206.5	9.1	1.8	217.4
Exchange differences	(1.0)	–	–	(1.0)
Additions	–	1.7	–	1.7
Acquisitions	23.8	–	2.3	26.1
Reclassification from plant and equipment	–	1.2	–	1.2
At 31 December 2013	**229.3**	**12.0**	**4.1**	**245.4**
At 1 January 2014	229.3	12.0	4.1	245.4
Exchange differences	0.7	(0.5)	(0.3)	(0.1)
Additions	2.5	1.1	0.8	4.4
Acquisitions	1.2	–	0.5	1.7
Disposals and write offs	–	(0.3)	–	(0.3)
Reclassification from plant and equipment	–	0.7	–	0.7
At 31 December 2014	**233.7**	**13.0**	**5.1**	**251.8**
Accumulated amortisation and impairment losses				
At 1 January 2013	–	4.0	0.3	4.3
Charge for the year (note 3)	–	1.3	0.3	1.6
At 31 December 2013	**–**	**5.3**	**0.6**	**5.9**
At 1 January 2014	–	5.3	0.6	5.9
Exchange Differences	–	(0.6)	(0.4)	(1.0)
Charge for the year (note 3)	–	1.9	0.3	2.2
Disposals and write offs	–	(0.2)	–	(0.2)
At 31 December 2014	**–**	**6.4**	**0.5**	**6.9**
Net carrying amount				
At 31 December 2014	**233.7**	**6.6**	**4.6**	**244.9**
At 31 December 2013	229.3	6.7	3.5	239.5
At 1 January 2013	206.5	5.1	1.5	213.1

Intangible asset amortisation is recorded in operating costs within the income statement on page 89.

Impairment testing for goodwill

The goodwill relates predominantly to the value of commercial and other synergies arising from the combination of acquired businesses, or the specific technologies or products acquired, with Croda's established global sales, marketing and R&D networks. This goodwill is allocated to the Group's cash generating units (CGUs) that are expected to benefit from that combination. The carrying amount of goodwill is allocated to CGUs as follows:

	2014 £m	2013 £m
Uniqema (Personal Care and Life Sciences)	**193.4**	193.4
SIPO	**19.9**	17.4
Other	**20.4**	18.5
	233.7	229.3

As discussed in the accounting policies note on page 97, goodwill is tested at each year end for impairment with reference to the relevant CGUs recoverable amount compared to the unit's carrying value including goodwill. Assets are grouped at the lowest level for which there are separately identifiable cash flows relevant to the acquisition generating the goodwill. The recoverable amount is based on value in use calculations using pre-tax discounted cash flow projections based on the Group's current year results and a long term future growth rate for 25 years. These projections are for a period of 25 years as the Group made these investments for the long term.

Unless the risk profile of a particular acquisition dictates otherwise, the cash flows are discounted using a rate derived from the Group's weighted average cost of capital, which for these purposes has been calculated to be approximately 5.9% before tax (2013: 5.8%) for Uniqema. A long term future growth rate of 3% was used for this calculation. For the purposes of the Sipo calculation, the rate was increased to 7.4% because of the slightly higher risk associated with this investment. An initial growth rate of 10% has been used for the first five years, which reflects the Directors' growth expectations in that market. A long term growth rate of 5% was then used beyond five years.

The key assumptions underpinning the forecasts employed in the value in use calculation reflect a prudent view of past experience and are that market share will not change significantly and that gross and operating margins will remain broadly constant. In respect of the brought forward goodwill, the Directors believe there are no reasonably probable significant changes in assumptions which would give rise to an impairment charge in the year. Goodwill arising in the year will be subject to the same assumptions and review process commencing the year after initial recognition.

Reclassifications represent amounts transferred from plant and equipment upon completion of asset construction projects. Whilst these projects remain in progress, all capital expenditure is disclosed within plant and equipment.

Notes to the Group Accounts continued

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2013	125.4	439.7	565.1
Exchange differences	(3.9)	(10.1)	(14.0)
Additions	3.2	41.7	44.9
Acquisitions	11.1	10.6	21.7
Other disposals and write offs	(0.6)	(2.6)	(3.2)
Reclassifications	1.4	(2.6)	(1.2)
At 31 December 2013	**136.6**	**476.7**	**613.3**
At 1 January 2014	136.6	476.7	613.3
Exchange differences	(1.6)	(7.7)	(9.3)
Additions	5.6	57.3	62.9
Other disposals and write offs	–	(2.7)	(2.7)
Reclassifications	0.4	(1.1)	(0.7)
At 31 December 2014	**141.0**	**522.5**	**663.5**
Accumulated depreciation and impairment losses			
At 1 January 2013	41.1	185.7	226.8
Exchange differences	(0.7)	(5.2)	(5.9)
Charge for the year (note 3)	3.6	28.7	32.3
Other disposals and write offs	(0.2)	(2.3)	(2.5)
At 31 December 2013	**43.8**	**206.9**	**250.7**
At 1 January 2014	43.8	206.9	250.7
Exchange differences	(0.2)	(7.1)	(7.3)
Charge for the year (note 3)	3.9	30.9	34.8
Other disposals and write offs	–	(2.5)	(2.5)
At 31 December 2014	**47.5**	**228.2**	**275.7**
Net book amount			
At 31 December 2014	**93.5**	**294.3**	**387.8**
At 31 December 2013	92.8	269.8	362.6
At 1 January 2013	84.3	254.0	338.3

The net book value of assets held by the Group under finance leases for plant and equipment at 31 December 2014 was £0.8m (2013: £0.9m). The leased equipment secures the lease obligations in note 19. No other property, plant or equipment have been pledged as security for liabilities.

Reclassifications represent amounts transferred from plant and equipment upon completion of asset construction projects. Whilst these projects remain in progress, all capital expenditure is disclosed within plant and equipment.

14. Future commitments

	2014 £m	2013 £m
Group capital projects		
At 31 December the directors had authorised the following expenditure on capital projects:		
Contracted but not provided for		
Property, plant and equipment	**16.8**	10.4
Intangible assets	**0.3**	0.4
Authorised but not contracted for		
Property, plant and equipment	**152.2**	35.7
Intangible assets	**0.9**	0.2
	170.2	46.7
Operating leases – minimum lease payments		
At 31 December the Group's future minimum lease commitments were due as follows:		
Within one year	**4.7**	3.7
From one to five years	**10.2**	9.3
After five years	**7.0**	8.9
	21.9	21.9

The Group leases various buildings, vehicles and other plant and equipment under non-cancellable operating lease arrangements. The leases have various terms typical of lease agreements for the particular class of asset.

15. Investments

	2014 £m	2013 £m
Investments	**0.8**	0.8

Investments of £0.8m (2013: £0.8m) comprise equity securities classified as available-for-sale and are included at cost, as fair value cannot be measured reliably, or, if quoted on an active market, at market value.

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

16. Inventories

	2014 £m	2013 £m
Raw materials	**40.4**	40.2
Work in progress	**28.9**	28.4
Finished goods	**131.7**	124.2
	201.0	192.8

The Group consumed £615.4m (2013: £625.6m) of inventories during the year.

Notes to the Group Accounts continued

17. Trade and other receivables

	2014 £m	2013 £m
Amounts falling due within one year		
Trade receivables	**124.0**	119.4
Less: provision for impairment of receivables	**(1.8)**	(2.4)
Trade receivables – net	**122.2**	117.0
Other receivables	**19.5**	18.5
Prepayments	**3.3**	1.2
	145.0	136.7

The ageing of the Group's year end overdue receivables against which no provision has been made is as follows:

	2014 £m	2013 £m
Not impaired		
Less than 3 months	**14.9**	14.1
3 to 6 months	**1.4**	0.2
Over 6 months	**0.3**	0.6
	16.6	14.9

The individually impaired receivables relate to customers in unexpectedly difficult economic circumstances. The overdue receivables against which no provision has been made relate to a number of customers for whom there is no recent history of default nor any other indication that settlement will not be forthcoming. The other classes within trade and other receivables do not contain impaired assets and are considered to be fully recoverable.

The carrying amounts of the Group's receivables are denominated in the following currencies:

	2014 £m	2013 £m
Sterling	**13.6**	12.1
US Dollar	**46.5**	40.7
Euro	**49.6**	54.0
Other	**35.3**	29.9
	145.0	136.7

Movements on the Group's provision for impairment of trade receivables are as follows:

	2014 £m	2013 £m
At 1 January	**2.4**	2.8
Exchange differences	**(0.1)**	(0.1)
Charged to income statement	**0.2**	0.2
Net write off of uncollectible receivables	**(0.7)**	(0.5)
At 31 December	**1.8**	2.4

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

18. Trade and other payables

	2014 £m	2013 £m
Trade payables	**56.4**	51.5
Taxation and social security	**5.4**	8.0
Other payables	**19.0**	20.2
Accruals and deferred income	**46.7**	46.8
	127.5	126.5

All trade payables are payable within one year.

19. Borrowings, other financial liabilities and other financial assets

This note should be read in conjunction with the further liquidity disclosures in our accounting policies note and the Group Finance Director's Report on pages 24 to 27.

	2014 £m	2013 £m
Current assets		
Investments	**0.8**	0.8
Trade and other receivables (excluding prepayments)	**141.7**	135.5
	142.5	136.3
Current liabilities		
Trade and other payables (excluding taxation, social security, accruals and deferred income)	**75.4**	71.7
Unsecured bank loans and overdrafts due within one year or on demand	**17.3**	17.8
Other loans	**8.3**	8.5
Obligations under finance leases	**0.3**	0.3
	101.3	98.3
Non-current liabilities		
2010 Club facility due 2015	**–**	140.8
2014 Club facility due 2019	**137.5**	–
$100m fixed rate 10 year bond	**64.2**	60.4
Other unsecured bank loans	**–**	11.7
Obligations under finance leases	**0.2**	0.2
	201.9	213.1

The original 2010 Club facility was repaid and replaced with a new Club facility in June 2014, which falls due for repayment upon expiry of the agreement in June 2019. Interest is charged at a floating rate based on ICE GBP LIBOR , ICE LIBOR or EURIBOR, depending upon the drawdown currency, plus a variable margin. The margin the Group pays on its borrowings over and above standard rates is determined by the Group's net debt to EBITDA ratio.

Notes to the Group Accounts continued

19. Borrowings, other financial liabilities and other financial assets continued

	2014 £m	2013 £m
Maturity profile of financial liabilities		
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	**17.3**	17.8
Other loans	**8.3**	8.5
Obligations under finance leases	**0.3**	0.3
	25.9	26.6
After more than one year		
Loans repayable		
Within one to two years	**–**	152.5
Within two to five years	**137.5**	–
Five years and over	**64.2**	60.4
Obligations under finance leases payable between years two and five	**0.2**	0.2
	201.9	213.1
The minimum lease payments under finance leases fall due as follows:		
Within one year	**0.3**	0.3
Within two to five years	**0.3**	0.3
	0.6	0.6
Future finance charges on finance leases	**(0.1)**	(0.1)
Present value of finance lease liabilities	**0.5**	0.5

	2014 £m	2013 £m
Undiscounted maturity analysis of financial liabilities		
Within one year		
Bank loans and overdrafts	**22.1**	18.3
Other loans	**4.3**	8.8
Obligations under finance leases	**0.3**	0.3
	26.7	27.4
After more than one year		
Loans repayable		
Within one to two years	**–**	155.7
Within two to five years	**142.9**	–
Five years and over	**83.4**	82.0
Obligations under finance leases	**0.2**	0.3
	226.5	238.0

The analysis above includes estimated interest payable to maturity on the underlying loans. For the loans due after more than one year £5.0m (2013: £5.9m) of the interest falls due within one year of the balance sheet date, £5.0m (2013: £4.6m) within one to two years, £14.4m (2013: £10.8m) within two to five years and £0.3m (2013: £3.6m) beyond five years.

Interest rate and currency profile of Group financial liabilities

	Total £m	Fixed £m	Floating £m	Fixed rate Weighted average Interest Rate %	Fixed rate Weighted average Fixed period Years
Sterling	43.7	–	43.7	–	–
US Dollar	89.3	64.1	25.2	5.94	5.1
Euro	85.8	–	85.8	–	–
Other	9.0	–	9.0	–	–
At 31 December 2014	**227.8**	**64.1**	**163.7**	**5.94**	**5.1**
Sterling	59.5	–	59.5	–	–
US Dollar	72.4	60.4	12.0	5.94	6.1
Euro	92.1	–	92.1	–	–
Other	15.7	–	15.7	–	–
At 31 December 2013	239.7	60.4	179.3	5.94	6.1

Fair values

The table below details a comparison of the book and fair values of the Group's financial assets and liabilities. Where there are no readily available market values to determine fair values, cash flows relating to the various instruments have been discounted at prevailing interest and exchange rates to give an estimate of fair value.

	Book value 2014 £m	Fair value 2014 £m	Book value 2013 £m	Fair value 2013 £m
Cash deposits	**47.6**	**47.6**	37.5	37.5
Other investments	**0.8**	**0.8**	0.8	0.8
2010 Club facility due 2015	**–**	**–**	(140.8)	(140.8)
2014 Club facility due 2019	**(137.5)**	**(137.5)**	–	–
$100m fixed rate 10 year bond	**(64.2)**	**(67.7)**	(60.4)	(65.5)
Other bank borrowings	**(17.3)**	**(17.3)**	(29.5)	(29.5)
Other loans	**(8.3)**	**(8.3)**	(8.5)	(8.5)
Obligations under finance leases	**(0.5)**	**(0.5)**	(0.5)	(0.5)

For financial instruments with a remaining life of greater than one year, fair values are based on cash flows discounted at prevailing interest rates. Accordingly, the fair value of cash deposits and short term borrowings approximates to the book value due to the short maturity of these instruments. The same applies to trade and other receivables and payables excluded from the above analysis.

Financial instruments

Effective 1 January 2013, the Group adopted the amendment to IFRS 13 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

All of the Group's financial instruments are classified as level 3.

Borrowing facilities

As at 31 December 2014, the Group had undrawn committed facilities of £269.8m (2013: £253.2m). In addition the Group had other undrawn facilities of £63.5m (2013: £54.4m) available. Of the Group's total committed facilities of £486.6m, £22.5m expires in 2015, £400.0m expires in 2019 with the balance expiring in 2020.

Notes to the Group Accounts continued

19. Borrowings, other financial liabilities and other financial assets continued

Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, interest-rate risk, liquidity risk, and credit risk. The Group's overall risk management strategy is approved by the Board and implemented and reviewed by the Risk Management Committee. Detailed financial risk management is then delegated to the Group Finance department which has a specific policy manual that sets out guidelines to manage financial risk. Regular reports are received from all operating companies to enable prompt identification of financial risks so that appropriate action may be taken. In the management and definition of capital the Group includes ordinary and preference share capital and net debt.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Entities in the Group use foreign currency bank balances to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. The Group's risk management policy is to manage transactional risk up to three months forward. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is not specifically hedged but is reduced primarily through borrowings denominated in the relevant foreign currencies where it is efficient to do so.

For 2014, had the Group's basket of reporting currencies been 10% weaker/stronger than the actual rates experienced, post-tax profit for the year would have been £11.1m (2013: £11.6m) lower/higher than reported, primarily as a result of the translation of the profits of the Group's overseas entities, and equity would have been £26.8m (2013: £25.5m) lower/higher.

Interest rate risk

The Group has both interest bearing assets and liabilities. The Group has a policy of maintaining at least 50% of its gross borrowings at floating interest rates and at 31 December 2014 over 70% of Group borrowings were at floating rates. During 2010, to provide a hedge against the Group's floating rate debt, the Group issued a ten year fixed rate $100m loan note. The loan note is repayable in 2020 and carries a fixed rate of 5.94%.

As at 31 December 2014, aside from the $100m loan note, all Group debt and cash was exposed to repricing within 12 months of the balance sheet date.

At 31 December 2014, the Group's fixed rate debt was at a weighted average rate of 5.94% (2013: 5.94%). The Group's floating rate liabilities are predominantly based on LIBOR and its overseas equivalents.

Based on the above, had interest rates moved by 10 basis points in the territories where the Group has substantial borrowings, post tax profits would have moved by £0.2m (2013: £0.1m) due to increased interest expense on the Group's floating rate borrowings.

Liquidity risk

The Group actively maintains a mixture of long term and short term committed facilities designed to ensure the Group has sufficient funds available for operations and planned investments. The Group also has a share buyback programme which is managed to ensure the efficiency of the Group's funding structure.

On a regular basis, management monitors forecasts of the Group's cash flows against both internal targets and those targets imposed by external lenders. The Group has substantial committed, unused facilities and the Directors are confident this situation will remain the case for the foreseeable future.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as maintaining an optimal capital structure to reduce overall cost of capital.

In order to maintain this optimal structure, the Group may adjust the amount of dividends paid, issue new shares, return capital to shareholders or dispose of assets to reduce net debt. Given the Group's strong balance sheet and sustained trading growth, the Group announced a new dividend policy in 2011 of paying a dividend of between 40% and 50% of sustainable earnings. Further details can be found in the Chairman's Statement on pages 4 and 5.

Underlying growth coupled to Return on Invested Capital (ROIC*) is the key perceived driver of shareholder value within the Group. The acquisition of Uniqema in 2006 reduced the ROIC, but also reduced Weighted Average Cost of Capital (WACC+) since the deal was predominantly financed through debt. The Group's ROIC now stands at 21.2% against a WACC of 5.9%, thus hitting the Group's target of maintaining ROIC at a higher level than the WACC. In addition, the Group employs two widely used ratios to measure our ability to service our debt. Both net debt/EBITDA and EBITDA interest cover were well ahead of target in 2014. Further details can be found in the Group Finance Director's Report on pages 24 to 27. The Group was in compliance with its covenant requirements throughout the year. Additional information on progress against Key Performance Indicators can be found pages 22 and 23.

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

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

** Average invested capital = average net assets of the Group (as at the start and end of the year) adjusted to add back net debt, retirement benefit liabilities, tax balances and provisions.

Notes to the Group Accounts continued

20. Provisions

	Environmental £m	Restructuring £m	Other £m	Total £m
At 1 January 2014	13.9	1.1	4.1	19.1
Exchange differences	–	–	0.1	0.1
Reclassification	0.7	–	(0.7)	–
Released to the income statement	–	–	(2.0)	(2.0)
Charged to the income statement	–	3.5	–	3.5
Cash paid against provisions	(1.4)	(0.5)	(0.5)	(2.4)
At 31 December 2014	**13.2**	**4.1**	**1.0**	**18.3**

Analysis of total provisions

	2014 £m	2013 £m
Current	**8.1**	6.8
Non-current	**10.2**	12.3
	18.3	19.1

Provisions are made where a constructive or legal obligation has arisen from a past event, can be quantified and where the timing of the transfer of economic benefits relating to the provisions cannot be ascertained with any degree of certainty.

The environmental provision relates to soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas.

In relation to the environmental provision, the Directors consider that the balance will be utilised within 20 years. Provisions for remediation costs are made when there is a present obligation, it is probable that expenditures for remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts and prior experience. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation of environmental damage typically takes a long time to complete due to the substantial amount of planning and regulatory approvals normally required before remediation activities can begin. In addition, increases in or releases of environmental provisions may be necessary whenever new developments occur or additional information becomes available. Consequently, environmental provisions can change significantly. The level of environmental provision is based on management's best estimate of the most likely outcome for each individual exposure. The Group has also considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale, the impact is not material.

21. Ordinary share capital

Ordinary shares of 10p	2014 £m	2013 £m
Authorised at 1 January and 31 December		
230,744,890 ordinary shares of 10p each (2013: 230,744,890)	**23.1**	23.1
Allotted, called up and fully paid at 1 January and 31 December		
139,949,969 ordinary shares of 10p each (2013: 139,949,969)	**14.0**	14.0

In 2014 options were granted to employees under the Croda International Plc Sharesave Scheme to subscribe for 84,201 ordinary shares at an option price of 1763p per share and under the Croda International Plc International Sharesave Plan to subscribe for 293,225 shares at an option price of 1763p per share. No options were granted under the Long Term Incentive Plan or the Bonus Co-Investment Plan during the year. Conditional awards over 332,276 ordinary shares were granted under the Performance Share Plan during the year.

During the year consideration of £1.1m was received on the exercise of options over 81,157 shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 2,786 shares have been transferred from the schemes.

There are outstanding options to subscribe for ordinary shares as follows:

	Year option granted	Number of shares	Price	Options exercisable from
Croda International Plc Sharesave Scheme	2011	2,315	1432p	1 November 2014 to 30 April 2015
	2012	65,643	1942p	1 November 2015 to 30 April 2016
	2013	60,545	2141p	1 November 2016 to 30 April 2017
	2014	82,865	1763p	1 November 2017 to 30 April 2018
Croda International Plc International Sharesave Plan (2009)	2012	138,196	1942p	1 November 2015 to 30 November 2015
	2013	184,994	2141p	1 November 2016 to 30 November 2016
	2014	290,210	1763p	1 November 2017 to 30 November 2017
Croda International Plc Performance Share Plan	2014	332,276	Nil	12 May 2017
Croda International Long Term Incentive Plan	2012	92,981	Nil	22 February 2015 to 21 February 2016
	2013	79,421	Nil	22 February 2016 to 21 February 2017
Croda International Bonus Co-Investment Plan	2012	157,631	Nil	30 April 2015
	2013	48,070	Nil	30 April 2016

Notes to the Group Accounts continued

22. Share based payments

The impact of share based payment transactions on the Group's financial position is as follows:

	2014 £m	2013 £m
Analysis of amounts recognised in the income statement:		
Charged in respect of equity-settled share based payment transactions	**1.1**	3.9
Charged in respect of cash-settled share based payment transactions	**1.1**	5.0
	2.2	8.9
Analysis of amounts recognised in the balance sheet:		
Liability in respect of cash-settled share based payment transactions	**3.0**	8.2

The key elements of each scheme along with the assumptions employed to arrive at the charge in the income statement are set out below. Where appropriate the expected volatility has been based on historic volatility considering daily share price movements over periods equal to the expected future life of the awards and the risk free rate is based on the Bank of England's projected nominal yield curve with appropriate duration.

Croda International Plc Sharesave Scheme ("Sharesave")

The Sharesave scheme, established in 1983 and renewed in 2013, grants options annually in September to employees of the Group at a fixed exercise price, being the market price of the Company's shares at the grant date discounted by up to 20%. Employees then enter into a savings contract over three to five years and, subject to continued employment, purchase options at the end of the period based on the amount saved. Options are then exercisable for a six month period following completion of the savings contract. As the option is equity settled, under IFRS 2 charges are only made in respect of options granted after 7 November 2002. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

Grant date	**2014**	2013
Share price at grant date	**2203p**	2676p
Exercise price	**1763p**	2141p
Number of employees	**506**	508
Shares under option	**84,201**	69,029
Vesting period	**3 years**	3 years
Expected volatility	**25%**	25%
Option life	**6 months**	6 months
Expected life	**–**	–
Risk free rate	**1.4%**	1.0%
Dividend yield	**2.9%**	2.3%
Possibility of forfeiture	**7.5% p.a.**	7.5% p.a.
Fair value per option at grant date	**515p**	640p
Option pricing model	**Black Scholes**	Black Scholes

A reconciliation of option movements over the year is as follows:

	2014 Number	2014 Weighted average exercise price (p)	2013 Number	2013 Weighted average exercise price (p)
Outstanding at 1 January	**224,916**	**1801**	249,199	1462
Granted	**84,201**	**1763**	69,029	2141
Forfeited	**(13,363)**	**1997**	(10,838)	1549
Exercised	**(81,157)**	**1421**	(82,474)	1093
Outstanding at 31 December	**214,597**	**1918**	224,916	1801
Exercisable at 31 December	**4,721**	**1432**	6,834	1144
For options exercised in year, weighted average share price at date of exercise		**2336**		2424
Weighted average remaining life at 31 December (years)	**2.4**		2.2	

Croda International Plc International Sharesave Plan ("International")

The International scheme, established in 1999 and renewed in 2009, has the same option pricing model, savings contract and vesting period as the Sharesave scheme. At exercise, employees are paid a cash equivalent for each option purchased, being the difference between the exercise price and market price at the exercise date. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

Grant date	**2014**	2013
Share price at grant date	**2203p**	2676p
Exercise price	**1763p**	2141p
Number of employees	**1,541**	1,435
Shares under option	**293,225**	223,275
Vesting period	**3 years**	3 years
Expected volatility	**25%**	25%
Option life	**1 month**	1 month
Expected life	**–**	–
Risk free rate	**0.7%**	1.0%
Dividend yield	**2.4%**	2.5%
Possibility of forfeiture	**7.5% p.a.**	7.5% p.a.
Fair value per option at 31 December	**852p**	482p
Option pricing model	**Black Scholes**	Black Scholes

Notes to the Group Accounts continued

22. Share based payments continued

A reconciliation of option movements over the year is as follows:

	2014 Number	2014 Weighted average exercise price (p)	2013 Number	2013 Weighted average exercise price (p)
Outstanding at 1 January	575,201	1848	639,046	1452
Granted	293,225	1763	223,275	2141
Forfeited	(74,477)	1915	(29,449)	1591
Exercised	(179,084)	1443	(257,671)	1148
Outstanding at 31 December	614,865	1917	575,201	1848
For options exercised in year, weighted average share price at date of exercise		2288		2457
Weighted average remaining life at 31 December (years)	2.2		2.0	

Croda International Performace Share Plan 2014 ("PSP")

The Performance Share Plan 2014 ("PSP") was established in 2014 and replaces the Company's previous Exceutive long term incentive plans (the Long Term Incentive Plan and the Bonus Co-Investment Plan). The PSP provides for awards of free shares (either conditional shares or nil cost options) normally made annually which vest after three years dependant upon an EPS performance related sliding scale (non-market condition) and the Group's total shareholder return (market condition). The PSP is discussed in detail in the Directors' Remuneration Report (pages 61 to 79). Shares (on an after tax basis) are subject to a one year post vesting holding period for awards granted in 2014 and a two year post vesting holding period for awards granted in subsequent years. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

	2014 Market condition	2014 Non-market condition	2013 Market condition	2013 Non-market condition
Grant date	12 May 2014	12 May 2014	–	–
Share price at grant date	2512p	2512p	–	–
Number of employees	107	107	–	–
Shares under conditional award	332,276	332,276	–	–
Vesting period	3 years	3 years	–	–
Expected volatility	25%	25%	–	–
Expected life	–	–	–	–
Risk free rate	–	–	–	–
Dividend yield	2.5%	2.5%	–	–
Possibility of forfeiture	7.5%	7.5%	–	–
Fair value per option at grant date	1303p	1303p	–	–
Option pricing model	Closed form valuation	Closed form valuation	–	–

A reconciliation of option movements over the year is as follows:

	2014 Number	2014 Weighted average exercise price (p)	2013 Number	2013 Weighted average exercise price (p)
Outstanding at 1 January	–	–	–	–
Granted	332,276	–	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Outstanding at 31 December	332,276	–	–	–
For options exercised in year, weighted average share price at date of exercise		–		–
Weighted average remaining life at 31 December (years)	2.4		–	

Croda International Senior Executive Share Option Schemes ("Executive")

The Group previously granted options to senior employees each year which were subject to satisfaction of performance conditions before they could be exercised. As with the Sharesave scheme, the Executive Scheme is equity settled and as a consequence only the options granted in 2003 fall within the scope of IFRS 2. No further options will be granted under this scheme.

A reconciliation of option movements over the year is as follows:

	2014 Number	2014 Weighted average exercise price (p)	2013 Number	2013 Weighted average exercise price (p)
Outstanding at 1 January	–	–	18,240	230
Exercised	–	–	(18,240)	230
Outstanding at 31 December	–	–	–	–
Exercisable at 31 December	–	–	–	–
For options exercised in year, weighted average share price at date of exercise		–		2432
Weighted average remaining life at 31 December (years)	–		–	

Croda International Long Term Investment Plan ("LTIP")

The LTIP was established in 2005 and granted no cost options to senior employees which vest after three years dependent upon an EPS performance related sliding scale (non-market condition) and the Group's total shareholder return (market condition). There were no options granted during the year and no further options will be granted under the Plan. For options granted in the prior year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

	2014 Market condition	2014 Non-market condition	2013 Market condition	2013 Non-market condition
Grant date	–	–	26 February 2013	26 February 2013
Share price at grant date	–	–	2567p	2567p
Number of employees	–	–	11	11
Shares under option	–	–	39,710	39,711
Vesting period	–	–	3 years	3 years
Option life	–	–	1 year	1 year
Expected life	–	–	–	–
Dividend yield	–	–	2.3%	2.3%
Possibility of forfeiture	–	–	3.5%	3.5%
Fair value per option at grant date	–	–	1429p	2413p
Option pricing model	–	–	Closed form valuation	Closed form valuation

A reconciliation of option movements over the year is as follows:

	2014 Number	2014 Weighted average exercise price (p)	2013 Number	2013 Weighted average exercise price (p)
Outstanding at 1 January	**316,889**	–	450,459	–
Granted	–	–	79,421	–
Forfeited	**(40,733)**	–	(6,015)	–
Exercised	**(103,754)**	–	(206,976)	–
Outstanding at 31 December	**172,402**	–	316,889	–
For options exercised in year, weighted average share price at date of exercise		**2077**		2575
Weighted average remaining life at 31 December (years)	**1.6**		2.0	

Notes to the Group Accounts continued

22. Share based payments continued

Bonus Co-Investment Plan ("BCIP")

The BCIP was established in 2005 and granted no cost options to senior employees which vest after three years dependent upon a an EPS performance related sliding scale. There were no options granted during the year and no further options will be granted under the Plan. For options granted in the prior year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

Grant date	**–**	30 April 2013
Share price at grant date	**–**	2474p
Number of employees	**–**	66
Shares under option	**–**	48,590
Vesting period	**–**	3 years
Dividend yield	**–**	2.4%
Possibility of forfeiture	**–**	5.0%
Fair value per option at grant date	**–**	2279p

A reconciliation of option movements over the year is as follows:

	2014 Number	2014 Weighted average exercise price (p)	2013 Number	2013 Weighted average exercise price (p)
Outstanding at 1 January	**412,357**	**–**	589,050	–
Granted	**–**	**–**	48,590	–
Forfeited	**(19,471)**	**–**	(11,671)	–
Exercised	**(187,185)**	**–**	(213,612)	–
Outstanding at 31 December	**205,701**	**–**	412,357	–
For options exercised in year, weighted average share price at date of exercise		**2488**		2481
Weighted average remaining life at 31 December (years)	**0.6**		1.0	

Croda International Share Incentive Plan ("SIP")

The SIP was established in 2003 and has similar objectives to the SAYE scheme in terms of increasing employee retention and share ownership. Under the SIP scheme, employees enter into an agreement to purchase shares in the Company each month. For each share purchased by an employee, the Company awards a matching share which passes to the employee after three years' service. The matching shares are allocated each month at market value with this fair value charge being recognised in the income statement in full in the year of allocation.

23. Preference share capital

	2014 £m	2013 £m
The authorised, issued and fully paid preference share capital comprises:		
615,562 5.9% preference shares of £1 (2013: 615,562)	**0.6**	0.6
498,434 6.6% preference shares of £1 (2013: 498,434)	**0.5**	0.5
21,900 7.5% preference shares of £1 (2013: 21,900)	**–**	–
	1.1	1.1

The preference shares have no redemption rights and carry no voting rights other than in certain circumstances affecting the rights of the preference shareholders, details of which are set out in the Company's Articles of Association. The three classes of preference shares rank pari passu with each other but ahead of the ordinary shares on winding up. Rights on a winding up are limited to repayment of capital and any arrears of dividends.

24. Shareholders' equity

Investments in own shares represent the Croda International Plc Qualifying Share Ownership Trust (QUEST), the Croda International Plc Employee Benefit Trust (CIPEBT) and the Croda International Plc AESOP Trust (AESOP), which each hold shares purchased on the open market or transferred from Treasury Shares to satisfy the future issue of shares under the Group's share option schemes. As at 31 December 2014 the QUEST had a net amount due from the Company of £3.2m (2013: £2.0m due from the Company) and held 13,489 (2013: 94,646) shares transferred at nil cost (2013: nil cost) with a market value of £0.4m (2013: £2.3m). As at 31 December 2014 the CIPEBT was financed by a repayable on demand loan to the Company of £3.9m (2013: £3.9m) and held 150,105 (2013: 330,216) shares transferred at a nil cost (2013: nil cost) with a market value of £4.0m (2013: £8.1m).

As at 31 December 2014 the AESOP had issued all its previously held shares, as financed by the Company, and thus had no residual loan balance with the Company. All of the shares held by the QUEST and CIPEBT were under option at 31 December 2014 and, except for a nominal amount, the right to receive dividends has been waived.

25. Non-controlling interests in equity

	2014 £m	2013 £m
At 1 January	**6.3**	0.1
Exchange differences	**(0.1)**	(0.4)
Additions upon acquisition	**–**	6.2
(Expenses)/income allocated to non-controlling interests	**(0.1)**	0.4
At 31 December	**6.1**	6.3

During 2013, the Group acquired 65% of the share capital of Sichuan Sipo Chemical Co. Ltd ("Sipo"). Included in the table above are the non-controlling interests' share of net assets at the point of Croda's acquisition of its majority share plus the non-controlling interests' share of post-acquisition income.

26. Related party transactions

The Group has no related party transactions, with the exception of remuneration paid to key management and Directors which is included in note 10.

Notes to the Group Accounts continued

27. Business combinations

On 3 April 2014, the Group acquired AM Coatings BV. The acquisition brings a novel non-leaching antimicrobial technology for coating and adhesive applications. The Group plans to commercialise and exploit this technology in certain existing business areas.

On 1 August 2014, the Group acquired JD Horizons Limited, a UK based business specialising in flow assurance technology. JD Horizons had become a leader in flow assurance chemicals for the international oil markets with its FlowSolve™ range. This strategic acquisition will bring the Group closer to end users in the oil and gas market. The acquired business will form part of the Group's Geo Technologies business area.

The following table summarises the consideration paid in respect of the above acquisitions, the fair value of assets acquired and liabilities assumed.

	Total £m
Consideration	**1.9**
Fair value of assets and liabilities acquired	
Intangible assets	**0.5**
Inventories	**0.1**
Trade and other receivables	**0.1**
Cash and cash equivalents	**0.3**
Trade and other payables	**(0.3)**
Total identifiable net assets	**0.7**
Goodwill	**1.2**

Acquisition-related costs of £0.2m have been charged to administration expenses in the consolidated income statement for the year ended 31 December 2014.

During 2014, the Group completed its fair value review of the 2013 acquisition of Sichuan Sipo Chemical Co. Ltd ("Sipo"). This review identified a £2.5m reduction in the acquired asset base. This amount has been reclassified as goodwill in 2014.

The goodwill arising on the acquisitions completed in 2014 is attributable to the synergies expected to arise from the combination of the acquired technologies and Croda's global sales and marketing network.

28. Contingent liabilities

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

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

Parent Company Financial Statements

Pages 132 to 139 represent the separate financial statements of Croda International Plc as required by the Companies Act 2006 ("the Act").

These financial statements have been prepared in accordance with the Act and UK accounting standards and are thus presented separately to the Group financial statements which have been prepared in accordance with International Accounting Standards.

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

Report on the Company financial statements

Our opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Croda International Plc's financial statements comprise:

- the Company Balance Sheet as at 31 December 2014;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report & Accounts 2014 (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 83, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

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

Other matter

We have reported separately on the Group Financial Statements of Croda International Plc for the year ended 31 December 2014.

Ian Morrison

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

24 February 2015

Company Balance Sheet

At 31 December 2014

	Note	2014 £m	2013 £m
Fixed assets			
Tangible assets	C	**1.6**	1.6
Investments			
Share in Group undertakings	D	**676.0**	667.3
Other investments other than loans	E	**0.6**	0.6
		678.2	669.5
Current assets			
Debtors	F	**39.5**	26.4
Current liabilities			
Creditors: Amounts falling due within one year	G	**(64.1)**	(61.2)
Net current liabilities		**(24.6)**	(34.8)
Total assets less current liabilities		**653.6**	634.7
Creditors: Amounts falling due after more than one year	G	**(212.6)**	(231.2)
Net assets		**441.0**	403.5
Capital and reserves			
Preference share capital	23	**1.1**	1.1
Ordinary share capital	21	**14.0**	14.0
Called up share capital		**15.1**	15.1
Share premium account	J	**93.3**	93.3
Other reserves	J	**3.0**	3.0
Profit and loss account	J	**329.6**	292.1
Total shareholders' funds		**441.0**	403.5

The financial statements on pages 134 to 139 were approved by the Board of Directors on 24 February 2015 and signed on its behalf by

Martin Flower
Chairman

Jez Maiden
Group Finance Director

Company Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

Accounting basis

The financial statements are prepared under the historical cost convention, in compliance with the provisions of the Companies Act 2006, the requirements of the Listing Rules of the Financial Conduct Authority and applicable United Kingdom Accounting Standards. Whilst the consolidated accounts have been prepared under IFRS, as required by European law, the Company's accounts continue to be prepared under UK GAAP as permitted.

Going concern

The financial statements which appear on pages 134 to 139 have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Land and buildings

In the past the Company's principal properties have been valued periodically by professional valuers on an open market, existing use basis. Following the Company's adoption of FRS 15 in 2001, no further revaluations will be carried out and previous book values will be retained. Notwithstanding the requirements of FRS 15 all fixed assets are written down to their recoverable amount in the event that any impairment review carried out in accordance with FRS 11 indicates that the recoverable amount is less than the carrying value. The profit or loss on the disposal of land and buildings included in the profit and loss account represents the difference between the net proceeds of sale and the net book amount.

Depreciation

Tangible fixed assets are stated at cost or valuation less depreciation, where cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write down the cost of all tangible fixed assets, except freehold land, over their estimated useful lives on a straight line basis. The estimated average life for each major asset category is:

Freehold buildings	15 to 40 years
Plant and equipment	3 to 15 years

Leased assets

The cost of operating leases is charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions

The defined benefit pension obligations of the Company are financed by contributions to separate funds. As the Company is unable to reliably and consistently measure its share of the underlying assets and liabilities of the funds, the Company accounts as though the funds were defined contribution funds and charges contributions paid directly to the profit and loss account.

Currency translations

Monetary assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the profit and loss account. Other exchange differences arising from non-trading items are dealt with through reserves.

Financial instruments

The Company uses derivative financial instruments to hedge its exposure to interest rates and short term currency rate fluctuations.

Derivative financial instruments are recorded initially at cost. Subsequent measurement depends on the designation of the instrument as either: (i) a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (ii) a hedge of highly probable forecast transactions (cash flow hedge);

(i) Fair value hedge

Changes in the fair value of derivatives, for example interest rate swaps and foreign exchange contracts, that are designated and qualify as fair value hedges are recorded in the profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss. Amounts accumulated in equity are recycled in the profit and loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss.

Company Accounting Policies continued

Employee Share Ownership Trusts
Shares acquired by the Trustees, funded by the Company and held for the continuing benefit of the Company are shown as a reduction in shareholders' funds. Movements in the year arising from additional purchases by the Trustees of shares or the receipt of funds due to the exercise of options by employees are accounted for within reserves and shown as a movement in shareholders' funds in the year. Administration expenses of the trusts are charged to the Company's profit and loss account as incurred.

Share based payments
Share based incentive schemes are accounted for in accordance with FRS20 'Share-based Payments', which requires an expense to be recognised in the profit and loss over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black-Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting, as market-based performance criteria are not used.

Dividends
All dividends, including preference dividends, are recognised as a liability when the liability is irrevocable. Accordingly, final dividends are recognised when approved by shareholders and interim dividends are recognised when paid.

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and other accounting purposes. Temporary differences arise from the inclusion of profits and losses in the accounts in different periods from which they are recognised in tax assessments and primarily arise as a result of the difference between tax allowances on tangible fixed assets and the corresponding depreciation charge, and upon the pension fund deficit. Full provision is made for the tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings. Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. All taxation is calculated on the basis of the tax rates and laws enacted or substantively enacted at the balance sheet date.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other debtors
Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses.

Investments
Shares in subsidiary undertakings
Shares in subsidiary undertakings are initially stated at cost. Provision is made where, in the opinion of the Directors, a permanent diminution in value has occurred.

Unquoted securities
Investments in unquoted securities are carried at fair value unless such value cannot be reliably measured, in which case the investments are carried at cost.

Financial risk factors
The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 120 and 121.

Notes to the Company Accounts

A. Profit and loss account

Of the Group's profit for the year, £126.1m (2013: £96.2m) is dealt with in the profit and loss account of the Company which was approved by the Board on 24 February 2015 but which is not presented as permitted by s.408 Companies Act 2006.

Included in the Company profit and loss account is a charge of £0.1m (2013: £0.1m) in respect of the Company's audit fee.

Detailed information concerning Directors' remuneration, interests and options is shown in the table within the Directors' Remuneration Report which is subject to audit on pages 61 to 79 which forms part of the Annual Report and Accounts.

B. Retirement benefit obligations

The Company's employees are members of the UK defined benefit schemes, details of which are disclosed in note 11 to the Group financial statements. Whilst the Group reports under IFRS, the UK GAAP equivalent figures for the UK schemes would not be significantly different. As the Company is unable to identify its share of the underlying assets and liabilities of the schemes, due mainly to changes in the Group's corporate structure over the years, the Company has accounted as though the schemes were defined contribution schemes and has charged the contributions paid each year to the profit and loss account.

C. Tangible fixed assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2014	1.7	2.1	3.8
Additions	–	0.4	0.4
Disposals	–	(0.2)	(0.2)
At 31 December 2014	**1.7**	**2.3**	**4.0**
Accumulated depreciation			
At 1 January 2014	1.1	1.1	2.2
Charge for year	–	0.3	0.3
Disposals	–	(0.1)	(0.1)
At 31 December 2014	**1.1**	**1.3**	**2.4**
Net book amount			
At 31 December 2014	**0.6**	**1.0**	**1.6**
At 31 December 2013	0.6	1.0	1.6

	2014 £m	2013 £m
Net book amount of land and buildings		
Freehold	**0.6**	0.6
Historical cost of land and buildings		
Cost	**0.3**	0.3
1988 valuations	**1.4**	1.4
At 31 December	**1.7**	1.7
Revaluation surpluses	**(1.1)**	(1.1)
Restated to historical cost	**0.6**	0.6
Depreciation	**(0.6)**	(0.5)
Historical net book amount		
At 31 December	**–**	0.1

Notes to the Company Accounts continued

D. Share in Group undertakings

	Shares £m	Loans £m	Total £m
Cost			
At 1 January 2014	411.2	281.4	692.6
Exchange differences	–	(5.7)	(5.7)
Additions	9.3	79.6	88.9
Amounts repaid	–	(74.5)	(74.5)
At 31 December 2014	**420.5**	**280.8**	**701.3**
Impairment			
At 1 January 2014 and **31 December 2014**	(25.3)	–	(25.3)
Net book value			
At 31 December 2014	**395.2**	**280.8**	**676.0**
At 31 December 2013	385.9	281.4	667.3

The undertakings which principally affect the financial statements are listed on page 140.

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

E. Other investments other than loans

	Other investments £m
Cost or valuation of net equity	
At 1 January 2014 and **31 December 2014**	**0.6**

Available for sale financial assets comprise unlisted investments included at Directors' valuation based on appropriate attributable net assets.

F. Debtors

	2014 £m	2013 £m
Amounts owed by Group undertakings	**3.2**	1.1
Corporation tax	**35.2**	24.6
Other debtors	**0.7**	0.3
Prepayments	**0.4**	0.4
	39.5	26.4

The amounts owed by Group undertakings relate to current trading and are interest free with no fixed date of repayment.

G. Creditors

	2014 £m	2013 £m
Amounts falling due within one year		
Bank loans and overdrafts (note H)	**58.7**	55.0
Trade creditors	**0.1**	0.2
Taxation and social security	**1.1**	1.1
Other creditors	**3.4**	4.2
Accruals and deferred income	**0.8**	0.7
	64.1	61.2
Amounts falling due after one year		
Bank loans and overdrafts (note H)	**137.5**	140.8
Amounts owed to Group undertakings	**75.1**	90.4
	212.6	231.2

The amounts owed by Group undertakings relate to current trading and are interest free with no fixed date of repayment.

H. Financial instruments and liabilities

The Company's objectives, policies and strategies in respect of financial instruments are outlined in the accounting policies note on page 135 which forms part of the Annual Report and Accounts. Short term debtors and creditors have been excluded from all of the following disclosures.

	2014 £m	2013 £m
Maturity profile of financial liabilities		
2010 Club facility due 2015	**–**	140.8
2014 Club facility due 2019	**137.5**	–
Bank loans and overdrafts repayable on demand	**58.7**	55.0
	196.2	195.8
Repayments fall due as follows		
Within one year		
Bank loans and overdrafts	**58.7**	55.0
	58.7	55.0
After more than one year		
Loans repayable		
Within one to two years	**–**	140.8
Within two to five years	**137.5**	–
	137.5	140.8

I. Share based payments

The total charge for the year in respect of share based remuneration schemes was £1.0m (2013: £2.3m). The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The key elements of each scheme along with the assumptions employed to arrive at the charge in the profit and loss account are set out in note 22 to the Group financial statements.

J. Reserves

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 January 2014	93.3	0.9	2.1	292.1	388.4
Profit for the financial year	–	–	–	126.1	126.1
Other losses	–	–	–	(2.9)	(2.9)
Dividends	–	–	–	(88.1)	(88.1)
Share based payments	–	–	–	1.3	1.3
Consideration received for sale of own shares held in trust	–	–	–	1.1	1.1
At 31 December 2014	**93.3**	**0.9**	**2.1**	**329.6**	**425.9**

Details of investments in own shares are disclosed in note 24 of the Group financial statements.

K. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £79.2m (2013: £72.4m).

L. Dividends

Details of dividends are disclosed in note 8 of the Group financial statements.

M. Related party transactions

The Company, as a wholly owned subsidiary of Croda International Plc, has taken advantage of the exemption available under FRS 8 from disclosing transactions with other Group undertakings. There were no other related party transactions during the year.

Principal Subsidiary Companies

The undertakings which principally affect the financial statements are listed below:

Principal operating companies	Incorporated and/or principally operating in	Group beneficial interest %
Croda Europe Ltd*†	UK	100
John L Seaton & Co Ltd	UK	100
Croda Argentina SA	Argentina	100
Croda Australia‡	Australia	100
Croda Belgium BVBA	Belgium	100
Croda do Brasil Ltda†	Brazil	100
Croda Canada Ltd	Canada	100
Croda Chile Ltda	Chile	100
Croda China Trading Company Ltd	China	100
Croda Sipo (Sichuan) Co., Ltd†	China	65
Croda Trading (Shanghai) Co., Ltd	China	100
Croda Colombia‡	Colombia	100
Croda France SAS	France	100
Crodarom SAS†	France	100
Sederma SAS†	France	100
Croda Chocques SAS†	France	100
Croda GmbH	Germany	100
Croda Hong Kong Company Ltd	Hong Kong	100
Croda India Company Private Ltd*†	India	100
PT Croda Indonesia Ltd†	Indonesia	100
Croda Italiana S.p.A.	Italy	100
I.R.B. – Istituto di Richerche Biotechnologiche S.p.a.†	Italy	100
Croda Japan KK*†	Japan	100
Croda México SA de CV	Mexico	100
Croda Nederland B.V.†	Netherlands	100
Croda Peruana S.A.C	Peru	100
Croda Poland Sp. z o.o.*	Poland	100
Croda Russia‡	Russia	100
Croda Singapore Pte Ltd*†	Singapore	100
Croda (SA) (Pty) Ltd	South Africa	100
Croda Korea‡	South Korea	100
Croda Ibérica SA	Spain	100
Croda Nordica AB	Sweden	100
Croda (Thailand) Co., Ltd*	Thailand	100
Croda Kimya Ticaret Limited Sirketi	Turkey	100
Croda Middle East‡	UAE	100
Croda Inc†	USA	100

Principal holding companies		
Croda Overseas Holdings Ltd*	UK	100
Croda Holdings France SAS	France	100
Croda Investments Inc	USA	100

* Companies owned directly by Croda International Plc.
‡ Branch offices
Companies incorporated in the UK are registered in England.
All companies are involved in the sale of chemicals. Those companies indicated with a † are also involved in manufacturing activities. Full details of investments in subsidiary undertakings will be attached to the Company's annual return made to the Registrar of Companies. Those not listed above were either not trading or not material.

Shareholder Information

Corporate Calendar

2015 Annual General Meeting	22 April 2015
2014 Final ordinary dividend payment	28 May 2015
2015 Half year results announcement	21 July 2015
2015 Interim ordinary dividend payment	29 September 2015
2015 Preference dividend payments	30 June 2015
	31 December 2015
2015 Full year results announcement	23 February 2016

Investor Relations

Shareholders can now get up to date information on Stock Exchange announcements, key dates in the corporate calendar, the Croda share price and brokers' estimates by visiting our corporate web site at www.croda.com and clicking on the section called "Investor".

Shareholders can receive shareholder communications electronically by registering on the Registrars' website, **www.capitashareportal.com** and following the instructions. To register shareholders will require their investor code (IVC): this is an 11 digit number starting five or six zeros and can be found on your dividend tax voucher or your share certificate. Receiving corporate communications by email has a number of benefits including being more environmentally friendly, reducing unnecessary waste, faster notification of information to shareholders and eventually leading to a reduction in company costs.

Shareholders who register on the above website can also check their shareholding, view their dividend history, elect for the dividend reinvestment plan, register changes of address and dividend mandate instructions.

Share Price Information

As well as being available on our website, the latest ordinary share price is available on the Financial Times Cityline service (0905 817 1690) (calls cost 75 pence per minute from a BT landline and the average duration is 1 minute per stock quote. Cost from other networks or mobile phones may be higher).

The middle market values of the listed share capital at 31 December 2014, or last date traded*, were as follows:

Ordinary shares	2619p
5.9% preference shares	95p*
6.6% preference shares	102p*

Capital Gains Tax

The market value of the listed share capital at 31 March 1982 were as follows:

Ordinary shares	77.5p
Deferred ordinary shares	40.5p
5.9% preference shares	42.5p
6.6% preference shares	47.5p
7.5% preference shares (estimated)	45.0p

Dividend Reinvestment Plan ("DRIP")

Ordinary shareholders may wish to know about this plan, which allows you to use your dividends to buy further shares in Croda. The DRIP is provided by Capita Asset Services, a trading name of Capita IRG Trustees Ltd which is authorised and regulated by the Financial Conduct Authority.

For information and an application pack please call 0871 664 0381 (calls to this number cost 10p per minute plus network extras) or, if calling from overseas, +44 208 639 3402. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays. Alternatively you can email shares@capita.co.uk or log on to **www.capitashareportal.com**.

Overseas Shareholders – choose to receive your next dividend in your local currency

If you live outside the UK, Capita has partnered with Deutsche Bank to provide you with a service that will convert sterling dividends into your local currency at a competitive rate. You can choose to receive payment directly to your local bank account or alternatively you can be sent a currency draft.

You can sign up to this service on the Share Portal (by clicking on "your dividend options" and following the on screen instructions) or by contacting the Customer Support Centre. For further information contact Capita

By phone – UK- 0871 664 0385 (calls cost 10 pence per minute plus network extras). From overseas +44 20 8639 3405. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays.

By e-mail – ips@capita.co.uk

Share Dealing

A simple and competitive service to buy and sell shares is provided by Capita Asset Services.

There is no need to pre-register and there are no complicated application forms to fill in and by visiting **www.capitadeal.com** you can also access a wealth of stock market news and information free of charge. For further information on this service, or to buy and sell shares, visit **www.capitadeal.com** or call 0871 664 0454 (calls cost 10p per minute plus network extras, lines are open 8.00am to 4.30pm, Monday to Friday. From outside the UK dial +44 203 367 2699).

This is not a recommendation to buy or sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up, and you are not guaranteed to get back the amount that you originally invested. Terms, conditions and risks apply. Capita Asset Services is a trading name of Capita IRG Trustees Limited which is authorised and regulated by the Financial Conduct Authority. The service is only available to private shareholders resident in the European Economic Area, the Channel Islands or the Isle of Man.

Shareholder Information continued

Share Dealing continued

Capita Asset Services is a trading name of Capita Registrars Limited and Capita IRG Trustees Limited. Share registration and associated services are provided by Capita Registrars Limited (registered in England and Wales, No. 2605568). Regulated services are provided by Capita IRG Trustees Limited (registered in England and Wales, No. 2729260), which is authorised and regulated by the Financial Conduct Authority.

UK & overseas shareholders – Stocktrade

Telephone dealing 0845 601 0995 (non UK +44 131 240 0414) quoting 'Croda Dial & Deal service'.

For further information visit **www.stocktrade.co.uk/croda**.

Relating to Beneficial Owners of Shares with 'Information Rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Asset Services, or to the Company directly.

Share Fraud Warning

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in "boiler rooms" that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority ("FCA") has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

Protect yourself

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- Get the name of the person and organisation contacting you
- Check the Financial Services Register at **www.fca.org.uk** to ensure they are authorised
- Use the details on the FCA Register to contact the firm
- Call the FCA Consumer Helpline on 0800 111 6768 of there are no contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms and individuals to avoid doing business with

Remember: if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Report a scam

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Secretary and Registered Office

T M Brophy (Company Secretary)
Cowick Hall, Snaith, Goole, East Yorkshire DN14 9AA

Tel: +44 (0)1405 860551
Fax: +44 (0)1405 861767
Website: **www.croda.com**
Registered in England number 206132

Registrars

Capita Asset Services
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Tel: 0871 664 0300 (from UK) – calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday to Friday + 44 (0)203 728 5000 (from overseas)

Fax: + 44 (0)1484 601512 (from UK)
+ 44 (0)1484 601512 (from overseas)

Website: **www.capitaassetservices.com**
E-mail: shareholderenquiries@capita.co.uk

Independent Auditors

PricewaterhouseCoopers LLP, Leeds

Merchant Bankers

Morgan Stanley & Co. International plc
J P Morgan Cazenove

Solicitors

Freshfields Bruckhaus Deringer LLP

Stockbrokers

Morgan Stanley & Co. International plc
J P Morgan Cazenove

Financial PR Advisors

Pendomer Communications LLP

Five Year Record

Earnings

	2014 £m	2013 £m	2012 £m	2011^ £m	2010^ £m
Turnover	**1,046.6**	1,077.0	1,051.9	1,028.0	1,001.9
Adjusted operating profit[1]	**248.4**	264.6	255.1	222.1	186.2
Adjusted profit before tax[1]	**235.4**	251.4	238.3	221.9	179.9
Profit after tax	**165.2**	177.9	164.2	151.3	120.9
Profit attributable to ordinary shareholders*	**165.2**	177.4	150.9	156.1	121.8
	%	%	%	%	%
Adjusted operating profit as a % of turnover [1]	**23.7**	24.6	24.3	21.6	18.6
Adjusted return on invested capital (ROIC) [1]	**21.2**	23.8	23.8	23.7	19.3
Effective tax rate	**28.0**	28.9	31.1	31.8	32.8
	pence	pence	pence	pence	pence
Adjusted earnings per share[1]	**125.2**	132.2	121.9	111.7	88.8
Dividends per share	**65.5**	64.5	59.5	55.0	35.0
	times	times	times	times	times
Net debt/EBITDA	**0.6**	0.7	0.7	0.8	1.0
EBITDA interest cover**	**33.4**	36.4	36.8	33.4	26.8

1 Before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition
* Total Group figures, all other figures are continuing operations only
** Excluding pension scheme net financial income
^ Restated for IAS19 revised

Summarised balance sheet

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Intangible assets, property plant and equipment and investments	**633.5**	602.9	552.3	560.6	536.9
Inventories	**201.0**	192.8	170.5	164.6	164.6
Trade and other receivables	**145.0**	136.7	162.9	145.7	146.2
Trade and other payables	**(129.4)**	(129.1)	(139.2)	(164.3)	(183.3)
Other	**–**	–	–	–	0.6
Capital employed	**850.1**	803.3	746.5	706.6	665.0
Tax, provisions and other	**(54.2)**	(45.9)	(28.7)	(10.4)	(22.7)
Retirement benefit liabilities	**(126.7)**	(135.8)	(165.8)	(198.9)	(147.8)
	669.2	621.6	552.0	497.3	494.5
Shareholders' funds	**482.9**	413.1	344.2	266.1	273.1
Non-controlling interests	**6.1**	6.3	0.1	0.1	1.1
	489.0	419.4	344.3	266.2	274.2
Net debt	**180.2**	202.2	207.7	231.1	220.3
	669.2	621.6	552.0	497.3	494.5
Gearing (%)	**36.9**	48.2	60.3	86.8	80.3

Glossary of Terms

12 Principles of Green Chemistry	Set of principles that when used in the design, development and implementation of chemical products and processes, enables scientists to protect and benefit the economy, people and the planet.
Adjusted	Before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition and the tax thereon where applicable
AGM	Annual General Meeting
API	Active Pharmaceutical Ingredient
BCIP	Bonus Co-Investment Plan
Business Areas	Personal Care, Health Care, Crop Care, Geo Technologies, Home Care, Polymer Additives, Lubricants, Coatings and Polymers, Industrial Chemicals
CEN	European Committee for Standardisation
CGU	Cash Generating Unit
CO_2	Carbon Dioxide
Code	Financial Reporting Council's Corporate Code
Constant Currency	Current year results in local currency translated to Sterling at the prior year average foreign exchange rate
Core market sectors	Personal Care, Life Sciences, Performance Technologies
CPNI	Centre for the Protection of National Infrastructure
CPS	Croda Pension Scheme
CSPO	Certified Sustainable Palm Oil
DRIP	Dividend Reinvestment Plan
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
EBT	Employee Benefit Trust
EFfCI	European Federation for Cosmetic Ingredients
EO	Ethylene Oxide
EPS	Earnings Per Share
EXCiPACT	Certification scheme for pharmaceutical excipient suppliers
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
GDP	Graduate Development Programme
GHG	Greenhouse Gas
GHG emissions – scope 1	Greenhouse Gas emissions from sources that we own or control
GHG emissions – scope 2	Greenhouse Gas emissions that are a consequence of our activities, but occur at sources owned or controlled by another entity
GMP	Good Manufacturing Practices
GRI	Global Reporting Initiative
HMRC	HM Revenue and Customs
HR	Human Resources
IA	Investment Association
IFRS	International Financial Reporting Standards
ILO	Internal Labour Organisation
ISO	International Organisation for Standardisation
IT	Information Technology
KPI	Key Performance Indicator
LDG	Leadership Development Group
LMS	Learning Management System
LTI	Lost Time Injury
LTIP	Long Term Incentive Plan
Market sectors	Personal Care, Life Sciences, Performance Technologies, Industrial Chemicals
Mass balance	One of the Roundtable on Sustainable Palm Oil's certification standards
Material Areas	Our 10 most important sustainability areas
Net debt	Borrowings and other financial liabilities less cash and cash equivalents
NPP	New and Protected Products
OHSAS	Occupational Health & Safety Advisory Services
PKO	Palm Kernel Oil
PO	Palm Oil
PRR	Process Risk Review
PSM	Process Safety Management
PSP	Performance Share Plan
R&D	Research and Development
Return on sales	Adjusted operating profit divided by revenue
ROIC	Adjusted operating profit after tax divided by the average invested capital for the year for the Group. Invested capital represents the net assets of the Group, adjusted for earlier goodwill written off to reserves, net debt, retirement benefit liabilities, provisions and deferred taxes
RSPO	Roundtable on Sustainable Palm Oil
SAP EHS module	Safety, Health and Environment module in the SAP reporting system
SHE	Safety, Health, Environment
SHEQ	Safety, Health, Environment, Quality
SIP	Share Investment Plan
SMEs	Small and Medium Enterprises
STEM	Science, Technology, Engineering and Mathematics
Te	Tonnes
Te CO_2e	Tonnes Carbon Dioxide Equivalent
TSR	Total Shareholder Return
Underlying	Current year results in local currency translated to Sterling at the prior year average foreign exchange rate excluding acquisitions
VOC	Volatile Organic Compound
WACC	Weighted Average Cost of Capital

Cautionary Statement

The information in this publication is believed to be accurate at the date of its publication and is given in good faith but no representation or warranty as to its completeness or accuracy is made. Suggestions in this publication are merely opinions. Some statements and in particular forward-looking statements, by their nature, involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future and actual results may differ from those expressed in such statements as they depend on a variety of factors outside the control of Croda International Plc. No part of this publication should be treated as an invitation or inducement to invest in the shares of Croda International Plc and should not be relied upon when making investment decisions.

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Registered Office

Croda International Plc
Cowick Hall
Snaith
Goole
East Yorkshire
England
DN14 9AA

T +44 (0)1405 860551
F +44 (0)1405 861767

www.croda.com