CRODA

Connecting to faster growth markets

Annual Report and Accounts 2017

We are the name behind the high performance ingredients and technologies in some of the biggest, most successful brands in the world; creating, making and selling speciality chemicals that are relied on by industries and consumers everywhere.

In this year's report

2017

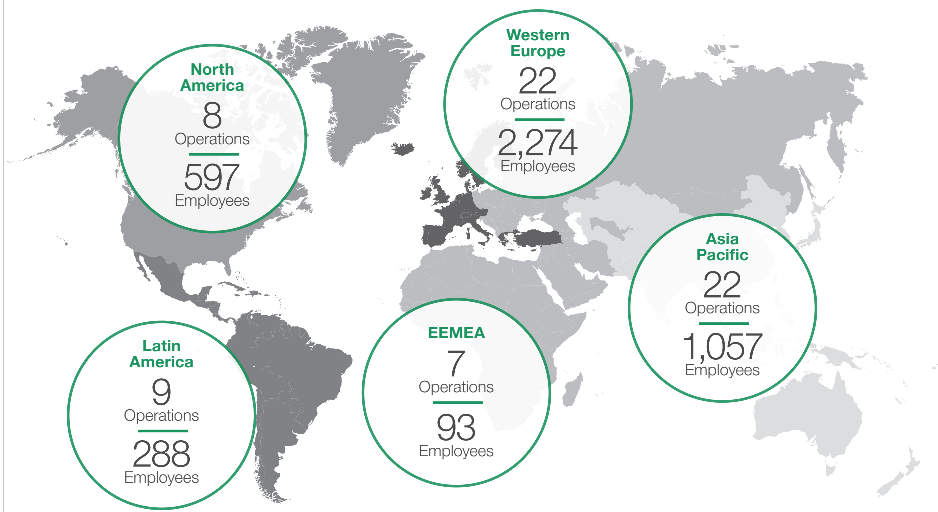
Adjusted profit is stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition and the tax thereon where applicable. Non-statutory terms are defined in alternative performance measures on p29

Where we operate

37
Countries across the world

4,309
Employees

Every day our global team works together, inspiring and influencing each other and our customers



Our strategy

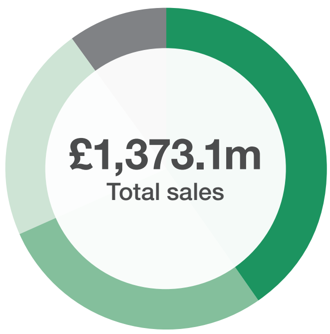
Delivering Growth p12
Delivering consistent top and bottom line growth

Driving Innovation p12
Increasing the proportion of protected innovation

Sustainable Solutions p13
Accelerating the capture of new sustainable technologies

Read more in the Chief Executive's Review on page 12

Sales by region



Europe, Middle East & Africa	£555.2m
North America	£385.5m
Asia Pacific	£297.6m
Latin America	£134.8m

Global market sectors

4

Personal Care

Personal Care focuses on ingredients for skin, hair, sun protection and colour cosmetic products

p14

Adjusted operating profit

£155.5m

Life Sciences

Life Sciences comprises three complementary businesses, Health Care, Crop Protection and Seed Enhancement

p16

Adjusted operating profit

£97.0m

Performance Technologies

Performance Technologies targets faster growth technologies in Smart Materials and Energy Technologies and continues to develop its presence in Home Care and Water Treatment

p18

Adjusted operating profit

£75.4m

Industrial Chemicals

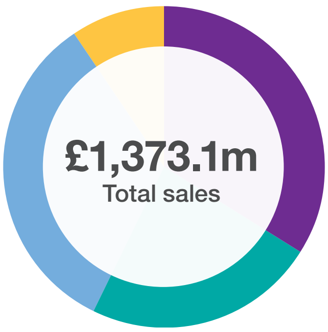
Industrial Chemicals is a small, diverse sector based on selling co-streams, developing novel niche applications and undertaking toll processing

p20

Adjusted operating profit

£4.3m

Sales by sector



Personal Care	£466.6m
Life Sciences	£322.6m
Performance Technologies	£456.9m
Industrial Chemicals	£127.0m

Sustainability

Embedded in our strategic thinking, sustainability adds value to our Business

Sustainable Product Innovation

p21

60% increase in sales of products made with RSPO certified palm oil derivatives compared to 2016

Planet and Process

p22

14.9% reduction in scope 1 and 2 greenhouse gas emissions intensity since 2015

People and Community

p23

82.7% of employees received training

Our Profit Growth

+11.1%

Adjusted profit before tax up 11.1% to £320.3m

Sales

£1,373.1m

2016: £1,243.6m **+10.4%**

Adjusted operating profit

£332.2m

2016: £298.2m **+11.4%**

Adjusted earnings per share

179.0p

2016: 155.8p **+14.9%**

Proposed dividend per share

81.0p

2016: 74.0p **+9.5%**

Underlying sales growth in constant currency

4.6%

2016: 3.1%

NPP sales as % of Group sales

27.6%

2016: 27.4%

Energy from non-fossil fuel sources

24.1%

Rebased 2016: 21.3%

Lost time injury rate per 200,000 hours worked

0.42

2016: 0.34

Chairman's Statement

A year of significant progress

Another year of significant progress for Croda, with strong sales growth and a record profit."

Anita Frew
Chairman

Overview

I am pleased to report another year of significant progress for Croda, strong sales growth and a record profit, good cash generation and excellent returns to shareholders.

This performance was driven by investment in faster growth markets, new technologies, enhanced Research & Development (R&D) capabilities and a significant capital spend programme. We continued to focus on delivering the highest standards of health and safety, and in driving sustainability.

Our people contributed significantly to Croda's success in 2017 with their dedication and creativity. I had the privilege of meeting many of them during site visits I made in the last twelve months. I am impressed by Croda's very special culture, where great emphasis is placed on 'doing the right thing' at all times. On behalf of the Board, I would like to take this opportunity to thank all our employees for their hard work and commitment.

Strong sales and a record profit

Sales for the year increased by 10.4% to £1,373.1m (2016: £1,243.6m), with growth in all of our sectors. Adjusted profit before tax grew by 11.1% to £320.3m (2016: £288.3m). On a statutory basis, profit before tax rose to £314.1m, up 13.9%. The Board was particularly pleased by the performance in Personal Care, where sales are now growing in addition to profit, reflecting a successful improvement programme implemented under the new sector management team. A richer product mix and successful Incotec integration delivered a stronger operating margin in Life Sciences, whilst Performance Technologies increased profit and moved towards more technology-driven markets and applications.

Our strategy is delivering

We have a clear strategy that is focused on providing unique performing ingredients satisfying the unmet needs of our customers, driving increased value for our shareholders. Alongside sales growth across all types of customer, large and small, we delivered a total shareholder return of over 40% in 2017 through share price growth and an increased dividend.

Our model is to generate strong profit margins through innovation and focused capital investment, which drives a superior return on capital and generates cash. We reinvest this cash to develop new technologies, create greater R&D, increase our manufacturing capability and develop our people. In 2017, we invested over £30m in acquiring new capabilities in faster growth niches, adding three new exciting technologies in skin care, novel surfactants and static electricity protective polymers. We invested nearly £40m in R&D, increasing the proportion of sales that come from patented and protected products, and expanding our Open Innovation programme to almost 400 partners in universities and technology enterprises across Europe and Asia. We invested over £150m in new capacity, notably our first to market bio-surfactant plant in North America, which we expect to commission early in 2018.

Case study

Global Employee Culture Survey

Since it was introduced, the 'Croda Vision' has become an important part of describing our company, our people and the values, behaviours and attitudes we expect of ourselves. These values, behaviours and attitudes are often referred to as our culture.

To understand if the Croda Vision was experienced across our global organisation, we launched a Global Employee Culture Survey, the first for over ten years. The survey was designed internally to test the elements of our culture that are important to us and that we believe set us apart from our peers. Three sections directly related to our culture; 'Who we are', 'How we work together' and 'How we manage our work'.

The survey was translated into 15 languages and we were delighted with an overall response rate of 80%. The results of the survey have been pleasing; employees rated their relationship with their immediate supervisor positively and presented a good picture of team work across departments. Employees also shared that they have a good understanding of the purpose and goals of the organisation.

A great deal of work is now being undertaken to review the results of the survey at every location and business unit.

80%
response rate to the employee survey

Croda has a long held commitment to sustainability and we are accelerating the capture of new sustainable technologies. These technologies are increasingly important to our customers, who are excited by our new ECO range of bio-based ingredients from our new bio-surfactant plant in North America, which will replace petrochemical products without loss of performance. As well as helping customers meet their consumers' needs, Croda is also committed to reducing its own environmental impact. Our Sustainability Report has exciting news on our progress.

Governance, culture and values

With the Board, I lead our programme to ensure the highest standards of corporate governance and integrity right across Croda, which is critical to our continued success and viability. Our work in 2017 included ensuring that we maintain strong risk management, health and safety, and ethical supply chain compliance programmes.

We also continue to recognise the importance and value of Croda's unique culture to its continued success. In 2017 the Board spent time visiting our overseas operations and meeting our employees, engendering a common understanding of the business goals and identifying opportunities for future growth and development. We conducted a Global Employee Culture Survey, to examine our culture, ensure that it is aligned with our core values and understand how we can protect this critical competitive advantage as Croda continues to grow and acquire. We were pleased with the overall positive results, with the majority of employees understanding the main goals of the Company. In 2018, we will implement the resultant Culture Plan in each global sector and region.

We believe that diversity across Croda drives better performance and a stronger company. Our leadership development programmes comprise employees from different cultures, backgrounds and nationalities. We have adopted a Diversity and Inclusion programme across our workforce and are taking action to encourage more women into leadership roles. As a Board we have 25% female representation, with a policy to achieve 33% in the medium term.

We completed our latest externally facilitated Board evaluation. The overall result was very positive, in particular on how we encourage a culture and environment that enables candid debate. Effectively managed succession is critical to delivering successful leadership and, after serving nine years on Croda's Board, Nigel Turner will retire at this year's AGM. I would like to thank Nigel for his dedication and outstanding contribution. Alan Ferguson will take over from Nigel as Senior Independent Non-Executive Director. Alan has been on the Board since 2011 and acts as Chairman of the Audit Committee, bringing a wealth of relevant experience, having served as Senior Independent Director with other listed companies.

Dividend

We have a clear capital allocation policy with profits reinvested for growth; a regular dividend paid to shareholders; organic growth supplemented by selected acquisitions; and an appropriate balance sheet maintained, with excess capital returned to shareholders. Following the strong performance in 2017, the Board is recommending an 9.5% increase in the full year dividend to 81.0p, covered 2.2 times (2016: 2.1x) by adjusted earnings per share. Following the payment of an interim dividend of 35p in October 2017, shareholders will receive a final dividend of 46p, subject to approval at the AGM.

The Board has reviewed the leverage of the business, which is at the lower end of its target range. It will consider further returns to shareholders in the event that leverage falls below this range.

Outlook

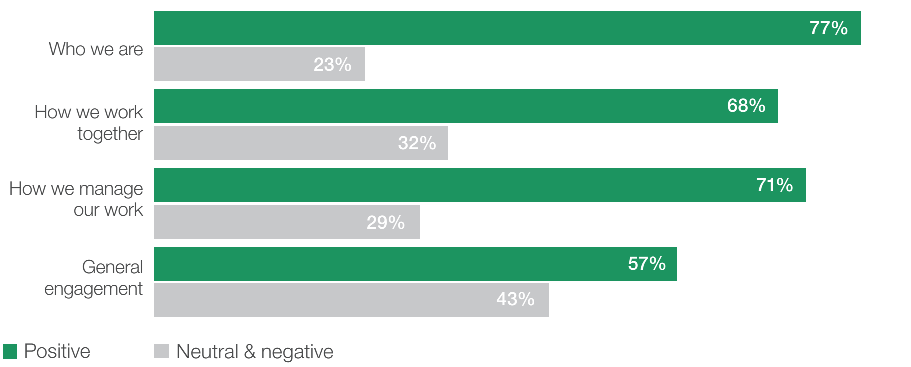
We have entered 2018 with good momentum and a strong platform on which to deliver long term growth. In the year ahead, we will continue to invest in fast growth technologies, R&D, improved operating capabilities and our people. We are confident of delivering continued progress in 2018.

Anita Frew
Chairman

Action plans are being developed including to improve knowledge sharing around the Group and flexible working practices. These are regularly shared with the Executive Committee and Board, who have appointed Keith Layden as the Board member with primary responsibility for ensuring that the survey results are considered and followed through.

To read our full Global Employee Culture Survey feature go to our 2017 Sustainability Report

Summary of results by survey section



Market Drivers

Maximising opportunities for growth and innovation

To maximise opportunities for growth, we use the global mega trends to shape our strategy and business model, which ensures we can deliver innovations that satisfy the unmet needs of our customers.

Global mega trend

Changing demographics

Consequences

There is unprecedented change in world demographics. People in developed economies are living longer and have more income and better access to buy a wider range of products.

In the developing world, a population increase of two to three billion is forecast between now and 2050, driven by lower mortality rates. In addition, an expanding middle class is expected to attain Western levels of consumerism, generating new markets for products that make a difference to living standards.

What this means for our industry

- → Growing need for consumer products that use our ingredients
- → Increasing demand for anti-ageing, beauty and health products as incomes rise and consumers' expectations change
- → Demand for increased crop yields to support the growing population
- → Demand for energy saving materials and increased bio-based content to mitigate against carbon emissions in supply chains.

Our opportunities

More growth in developing regions, and demand for new products that contain our innovative ingredients.

Our response

- → Close working partnership with our customers, smart partners and suppliers to develop innovative ingredients with intrinsic and extrinsic sustainability benefits across all our market sectors
- → Local market teams who are close to our customers, with the right global market sector insight and expertise to meet rapidly changing market demands
- → Investment in local research and development laboratories in growing regions (p13)
- → Capital investment in manufacturing assets in Asia and Latin America to reduce supply chain length and bring supply closer to our customers (p13).

Fragile world

Consequences

The continuing accumulation of greenhouse gases in the atmosphere is the main cause of global warming, the consequences of which are rising sea levels and an increase in the frequency of extreme weather. Both impair the productivity of the land to supply food and water for the growing global population and bring an increased focus from international organisations on restricting global warming and climate change.

What this means for our industry

- → A demand for increased product performance from lower levels of active ingredients
- → Need to minimise environmental and social impact along the entire customer supply chain
- → Emergence of taxes and incentives for businesses to reduce the net environmental burden
- → A move away from petrochemicals towards renewables and industrial biotechnology.

Our opportunities

From our unique position in the use of renewable raw materials, we can reduce the net impact of our Business by facilitating our customers' transition to more sustainable ingredients, and through our applications science, create ingredients that have a positive benefit in use.

Our response

- → In house regulatory experts sitting on industry wide committees to inform and shape future policy
- → New product developments assessed against the globally recognised 12 Principles of Green Chemistry framework, to ensure that they are as sustainable as they can be (p21)
- → Investment in our North American bio-surfactant plant to produce the bio-based ECO range of ingredients, both reducing reliance on fossil fuels and eliminating the need for rail transportation of ethylene oxide (p10)
- → Cradle-to-gate life cycle assessment to assess the impact of our ingredients and identify where we can make further reductions in our carbon footprint (p21)
- → Report to CDP climate change, forest and water disclosures.

Global mega trend

Demand for transparency and trust

Consequences

Consumers, empowered by digitalisation, have changing expectations. They want greater choice and control, demanding more transparency in the products and services they use and anywhere, anytime access to information.

They increasingly expect businesses to operate in a transparent and accountable way, and take greater responsibility for their supply chains and the impact of their products, with increasing calls for improved performance, purity and cost-effective solutions.

What this means for our industry

- Clear demonstration of transparent ethical and social accountability globally
- Need for collaboration through the whole supply chain to trace material provenance.

Our opportunities

Our extensive product claims substantiation capabilities are supported by a wealth of technical information that assists our customers in making the right choices for their consumers.

Our response

- Maintain and enhance our reputation as a high quality ingredient supplier by meeting and surpassing regulatory requirements
- A corporate Ethics Committee which ensures that supply chain risks are identified, prioritised and controlled
- Work with specialists to characterise the physical palm oil derivative supply chains, leading to transparency of provenance
- Actively manage all risks that could affect the reliability of our service to customers: ethics, human rights, process safety, product safety, quality assurance and business continuity
- Ensure that all manufacturing sites are certified against appropriate Safety, Environment, Quality and GMP standards.

Digitalisation and interconnectedness

Consequences

Technology advances are reshaping the world we live in, with digitalisation transforming consumer behaviour. Digital technologies make it easier for their voices to be heard and increase the speed at which new trends are adopted.

The evolution of the internet has also enabled a significant advance in our ability to gather, analyse and distribute data and turn it into information and knowledge.

What this means for our industry

- Consumer demand for niche products
- Increase in small independent ('indie') customers and virtual communities demanding a different level of service
- Need for agile operations
- Increased use of data science and robotics to shorten product development life cycles.

Our opportunities

Opportunity to connect more dynamically with both our current and future customers, and to use data and robotics to improve efficiency and effectiveness from new ingredient development to site operations.

Our response

- Local sales and research and development teams work closely with small start-ups on niche ingredient development
- Flexible operating assets and supply chains enable the production and delivery of small batch sizes to meet changing customer demands
- Our acquisition of Cutitronics, which enables us to utilise the latest digital technology in premium skincare (p14)
- Appointment of a Chief Digital Officer to grow our digital strategy (p13)
- Creation of a process informatics group to analyse and optimise plant performance
- Investment in our Centre of Innovation for Formulation Science at the Materials Innovation Factory at the University of Liverpool, to build a data centric approach to innovation (p13).

Business Model

Creating value

We create, make and sell innovative speciality chemical ingredients, generating long term value through collaborative relationships and our commitment to sustainable innovation.

Input

Consumer need
Influenced by global mega trends, consumers dictate their needs

Customer need
Our customers seek innovative and sustainable ingredients that address consumer needs

Our relationships and assets

Relationships

- Customers
- Our people
- Open innovation partnerships
- Smart partnerships
- Supply chain partnerships
- Investor base

Read more about our relationships on page 08

Assets

- Our culture
- Protected intellectual property
- Local innovation centres
- Valuable green chemistries
- Agile regional manufacturing base
- Strong cash generation for reinvestment

Croda

Delivering value across our market sectors

We serve our customers across four global market sectors:

Personal Care	p14
Life Sciences	p16
Performance Technologies	p18
Industrial Chemicals	p20

Engage
Working closely with our customers and supply chain we identify unmet consumer needs around the world

Create
We create innovative and sustainable ingredients and technologies that meet consumer needs

Sustainability connects every aspect of our Business

Sustainability is an increasing requirement and a differentiating factor for our customers and their consumers. Our sustainability programme is enhancing our reputation for producing the best sustainable ingredients whilst reducing our environmental burden on the planet and our local communities, helping our customers to manage their risk and achieve their own sustainability objectives.

Sector sales

Total

£1,373.1m

Make

Our manufacturing sites run flexible operations to consistently high standards across the world

Sell

We generate revenue through our direct selling model, with sales, technical and warehousing support local to our customers

Supported by our culture

Our 'One Croda' culture exemplifies the values, behaviours and attitudes we expect of ourselves. We want our people to feel empowered and recognised for their commitment, creativity and innovation. Each individual should be treated fairly and equally, with openness and transparency.

Output

Customer product

Using our innovative and sustainable ingredients, our customers increase the benefits of the products they manufacture

Consumer benefit

Consumers all over the world benefit from the performance of our ingredients that address their unmet needs

The value we add

High performance, high quality innovative products with the sustainable benefits and claims validation our customers want

Read more about sustainable product innovation on page 21

Minimising our impacts within our customers' supply chains

Read more about planet and process on page 22

Ensuring the success and safety of our people and supporting the communities in which we operate

Read more about people and community on page 23

Superior financial performance

Read more on page 09

Strong returns to shareholders

Read more on page 09

See page 24 for our Key Performance Indicators

Key Relationships

Collaboration and partnership

Our success is driven by a focus on collaboration, which we achieve by encouraging our people to think differently as they build intimate relationships throughout our Business, and work with our customers and peers.

Customers

Our business model, directly delivering thousands of products to thousands of customers without third party distribution, requires an unrivalled level of customer engagement and intimacy on a global scale. Each of our market sectors has a dedicated research, sales and marketing team who are constantly in close collaboration with a number of departments within customers' organisations. These touch points include: research and development, marketing, production, purchasing, quality, regulatory and sustainability. This level of engagement and intimacy creates true partnerships based on trust and reliability.

Read more on pages 10 to 20

Our people

Our extensive product portfolio is supplied to many diverse markets, creating a high degree of complexity, but also competitive advantage and great opportunities. Our people's intuitive ability to manage this complexity comes from a culture that promotes continuous internal communication and sharing of information and best practice across all disciplines. This internal communication is both structured and informal, which creates opportunities for cross fertilisation of ideas and innovation.

Read more on page 23

Open innovation partnerships

Innovation plays a critical role in the delivery of our strategy. Our global research and development teams across all our market sectors build collaborative partnerships with world leading academics and universities to innovate and develop unique ingredients that add value to our customers' products and address their consumers' unmet needs.

Read more on page 13

Smart partnerships

Through collaborative partnerships with university start-ups and technology specialists, we identify opportunities to create next generation solutions. By combining and investing in technologies from external sources, together with our in-house expertise, they identify solutions which match our customers' future needs across all our market sectors. In 2017 we acquired Enza Biotech in Sweden and IonPhaseE in Finland, and we invested in Cutitronics, based in the UK, all of which have novel patented technology.

Read more on pages 14 to 20

Supply chain partnerships

Managing our global customer product matrix requires strong partnerships with suppliers and a high degree of transparency, operating on a global, regional and local level. Raw material quality and supply, together with assured supply chain integrity, are pre-requisites to operating responsibly. Connections in supply chains are now stronger than ever before, and product integrity relies on upstream transparency in supply chains to ensure that we source from suppliers with shared values and standards equal to our own.

Read more on page 22

Investor base

We communicate regularly with our existing and potential shareholders to ensure that our strategy and trading trends are clearly and consistently understood. Recognising the importance of direct communication, in 2017 we attended numerous investor conferences and roadshows in the UK, USA, Europe and Asia and regularly co-ordinated investor site visits, capturing and discussing shareholders' opinions and key issues.

Read more on page 49

Our collaboration in 2017 included:

33,986
meetings with our customers

39
managers completing our annual 2020 Network development programme

100+
projects working with 393 partners

3
smart partnership investments

2,000+
face-to-face meetings with raw material suppliers

38
investor conferences and roadshows attended

Our Investment Case

Strength and delivery

We are a speciality chemical company that creates high performance ingredients and technologies relied upon by industries and consumers globally.

Our investment case

Global product innovation in collaboration with customers…

- → Differentiated market leading technologies
- → Innovation embedded in the business
- → Technical teams focused on bigger and better innovation
- → Investment in research and development delivering fast growth
- → Local innovation centres driving increased customer collaboration
- → Products increasingly delivering sustainable solutions.

NPP sales as % of Group sales

27.6%

2016: 27.4%

…with local sales and technical delivery…

- → Operating in fast growing sectors
- → Customer intimacy and collaboration
- → Committed to sustainable local manufacturing globally
- → Global marketing expertise and sales reach delivered locally
- → Operating in fragmented markets.

Core Business sales growth % in constant currency

5.6%

2016: 4.6%

…that drives superior financial performance…

- → Excellent profit margin
- → Capital light model
- → Continued focus on top line growth whilst protecting margin
- → Strong cost control
- → Strong free cash flow.

Adjusted earnings per share

179.0p

2016: 155.8p

…and generates strong returns to shareholders

- → Excellent return on capital
- → Supporting investment to grow
- → Consistent regular dividend payments
- → Disciplined approach to acquisitions that are technology driven
- → Excess capital returned to shareholders.

Return on Invested Capital

19.2%

2016: 19.3%

Chief Executive's Review

We are continuing to deliver

“

It is pleasing to see growth balanced across each of our sectors, with three strong legs of growth.”

Steve Foots
Group Chief Executive

Sales growth
+10.4%
2016: +15.0%

NPP sales as % of Group sales
27.6%
2016: 27.4%

Return on sales
24.2%
2016: 24.0%

Record profit and strong sales growth

2017 was a year of significant progress for Croda; a year of record profits and strong organic sales growth; and a year when all core sectors and major regions contributed to growth. Our strategy continues to deliver. We are achieving consistent top and bottom line growth. It is pleasing to see this growth balanced across each of our core sectors, reinforcing that Croda has three strong legs of growth. We have continued our relentless focus on innovation, growing strongly in premium niches, across all customers – big and small.

In constant currency, adjusted profit before tax increased 6.5% on sales 4.6% higher. With around 95% of our sales outside the UK, the weakness of Sterling in the first half year benefited our reported currency results, with sales increasing by 10.4% to £1,373.1m and adjusted profit before tax up 11.1% to a record £320.3m.

With our strategy broadly unchanged over many years, we take a long term view of investing and developing our business and our people. We keep things simple. Our job is to provide unique performing ingredients, satisfying the unmet needs of our customers whilst delivering significant value for both them and Croda. Through 2017 we have continued to invest: in Research & Development (R&D), through our local laboratory expansion programme; in Open Innovation, collaborating with many universities; and in Smart Partnering, with a number of new commercial partnerships established. We have continued to invest in faster growth technologies, both organically and by acquisition; in manufacturing, in our operating capabilities; and in building further knowledge in our people.

At the heart of our business is a creative and customer focused innovation programme. This is harnessed within a powerful culture; a culture where the 'can do' attitude, free thinking and deep understanding of our customers' needs set us apart from our competition, which delivers great value for all our stakeholders. Our culture is the raw material that drives our innovation spirit. In 2017, this helped New and Protected Product (NPP) sales grow for the fifth consecutive year to a record 27.6% of total sales. We have more intellectual property (IP) in the business today than five years ago.

Over the last 12 months, we have acquired or invested in four fast growth disruptive technology companies, including Nautilus, a source of new marine biotech active ingredients. We invested over £150 million in capacity, three times depreciation, including in Beauty Actives, a bio-surfactant plant in North America to supply sustainable ingredients to consumer and industrial markets, and in high purity Health Care and Smart Materials technologies. We created a new digital team to unlock new ways to better reach and serve our customers.

Accelerating top line growth – constant currency sales up 4.6%

Sales increased by 10.4% to £1,373.1m. This included a 5.8% benefit from currency translation due to weaker Sterling in the first half of the year. Sales in constant currency increased by 4.6% and there was no material impact from acquisitions.

Case studies

Making ethylene oxide sustainable

We have been manufacturing ethoxylates at our Atlas Point facility since the 1940s and produce many globally recognised surfactants and emulsifiers.

Our ingredients have provided solutions to our customers' application problems that had previously been very difficult to solve.

There is growing demand to increase the proportion of bio-based, renewable ingredients in consumer products. Our new bio-based ethylene oxide is now a recognised replacement for petrochemical based ethylene oxide.

Our new range of ECO surfactants is 100% renewable with performance matching that of petrochemical based options.

Community benefit

Our facility has always been a supportive and active member of the local community. During construction, this project has created over 250 local construction jobs and we have recruited 30 new, local, full-time employees to operate the ECO plant.

Safety at ECO

Process safety principles have been applied at all stages of construction. We partnered with a specialist EO process design company which has registered millions of hours of incident-free operating time.

The detailed process design was subjected to rigorous hazard studies to identify and eliminate problems. Our contractors worked a combined 800,000 hours without injury, something of which we are very proud.

Personal Care growth was a particular highlight, with constant currency sales up over 5%, successfully reversing a decline in the more mature Specialities market whilst continuing to deliver faster growth in the premium Actives market. Life Sciences achieved a strong second half year, with high purity drug excipients and crop delivery systems performing well. Following exceptionally strong demand at the start of the year, Performance Technologies streamlined sales to target value over volume growth and drive significant margin improvement in the second half year.

Continued profit growth – adjusted EPS up 10.5% in constant currency

Adjusted profit before tax increased by 11.1% to £320.3m. Profit before tax on an IFRS basis rose strongly to £314.1m. The increase in top line sales was supported by an improved margin, reflecting higher NPP sales and an improved product mix. Return on sales increased by 20 basis points to 24.2%. Adjusted EPS rose 10.5% in constant currency and 14.9% in reported currency to 179.0p. The proposed final dividend has been increased by 11.5% to 46.0p.

Personal Care: strong sales improvement with stable margin

The return to robust growth in Personal Care reflected 'self-help' measures to improve sales performance whilst protecting margin. This saw the creation of three businesses to reflect the differing characteristics of each end market, where our investment in R&D is bearing fruit. Strong innovation-led growth in Beauty Actives helped sector NPP exceed 40% of sales, a record. Our Beauty Effects business saw improving demand for solar protection, hair and colour cosmetics ingredients. The Beauty Formulations business increased differentiation and competitiveness in our heritage ingredients portfolio and returned to healthy sales growth. Sales to multinational customers also returned to growth, after several difficult years, alongside continued fast growth with regional and local customers through our distributed model which puts us closer to customers. This was enhanced by new digital capabilities to support the growing demand from newer 'Indie' customers. Sales grew 5.3% in constant currency and adjusted operating profit increased 3.3% on the same basis to £155.5m, reflecting a modest decline in return on sales due to the broader product mix.

Life Sciences: innovation and Incotec integration delivering faster profit growth

Life Sciences delivered its target of faster profit growth through new innovative technologies and Incotec margin improvement, in line with our strategic objective of creating a business to match Personal Care. Sales of IP-rich delivery systems were supported by a resurgence in Crop Protection demand in the second half year, reflecting investment in faster innovation through collaboration with our agrochemical customers. The integration of our Seed Enhancement business, Incotec, continued to progress successfully, with rationalisation of the geographic footprint completed and new R&D investments bearing fruit. In Health Care we exited our North American generic Active Pharmaceutical Ingredients (API) contract following a successful four year period of manufacture. Sector sales grew by 4.6% in constant currency and adjusted operating profit increased to £97.0m with return on sales of 30.1% (2016: 28.1%).

Performance Technologies: transitioning to more focused innovation

Performance Technologies continued its journey to 'value over volume'. We focused on developing faster growth technologies in the premium Smart Materials and Energy Technologies markets. 2017 saw strong structural growth in the first half of the year, particularly in lubricants and oil and gas markets, with growth in the second half year moderating as the sector focused on increasing value and more selectively targeting volume. Sales grew by 6.6% in constant currency, whilst adjusted operating profit increased to £75.4m, the second year of double digit percentage constant currency profit growth. After some margin compression in the first half year from raw material price increases, return on sales increased by 120 basis points in the second half year, and is progressing towards our 20% medium term target.

Continued growth in Asia and Europe; return to growth in North America

Sales grew organically in our three largest regions. Asia and Europe continued to drive growth, with Core Business sales in constant currency in Asia up 6%, leveraging recent investment to increase proximity to local customers. In Europe, improved market confidence saw sales on the same basis increase by 5%, with excellent progress in new geographies in

Renewable energy at Atlas Point

In 2012, we invested US$8m in a renewable energy project, using gas from a local landfill site to generate electricity and steam. In 2013, we invested an additional US$2.3m in solar panels to further reduce annual CO_2 emissions.

Avoidance of greenhouse gas emissions

Our use of landfill gas, combined with lower consumption of natural gas, has led to a reduction in greenhouse gas emissions of close to 1 million tonnes.

Carbon footprint of ECO range

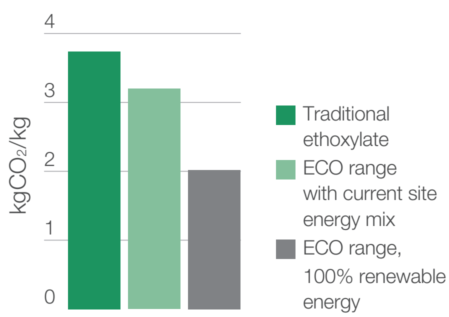
We have modelled the Life Cycle Analysis of our ECO products, focusing on the climate change impact category, in alignment with ISO 14067.

If a typical ECO product family was made using 100% renewable energy, we would see a further reduction in the carbon footprint.

100%

renewable surfactants

Carbon footprint of ECO products compared with traditional ethoxylates



Eastern Europe, Middle East and Africa. Actions taken in North America restored growth to 8% on the same basis, supported by strong market conditions. Whilst full year constant currency sales in Latin America were slightly below 2016, growth turned positive in the second half year, helped by macroeconomic stabilisation and our investment in capacity.

Robust financial platform funding investment

Croda continues to deliver good cash generation and maintain a strong balance sheet with flexibility for organic investment, acquisition and returns to shareholders. This cash is used to invest in R&D, faster growth technologies and manufacturing capacity. In 2017, Croda's capital investment peaked, with over £150m of capital expenditure to support future growth. This included completion of the installation phase of our industry leading bio-surfactant plant in North America, with commissioning expected around the end of the first quarter 2018. We made three technology acquisitions and investments during 2017. ROIC remained a multiple of our cost of capital at 19.2% (2016: 19.3%), ahead of realising the benefits of recent investments and acquisitions. Despite the significant level of investment, leverage reduced to the lower end of our target range at 1.0x net debt to EBITDA.

Delivering a sustainable strategy

Croda delivers shareholder value by creating innovative ingredients for niche markets, satisfying the unmet needs of our customers, globally and locally. Our strategy to achieve this comprises three components:

1. Deliver consistent top and bottom line growth
2. Increase the proportion of protected innovation
3. Accelerate the capture of new sustainable technologies.

Alongside the strong growth and increased NPP, we continued to build our platform of sustainable technologies. Sustainability connects every aspect of Croda's business and is an increasing requirement and differentiating factor for our customers and their consumers. We have adopted ISO 26000, the international sustainability standard. Our bio-surfactant plant will see the launch in 2018 of our ECO range of products, enabling customers to build sustainably focused consumer brands without sacrificing performance. Our environmental programme is enhancing our reputation for producing the best sustainable ingredients whilst reducing our environmental burden on the planet and our local communities, with a focus on carbon neutrality and in helping our customers manage risk through the assurance provided by our responsible sourcing programme. Highlights across our manufacturing sites in 2017 included a 16% reduction in waste to landfill and 5% reduction in water withdrawal since 2015.

To deliver our strategy we are investing in:

- → new technologies
- → greater R&D
- → new operational capability and
- → our people.

Investing in new technologies

We continue to identify new technologies for Croda to deliver to its customers. We seek to acquire new technologies both organically, by creating our own capability where none exists in the market, and inorganically, by acquisition. Alongside our new bio-surfactant plant, organic investment included continued development of our global market-leading Matrixyl® Personal Care brand, with the launch of the next generation in skin rejuvenation, Matrixyl® Morphomics™, and new solar protection products, such as Solaveil CTP7, for use in silicone-based sun care, especially popular in Asia. New technologies developed for Life Sciences included new high purity drug delivery systems and advanced crop protection and seed enhancement systems, including seed encrustment, which enables customers to add more active and complex formulations, increasing crop yields and reducing environmental impact. We continued to build the technology pipeline in Performance Technologies, commercialising MyCroFence™, a novel surface active antimicrobial coatings technology.

Inorganic investment includes both 'bolt-on' acquisitions of established businesses, such as our 2015 purchase of Incotec, and technology acquisitions of novel chemistries. We particularly target opportunities where Croda's existing R&D and global sales and marketing network allow for profitable scale up. We acquired Enza Biotech, developing the next generation of renewable surfactants; IonPhasE, an innovative supplier of static

Our Strategic Approach

Delivering Growth

Through our direct selling business model, our people build intimate relationships with our customers large and small, working closely with them to target niche, rapidly growing markets where our innovative and sustainable approach is valued. Our flexible and agile structure enables our people to stay close to our customers around the world, whilst working together as one global team to respond quickly to demands identified by changing demographics in a fragile world (p04).

KPIs:

- → Return on sales **p24**
- → Core Business sales growth **p24**

Key risks:

- → Revenue generation in established and emerging markets **p32**
- → Talent development and retention **p32**

Driving Innovation

Innovation plays a critical role across our Business, with dedicated business sector research and development teams creating new ingredients in collaboration with our customers. Working with our open innovation partners and through smart partnering, we identify unique opportunities that add value to our customers' products and satisfy the needs of their consumers. It is a combination of the ingredients we create and the way we operate that enables our customers to build on our innovations.

electricity protection, operating in faster growth segments of the electronics and automotive markets; and invested in Cutitronics, a UK innovator of personalised, adaptive skin care.

This focus on new technology also saw Croda invest in digital. We continued to digitalise Croda's enterprise, introducing high throughput robotic analytical testing to accelerate R&D. We are introducing new digitally enabled customer offerings, building on our new web platform, increasing the services we provide smaller and Indie customers. We are collaborating in new digital ecosystems, for example through our investment in Cutitronics, where digital skin devices will unlock powerful consumer data for skin health.

Investing in greater R&D

Our lifeblood is innovation. We have expanded and accelerated our innovation programmes through internal and external projects. NPP sales in 2017 were below our target to grow at twice the rate of non-NPP sales, reflecting the return to growth in the underlying business. However, NPP sales were 75% higher than in 2012, with the proportion of NPP rising from 20.5% of total sales to 27.6% over the same period.

We supported our experienced R&D team through enhanced Open Innovation and Smart Partnering programmes. With almost 400 partners and comprising over 100 completed and 75 ongoing projects, Open Innovation gives Croda access to chemists, biologists and agronomists in universities and specialist research laboratories and enterprises, adding over £12m of external funding since the programme commenced. We have expanded this European programme to Asia.

Smart Partnering has seen Croda co-invest with industry technology leaders. We opened a state-of-the-art Centre of Innovation for Formulation Science at the Materials Innovation Factory at the University of Liverpool. We are partnering with a leader in innovative special effect pigments, in the fast growing colour cosmetics market. We have expanded in-house innovation capability, increasing R&D capacity at Sederma, our flagship Beauty Actives business, where 80% of sales come from NPP. The global market leader, Sederma remains at the forefront of disruptive technology, through the addition of plant stem cell technology from IRB and, in 2018, marine biotech actives from Nautilus. We also expanded R&D facilities in Brazil, Japan, Korea, South Africa and in Seed Enhancement in the Netherlands, the latter part of our investment to establish new innovation-driven sales in Incotec.

Investing in new operational capability

2017 has seen the biggest organic capacity investment in Croda's recent history. In addition to our bio-surfactant plant, we have created a global centre of excellence in solar protection, invested in emerging geographies by expanding local manufacture in Latin America and India, and increased biotech production in the UK. We have major investments underway to expand capacity in high purity excipients in Health Care and in our UK polymer additives business, where we are a global leader in slip, anti-static and anti-scratch solutions to customers in the premium packaging and automotive industries.

Investing in our people

Our people and the culture that they embody are at the centre of our success. We continue to invest in our people, with a focus on sales and technical skills to serve our increasing number of customers. We have added biotech scientists through our acquisition of Enza; digital capability, including the appointment of a Chief Digital Officer; and agronomy specialists through Incotec. Following a Global Employee Culture Survey in 2017, a programme is developing and reinforcing the values and behaviours which make Croda's culture special. We are driving delivery of our diversity plans.

Outlook

We have entered 2018 with momentum and a platform on which to deliver long term growth. In the year ahead, we will continue to invest in:

- Fast growth technologies, both organically and by acquisition, to support future profitable growth;
- R&D, through successful Open Innovation and Smart Partnering programmes;
- Manufacturing, through improved operating capabilities; and
- Our people, building creativity, innovation and expertise.

We are confident of delivering continued progress in 2018.

Steve Foots
Group Chief Executive

KPIs:

- NPP sales % **p24**
- Relative NPP sales growth **p24**

Key risks:

- Product and technology innovation **p32**
- Protect new intellectual property **p32**
- Talent development and retention **p32**

Sustainable Solutions

We continue to build on our renewable raw material heritage to create, make and sell sustainable solutions today, to positively influence tomorrow. By investing in innovative product design and flexible operations, we are working with our supply chain to develop ingredients that deliver more benefit, with less impact. This, coupled with our participation in regulatory debates, ensures that we are providing solutions to the opportunities presented by our global mega trends (p04).

KPIs:

- Non-fossil fuel energy % **p25**
- Lost time injury rate **p25**

Key risks:

- Product liability claims **p32**
- Major safety or environmental incident **p33**
- Security of raw material supply **p33**
- Major capital project management **p33**
- Chemical regulatory compliance **p33**

Sector Review
Personal Care

Sandra Breene
President, Personal Care

In Personal Care we are targeting consistent sales growth, whilst broadly maintaining margin. We delivered this in 2017, with sales growth in all regions, driven by stronger sales volume. Sales increased 10.9% to £466.6m (2016: £420.6m) and by 5.3% in constant currency, the latter driven by a 5% increase in volume. Adjusted operating profit increased by 8.7% to £155.5m (2016: £143.1m), 3.3% ahead in constant currency. The sector's strong margin delivery continued, with return on sales only marginally lower at 33.3% (2016: 34.0%); as expected, this reflected a broadening in mix as sales growth returned across the product portfolio.

During 2017 we successfully reversed a decline in the more mature Specialities market, whilst continuing to deliver fast growth in our premium Actives business. We created three businesses: Beauty Actives, Beauty Effects and Beauty Formulations, which have given greater focus and dynamism. Our flagship Beauty Actives business, where Croda is the global market leader, had another excellent year, delivering double digit percentage sales growth in constant currency. Innovation is the key to its continued success and we launched the next generation of the award winning Matrixyl® range, Matrixyl® Morphomics™, combining the latest scientific technologies with Sederma's expertise in anti-ageing peptides and claim substantiation to offer the best solutions in skin rejuvenation.

In Beauty Effects, the smallest of the three businesses, our aim is to develop fast growth niches in hair, solar protection and colour cosmetics. We believe that these technically demanding markets can drive similar growth and profitability to Beauty Actives. With a focus on new product innovation, Beauty Effects delivered sales growth in the second half year. It successfully launched Volarest™, a novel curl retention product, and Kereffect™, an exciting semi-permanent hair straightening and curl relaxant product offering a milder alternative to traditional straightening systems.

In Beauty Formulations we completed our distributor exit programme, targeted resource to innovation driven customers and increased differentiation of our heritage ingredients portfolio. As a result, we returned this business to growth. We also reversed a declining trend with multinational customers, increasing the intensity of product innovation with a targeted group of customers and delivering modest sales growth.

Alongside an improving trend with multinationals, the fastest growth continues to be with regional and local customers. Our investment in locally based sales, marketing and technical resource continues to be a key differentiator in accessing smaller customers and enabling us to identify and leverage exciting new trends. Enhanced digital capabilities and targeted marketing are delivering a growing pipeline of opportunities by connecting faster with new 'Indie' customers as they bring new products rapidly to market. The breadth of our customer base drove growth in all regions.

Innovation continues to drive the sector, with NPP sales growing faster than the average and now representing over 40% of sales. The ability to innovate alongside customers is being enhanced through an expansion of research and development at Sederma, a new centre of excellence for hair in Japan and a new innovation centre in Brazil. In addition to organic investment, we continue to add to our range of market leading technologies, including the acquisition of a novel surfactant technology spin-off and co-investment in Cutitronics (see case study). Five years ago we added plant stem cell technology to Sederma's anti-ageing portfolio through the acquisition of IRB, which is now delivering meaningful sales. We have recently added Nautilus, a technology-rich marine biotechnology company, which will further enhance this unmatched range of skin active capabilities.

Sales
£466.6m 2016: £420.6m

Adjusted operating profit
£155.5m 2016: £143.1m

Return on sales
33.3% 2016: 34.0%

Case study

Investing in technology

In 2017 we became minority shareholders in Cutitronics, a technology company that has developed and patented devices for skin care product selection and application.

Targeting the premium skin care market, their strategy is to white label this technology, called CutiTron™, which assesses and prepares the skin for optimum delivery of the customised formulation it dispatches, providing an ongoing, adaptive personalised regime for the consumer.

CutiTron™ analyses skin needs while taking into consideration other factors that might affect its condition, such as local climate. It also captures many data points on skin and consumer product usage, enabling us to utilise this latest digital technology to gain greater insight into personal care regimes and the factors that influence these. This information will shape our future product development and help us provide better formulation support and consumer insight to our customers.

Meeting the unmet needs of African Consumers

There is a growing consumer trend towards a natural look within the African hair care market

Investing in...

People

We commissioned and supported a number of focus groups with African women to understand better their personal care regimes, which included hearing about the challenges they face in trying to maintain healthy hair. This has given our research and development team new insight into the problems these consumers have, enabling them to learn more about, and invest in, new analytical and testing equipment to assess our ingredients on African hair.

Niche

The hair of most Africans grows slowly and tends to be difficult to manage due to its brittle nature. The products currently available in this market are generally not meeting African consumer needs because they have been developed for Afro-American hair, which has different properties. This is why some consumers resort to braiding that damages the hair, which can lead to receding hairlines and baldness in the long term. Alternatively, they often apply relaxer products to straighten the hair, which can harm the hair and scalp and can also have a negative impact on the environment during disposal due to their chemical profile.

Technology

The Centre of Excellence we have opened in South Africa uses bespoke and unique hair testing methods for the African market. Using this technology, we can analyse the performance of our active ingredients to meet consumer demands, knowing that due to our high percentage of natural, renewable raw materials and the sustainability information we have, we can also minimise any environmental impacts. Through our 'Proudly Tested in Africa' initiative, we will continue to gain direct consumer feedback in order to offer a more comprehensive and targeted data package to our customers.

Smart Partnering

To focus on meeting the needs of African consumers, we are working extensively with industry experts, local universities and our customers, both multinationals and local manufacturers, to ensure that we all have a greater understanding of the African hair physiology and current market landscape.

Life Sciences

Nick Challoner
President, Life Sciences

In Life Sciences we are creating IP rich delivery systems for complex health and crop applications, delivering sales and profit growth in line with our strategic objective of creating a business to match our Personal Care success. 2017 saw Life Sciences deliver an excellent performance, driven by strong sales growth in Crop Protection and margin improvement in Seed Enhancement. Sales increased by 10.4% to £322.6m (2016: £292.2m) and were 4.6% higher in constant currency. Adjusted operating profit rose 18.3% to £97.0m (2016: £82.0m), 14.0% higher in constant currency. Volume growth of 6.0%, together with an improving Incotec contribution, increased return on sales by 2 percentage points to 30.1% (2016: 28.1%).

Our Crop Protection business continued to outperform the wider agrochemical market. After a challenging first half of 2017, which saw sales unchanged year on year, the second half of the year saw a return to strong growth. We have invested in faster innovation through closer collaboration with our agrochemical customers and are targeting faster growing geographies. The pipeline of new projects has continued to develop, particularly leveraging our market leading drift reduction technology. We continued to grow with our multinational customers but have also seen growth amongst regional and smaller accounts. This has been supported by investment in additional capacity in Latin America, where the medium term outlook for crop production is strong, together with encouraging growth in Asia, a relatively new crop opportunity for Croda. Driving greater innovation is key and we have successfully launched the Tween™ L series of advanced adjuvants and Atplus™ PFA, an adjuvant developed to improve the performance of fungicidal applications.

The integration of our Seed Enhancement business, Incotec, following acquisition at the end of 2015, continued to progress successfully. Reorganisation of the geographic footprint and cost base is now complete, and the business is on track to deliver our target to double pre-acquisition profitability by the end of 2018. It is focused on faster growth territories in North America, Europe, Brazil, China and India, getting closer to customers by increasing customer-centric innovation. We opened a new R&D facility in the Netherlands and are creating new centres in North America and China, the latter combining above the ground Crop Protection R&D capability with below the ground Seed Enhancement in one location. 2017 saw exciting sales growth for Disco® AG Clear L-650, representing the first technical development by Croda/Incotec and which provides a seed film coat formulation that outperforms in seed flow, drying time and dust control. The new product pipeline is continuing to improve.

Health Care achieved modest sales growth in 2017. Whilst growth in mainstream excipients was slower, we delivered a strong performance from our investments in faster growth technologies, particularly high purity excipients which meet increasing demand for complex drug delivery systems. The innovation pipeline strengthened, with a record level of New and Protected Product sales. We launched Crodamol™ IPIS, an excipient with light and easy spreading characteristics with outstanding moisturisation and sensory appeal. Innovation is also driving more data generation, which supports wider uses of existing excipients, whilst new applications are helping to de-risk generic drug formulation.

As expected, competition in the North American generic Omega-3 Active Pharmaceutical Ingredients (API) market has continued, leading to lower prices and, at the end of 2017, we exited our exclusive supply contract without cost. This completed a profitable four year period of manufacture and we will continue to build our range of other Omega-3 API applications in selected niches and countries.

Sales
£322.6m 2016: £292.2m

Adjusted operating profit
£97.0m 2016: £82.0m

Return on sales
30.1% 2016: 28.1%

Case study

Investing in injectables

As pharmaceutical companies look to enhance drug effectiveness, nanoparticles are becoming increasingly investigated as a drug delivery system for injectable medications.

These microscopic particles help to protect and stabilise sensitive active pharmaceutical ingredients (APIs), allowing them to be used in formulations effectively. These developments improve the treatment that patients receive and often make it more convenient as fewer doses are needed. However, this type of injectable product is complex, requiring specialist formulators to ensure that they remain stable over a long shelf life and that the APIs are released at the right time.

We work alongside our customers to demonstrate the outstanding benefits of our Super Refined™ excipients, which contribute to the stabilisation of these sensitive, nanoparticle based injectable formulations, thereby helping to maximise the performance and shelf life of APIs.

Drift Reduction Technology

Our unique wind tunnel facility in North America enables us to work with customers to develop new 'low drift' crop protection products to control the spraying of crops

Investing in...

Technology

Following three years of intensive development, the measurement and high speed imaging capabilities in our bespoke wind tunnel allow us to characterise spray patterns down to the movement of individual droplets. This provides the tool kit with which to conduct in-depth research on spray droplet size control and drift reduction mechanisms.

Niche

Our testing capability enables us to assess agricultural spray quality and find control solutions that better meet customer, market and environmental needs. This improves spray delivery to the target, which minimises waste and reduces the impact on animals, plants, water and land.

Smart Partnering

We developed the wind tunnel in collaboration with academic and industry partners around the world including, agricultural, mechanical and aerodynamic engineers. The facility offers a unique range of support to our customers who engage us on projects to improve spray performance.

People

Through relationships formed in the design and delivery of this facility, our people continue to expand their technical knowledge, links to outside experts, depth of understanding on market needs and insight to the challenges in meeting them. This enables us to help our customers focus on developing technologies that solve the right problems and better manage risks.

Performance Technologies

Maarten Heybroek
President, Performance Technologies

Performance Technologies markets are witnessing unprecedented technological change which is creating attractive opportunities for Croda's innovation. In 2017, we sharpened our focus on the premium Smart Materials and Energy Technologies markets, where we are seeing opportunities for high added value innovation that improves the performance of our customers' products with a reduced environmental profile, to deliver our medium term 20% return on sales target.

Performance Technologies delivered a good result in 2017. Following an exceptionally strong growth in demand at the start of the year, which saw constant currency sales increase 9.1% in the first half, we progressively streamlined sales to improve the quality of business, growing by 4.3% in the second half of the year whilst increasing return on sales by 120 basis points.

Over 2017 as a whole, sales increased by 12.6% to £456.9m (2016: £405.6m) and by 6.6% at constant currency. Overall volume grew by 1.0%, with an improved product mix supported by progressive recovery of increased raw material prices. Adjusted operating profit increased by 13.2% to £75.4m (2016: £66.6m), up 10.7% in constant currency, the second successive year of double digit constant currency profit growth for the sector. Return on sales improved by 10 basis points to 16.5% (2016: 16.4%).

Smart Materials delivered good growth in 2017, with robust demand in the automotive and premium packaging markets for polymer additives. Our novel Incroslip™SL slip additive doubled sales for the third year running and there is growing interest in our anti-scratch technology. However, sales from our China plant were adversely impacted by higher prices for domestically sourced rape seed. We commenced a £27m project to expand capacity in the UK and acquired IonPhasE, an innovative technology provider of static electricity dissipation solutions for electronic and automotive applications. In the coatings market, MyCroFence™, a novel surface active antimicrobial coatings technology with strong environmental benefits, was commercially launched. The Smart Materials business is well positioned to meet increased demand for products with high levels of renewable carbon.

The Energy Technologies market is driven by the search for new technologies that can gain or retain energy. Sales in Energy Technologies in the first half of the year were particularly strong due to growth in marine, wind turbine and environmentally acceptable lubricants, together with an upsurge in demand for oil and gas products, benefitting our flow assurance business. In the second half of the year, in line with our strategy of driving value ahead of volume, we selectively demarketed less differentiated products to these markets. Our focus is on creating greater innovation and higher value products, including our Priolube™ range of friction modifiers for the automotive market.

In addition, we continue selectively to develop our presence in Home Care and Water, by focusing on bio-based surfactants in Home Care and by improving the relatively low margin of the Water business by upgrading product mix. Sales growth in 2017 was good.

Sales
£456.9m 2016: £405.6m†

Adjusted operating profit
£75.4m 2016: £66.6m†

Return on sales
16.5% 2016: 16.4%†

† Restated Note 1 **p100**

Case study

Investing in electrostatic protection

The 'internet of things' is an exciting and fast growing trend that is driving innovation.

The opportunities within this market are endless as it becomes the norm for items such as handheld devices, vehicles and appliances to be digitally connected through embedded micro electronic components. However, these are sensitive components that require higher standards of electrostatic protection to prevent damage.

This was a key driver for our recent acquisition of IonPhasE, the technology leader for controlled electrostatic discharge release. Their unique, patent protected range of anti-static additives prevents damage to electrical components, as well as dust build up in automotive parts, giving us access to this niche, high value segment of the polymers market.

Marine Environment Sustainability

The global marine transport industry needs lubricants that meet stringent legislation requirements, so that vessels can enter any waters in the world

Investing in...

Niche

Regulations demand that the lubricants used in a marine environment have minimal damage to aquatic life to protect our oceans. These regulations are regional, but can have global implications. For example, the United States Environment Protection Agency Vessel General Permit (VGP) applies to ships entering USA territorial waters, but ship owners and operators need the flexibility to send any ship into USA waters at any time.

Technology

We have a long history of producing lubricant base oils that are readily biodegradable, do not bio-accumulate in the environment, have superior toxicity credentials and are based on renewable raw materials. They are designed with performance and the marine environment in mind, providing optimum performance in ship power transmission and positioning systems, whilst meeting the requirements of all major international Ecolabelling schemes.

People

Our research and development team work alongside our global product safety and regulatory experts to ensure that we offer the right solution to our customers. This is fundamental in enabling our customers to operate without limitation in any waters across the world, as they can be called upon to deliver products anywhere at short notice, making it an absolute requirement that our products are designed for global application.

Smart Partnering

It is critical that we work in partnership across our entire supply chain to make sure that the lubricants we offer meet the highest performance and environmental requirements of our customers' products. This in turn must satisfy the needs of the equipment they are used in both above and below the waterline. Through ongoing industry and customer collaborations, we gain an early understanding of these demands, so that together we can respond quickly to new performance and regulatory requirements to protect our oceans.

Industrial Chemicals

Maarten Heybroek
President, Industrial Chemicals

Sales
£127.0m 2016: £125.2m†

Adjusted operating profit
£4.3m 2016: £6.5m†

Return on sales
3.4% 2016: 5.2%†

† Restated Note 1 **p100**

In 2017 we continued to improve the product mix in Industrial Chemicals, with a targeted reduction in low value add co-product and tolling business, which saw sector volume reduce by 12%. Sales increased by 1.4% to £127.0m (2016: £125.2m) but reduced by 4.0% in constant currency. Adjusted operating profit was £4.3m (2016: £6.5m).

Industrial Chemicals continued to refine its business. The transfer of co-product glycerine from external sales to in-house green energy conversion resulted in a further 10,000mt reduction in sales from our manufacturing facility in the Netherlands but with greater value generated from lower energy costs. The sector continues to innovate selectively to develop niche NPP for new performance-based applications. We will continue to focus on our strategy of creating a smaller, innovation orientated Industrial Chemicals business.

Sustainability in the textile supply chain

The processing of textile materials requires many different products in conjunction with the consumption of significant amounts of water and energy

Investing in...

Niche
Global retailers are now scrutinising water and energy usage within their supply chain and are demanding reductions from their textile processors.

Technology
Our technology focuses on optimising enzyme activity, enabling processing temperatures to be reduced by up to 20-25°C, whilst eliminating the need for harsher chemicals to be used in manufacturing and also reducing the number of processing stages. Combined, these benefits reduce water and energy usage, and decrease discharge into waste water, consequently reducing the environmental impact of water treatment.

Smart Partnering
We collaborate with our customers to ensure that the ingredients we develop will meet their performance needs, whilst satisfying consumers' increasing sustainability demands. Further down the supply chain, this has already seen our inclusion on the approved supplier lists for national retailers.

People
Such complex products and processing techniques require our research and development teams, and also our sales people to have a high degree of technical knowledge. We ensure that these teams are continually learning about the latest advancements in the textile industry through the results of our own internal technical trials and market presentations.

Sustainability

Sustainable Product Innovation

Making high performance, high quality products with the sustainable benefits our customers want and need, to meet consumer demands

Key Material Areas

Product Design
Deliver the most innovative and sustainable ingredients to our customers

Product Stewardship
Ensure that the ingredients we produce contribute positively to the environment and society throughout their life cycle

Environmental Impact
Minimise the impact of our operations

Quality Assurance
Contribute to, and proactively seek, higher quality standards across product and operational aspects of our Business to ensure consumer safety

To find out more, read our 2017 Sustainability Report at www.croda.com/sustainability

We know that it is only by being close to our customers that we can understand and fulfil their needs finding new ways to improve sustainable product performance and reduce environmental impacts.

In 2016 we introduced the concept of intrinsic and extrinsic sustainability benefits. Intrinsic refers to attributes such as renewable raw material content, product purity and cradle-to-gate life cycle assessment. We assess the compliance of our new products with the 12 Principles of Green Chemistry and in 2017 our New and Protected Products (NPP) scored an average of 10.6 out of 12. The growth of crops from which many of our raw materials are derived, removes CO_2 from the atmosphere, resulting in low carbon footprints for many of our products.

The extrinsic sustainability impacts of our products include the social, environmental and financial benefits that our products have in use. We are working to quantify these benefits for some of our product application areas, calculating associated carbon savings.

Our rigorous quality assurance processes ensure the satisfaction of our customers and the safety of consumers. We are leading the way in the transformation to Roundtable on Sustainable Palm Oil (RSPO) certified palm oil derivatives, and are continually striving to increase transparency in our raw material supply chains.

All of this activity and more differentiates and futureproofs our Business, whilst offering our customers many product advantages.

Highlights

61.1%
of our raw materials were from renewable sources in 2017, an industry leading position

Top 1%
is where we are placed amongst all companies assessed by the sustainability platform EcoVadis, with a score of 83/100

60%
increase in sales of products made with RSPO certified palm oil derivatives compared to 2016

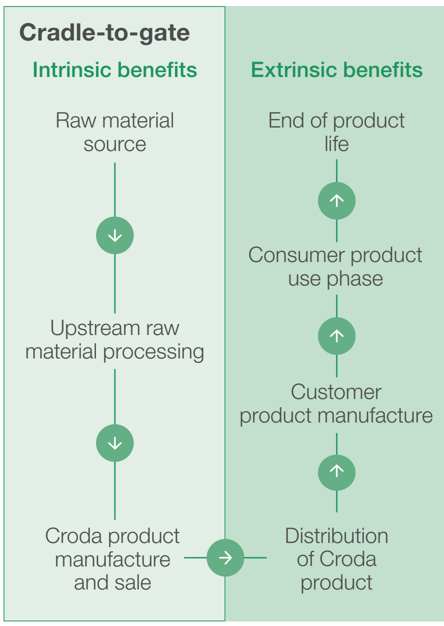
94%
of our Rising Star products, those expected to be a top 50 seller in the next five years, offer a known sustainability benefit in use

Life Cycle Assessment

In order to continue developing low carbon, sustainable products to meet our customers' requirements, we need to fully understand where the current environmental impacts of our products lie.

We have recently invested in extending our in-house life cycle assessment (LCA) capability, using internationally recognised software to model the cradle-to-gate LCAs of selected product families, following ISO 14067 and examining the climate change impact category.

In 2017, our focus was on our new ECO product range of 100% bio-based surfactants, where we have shown that switching to bio-ethylene oxide reduces the carbon footprint of the resulting ECO products. We will continue to look at additional product families, prioritising according to business and customer needs.



Life cycle of our products

Planet and Process

Minimising our impacts within our customers' supply chains

Key Material Areas

Environmental Impact
Minimise the impact of our operations

Quality Assurance
Contribute to, and proactively seek, higher quality standards across product and operational aspects of our Business to ensure consumer safety

Process Safety
Keeping our manufacturing sites safe and legally compliant

To find out more, read our 2017 Sustainability Report at www.croda.com/sustainability

Our manufacturing processes take raw materials and intermediates from our suppliers and we subject them to chemical and physical processes that require resources such as energy, air and water. We strive to minimise the resources and minimise the waste generated with every kilogram of product we make. We then pack our products in recyclable packaging, and where possible aim to manufacture the products as close as possible to our customers to minimise the energy required for transportation.

We measure the impacts of our resource consumption and waste generation, and have set targets to reduce these impacts.

The impacts of our operations are not just environmental. We are acutely aware of the hazards presented by some of the processes we operate. In addition to maintaining full compliance with the law in every country where we operate, we have our own Process Safety Framework that we apply to our sites, and we invest in maintaining sufficient internal capability to do this. Keeping our plants safe is part of our licence to operate.

Avoiding the transportation of flammable raw materials over thousands of miles from the southern USA is a major benefit of our new ECO process, recently established at our Atlas Point manufacturing site, in North America (p10). This removes the risks associated with transportation of hazardous materials as well as saving energy for transportation and its associated greenhouse gas (GHG) emissions.

Highlights

15.9%
reduction in total waste sent to landfill since 2015 versus our target of 10% by 2020

4.4%
reduction in water usage since 2015 versus our target of 10% by 2020

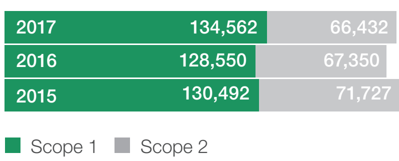
A–
rating by CDP for our Climate Change report

14.9%
reduction in scope 1 and 2[1] greenhouse gas emissions intensity since 2015 versus our target of 10% by 2020

GHG Emissions

Since 2015, our baseline year, total emissions have fallen by 0.6% even as our Business has expanded and new capacity has been commissioned. Within this, scope 1 emissions have increased by 3.1%, whilst scope 2 emissions have fallen by 7.4%.

GHG emissions ($TeCO_2e$)[1]



Our chosen measure of GHG emission intensity divides our GHG emissions by value added[2]: a measure of our business activity. Since 2015, our GHG emissions intensity has fallen by 14.9%, illustrating how our Business has grown without a negative impact on GHG emissions intensity.

GHG emissions intensity ($TeCO_2e$/£m)

All of our GHG emissions data is verified by Carbon Smart. Their formal Independent Verification Statement is available at www.croda.com/carbonverification

1 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 location based
2 Value added is defined as operating profit before depreciation and employee costs at 2015 constant currency

People and Community

Ensuring the success and safety of our people and supporting the communities in which we operate

Key Material Areas

Occupational Health & Safety
Empower employees to have health and safety at the forefront of their thinking

Our People
Create an environment where people can thrive

Diversity & Inclusion
Embrace and empower all individuals

Knowledge Management
Safeguard our knowledge and expertise

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

To find out more, read our 2017 Sustainability Report at www.croda.com/sustainability

People underpin everything we do and are the focus of our Business.

Our family culture, can-do attitude, entrepreneurial spirit and talented people set us apart from our peers. Investing in our people ensures that everyone can fulfil their potential; whilst creating an inclusive environment means that everyone can achieve their best.

The health and safety of our employees is paramount and we are increasingly focusing on the physical and mental welfare of our employees.

We are proud of our people's personal and professional achievements, both within the Croda family and in the wider world, as they represent us in industry and through volunteering work in our local communities.

People remain the focus of five out of 10 of our Material Areas, which ensures that where it is important to do so, we go beyond the human rights, anti-corruption and anti-bribery matters required by law.

In 2017, we demonstrated our commitment to health and safety by rolling out a behavioural safety training programme recognising that behaviour is at least as important as the process. Also in 2017, we completed our Global Employee Culture Survey (p02), we developed a series of actions to increase the number of women in senior roles and we also began implementing a new global Human Resources (HR) system. These significant investments will continue in 2018 where we will focus on the results of the survey and continue to implement our diversity actions.

Highlights

107,000+
training hours were recorded by 82.7% of employees

Living Wage
employer in the UK, accredited by the Living Wage Foundation

Global
Behavioural Safety Training Programme implemented

50.0%
of 1% Club time was spent on educational initiatives

Diversity and Inclusion

We embrace the differences of a multi-ethnic, multi-geographic and multi-skillset company

Across the Group

67.1% (2,890) male
2016: 67.5%

32.9% (1,419) female
2016: 32.5%

Regional and Business Board Members and Senior Functional Heads

83.8% (88) male
2016: 81.6%

16.2% (17) female
2016: 18.4%

Executive Committee Members

88.9% (8) male
2016: 90.0%

11.1% (1) female
2016: 10.0%

Board of Directors

75.0% (6) male
2016: 75.0%

25.0% (2) female
2016: 25.0%

We continue to comply with the ILO Declaration on Fundamental Principles and Rights at Work. Key policies can be found at www.croda.com/companypolicy

Key Performance Indicators
How we performed

KPI | **Comment** | **Target** | **Our performance**

On target
Return on sales (ROS)%

KPI definition
Operating profit as a percentage of sales.

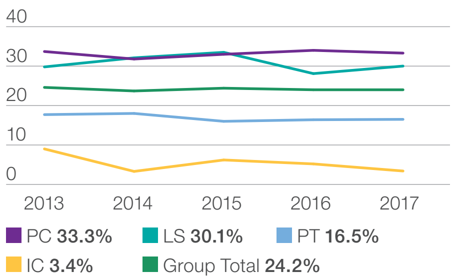
Comment
Personal Care continued to deliver strong margin, although ROS did reduce on a broader mix as sales growth returned across the product portfolio. Life Sciences delivered excellent profit growth and an improved ROS, driven by innovative technologies and the successful integration of Incotec. Performance Technologies ROS also improved slightly, reflecting a continued focus on premium markets and value-add products. Industrial Chemicals profit declined as we refine the product mix and develop a smaller, innovation orientated business.

Target
Personal Care (PC) and Life Sciences (LS) maintain 2016 levels.

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

Industrial Chemicals (IC) maximise profitability.

Our performance
Return on sales %



On target
Core Business sales growth %

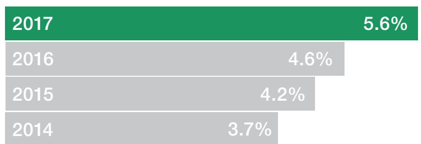
KPI definition
Total sales growth in the Core Business measured at constant currency.

Comment
This new KPI has been introduced in 2017 to align with our strategic approach for delivering revenue growth.

Strong organic sales growth in 2017 was driven by our ongoing focus on premium, faster growth niches, and supported by continued investment in innovative technologies. Growth was balanced across the Core Business, with each sector on or ahead of target.

Target
Low-to-mid single digit % growth (excluding raw material price recovery).

Our performance
Core Business sales growth %



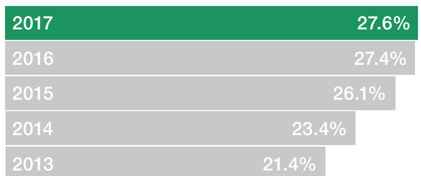
On target
NPP sales %

KPI definition
NPP sales as a percentage of Group sales. NPP products are where sales are protected by virtue of being either newly launched, protected by intellectual property or by unique quality characteristics.

Comment
We focus technically and commercially on increasing the percentage of sales that we define as NPP. Our innovation pipeline remains healthy with many new projects coming to market across our entire business. Our relentless focus on innovation includes revisiting our existing extensive product portfolio and discovering novel ways of creating additional value from it. This has enabled us to deliver a further improvement in the 2017 Group margin.

Target
NPP sales to be 30% of Group sales in the medium term.

Our performance
NPP sales %



Behind target
Relative NPP sales growth

KPI definition
Underlying NPP sales growth as a ratio of non-NPP sales growth. Shown as greater than 2x when non-NPP sales growth is negative.

Comment
This new KPI has been introduced in 2017 to align with our strategic approach for delivering revenue growth.

Our continued technical and commercial focus on creating novel, differentiated solutions for our customers delivered growth in the year but the ratio to non-NPP sales was below the target. This was primarily due to the strong return to growth of our Beauty Formulations business in Personal Care, which specialises in selling the more differentiated products in our heritage ingredient portfolio.

Target
2x non-NPP sales growth.

Our performance
Relative NPP sales growth

	NPP growth %	Non-NPP growth %	Ratio
2017	+5.3%	+4.4%	1.2x
2016	+1.7%	-2.8%	>2x
2015	+15.5%	+0.0%	>2x
2014	+11.9%	-0.7%	>2x

Link to Strategy

- Delivering Growth
- Driving Innovation
- Sustainable Solutions

KPI	Comment	Target	Our performance

On target

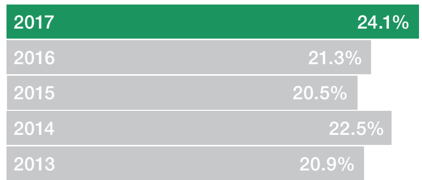
Non-fossil fuel energy %

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

Comment: The proportion of our energy requirements supplied from non-fossil sources increased to 24.1% in 2017, helped by the steady running of our Gouda biogas CHP facility, and increased sourcing of renewable electricity. Landfill gas usage at Atlas Point was restricted by reduced availability of the CHP generators which underwent a major overhaul. We continue to track towards our target of 27%.

Target: 27% by 2020.

Non-fossil fuel energy %



Behind target

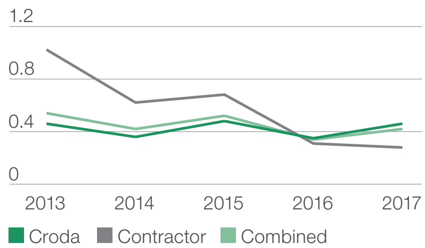
Lost time injury (LTI) rate

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 200,000 hours.

Comment: Our combined LTI rate has increased to 0.42, even as our Total Recordable Injury rate declined by 5% versus 2016. The contractor rate reduced further, maintaining the improvement seen since 2011 but the Croda employee rate was disappointing at 0.46. We continue to embed and improve our behaviour based safety programme which is showing early signs of success in several locations.

Target: Our aspirational goal for the LTI rate is zero.

Lost time injury rate (per 200,000 hours worked)



Creating shareholder value

Ahead of target

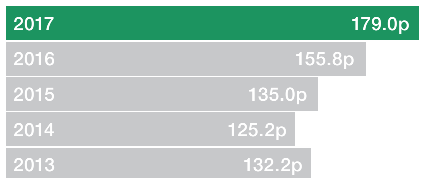
Adjusted basic earnings per share (EPS) growth

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

Comment: We are pleased to report an adjusted EPS of 179.0p, representing an increase of 14.9% on last year, partly benefitting from currency translation. We remain ahead of our target range, reflecting the continued effective delivery of our strategy.

Target: 5-11% EPS growth per annum.

Adjusted basic earnings per share (p)



On target

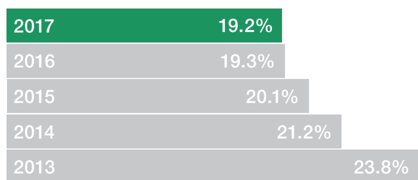
Return on Invested Capital (ROIC) %

KPI definition
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.

Comment: Croda's model is capital light and delivers superior returns. ROIC remained stable in 2017, ahead of our target, realising the benefits of recent capital investments and acquisitions.

Target: Maintaining ROIC at two to three times Weighted Average Cost of Capital (estimated at 6.6%).

Return on Invested Capital %



Finance Review

Record profit delivered

“After a return to growth in the first half of the year, growth accelerated in the second half.”

Jez Maiden
Group Finance Director

Sales value

£1,373.1m

2016: £1,243.6m

Adjusted profit before tax

+11.1%

2016: +13.2%

Free cash flow

£98.5m

2016: £155.5m

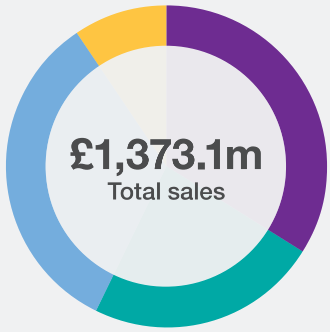
Currency

Currency translation had a beneficial impact on both sales and profit in the first half of 2017, due to the continued weakness of Sterling. However, Sterling strengthened somewhat during the second half year, reducing this benefit. Across the year as a whole, Sterling averaged US$1.290 (2016: US$1.354) and €1.141 (2016: €1.224). Currency translation increased sales compared to 2016 by £71.9m and adjusted profit before tax by £13.2m.

Sales

Sales grew by 10.4% to £1,373.1m (2016: £1,243.6m) (Figure 1). At constant currency, sales rose by 4.6%. There was no material impact from acquisitions. In the Core Business, constant currency sales increased by 5.6%, with sales volume 3.0% higher and sales price/mix benefitting from the impact of innovation and an improved product mix, together with raw material price recovery in Performance Technologies. After a return to steady growth in the first half of the year, with Core Business constant currency sales rising by 4.4%, growth accelerated in the second half of the year, up 5.7% in the third quarter and 7.9% in the fourth quarter. This reflected a progressive improvement in Personal Care and Life Sciences (Figure 2).

Sales by sector (£m)



Personal Care	£466.6m
Life Sciences	£322.6m
Performance Technologies	£456.9m
Industrial Chemicals	£127.0m

Financial data

Figure 1

Sales (£m)

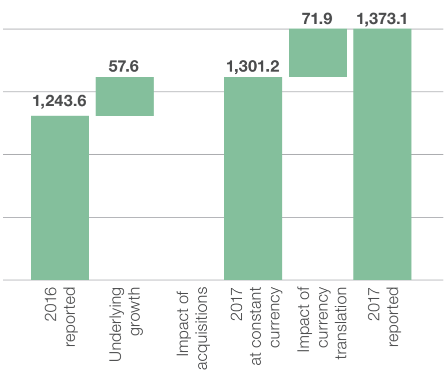
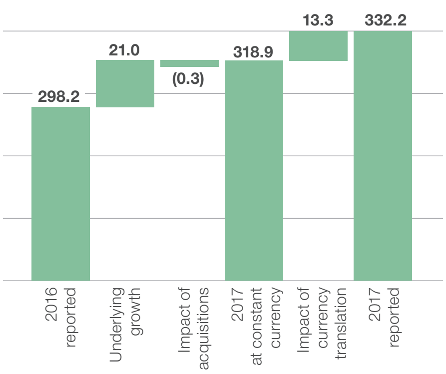


Figure 2

Sales at constant currency	First half %	Second half %	Full year %
Personal Care	2.3	8.2	5.3
Life Sciences	0.8	8.2	4.6
Performance Technologies	9.1	4.3	6.6
Core Business	4.4	6.8	5.6
Industrial Chemicals	(1.1)	(6.8)	(4.0)
Group	3.8	5.4	4.6

Figure 3

Adjusted operating profit (£m)



Adjusted profit

Adjusted operating profit rose by 11.4% to £332.2m (2016: £298.2m) (Figure 3). On a constant currency basis, adjusted operating profit increased by 6.9%.

The constant currency improvement in adjusted operating profit was driven by the organic growth across the Core Business, with all sectors seeing profit increase (Figure 4). Return on sales increased by 20 basis points to 24.2% (2016: 24.0%). To reflect changes to product portfolios, 2016 sector revenue and adjusted operating profit have been restated by £3.1m and £0.4m respectively for a net reclassification of business from Industrial Chemicals to Performance Technologies.

The net interest charge increased to £11.9m (2016: £9.9m), with higher debt from acquisitions and the special dividend in the prior year partly offset by capitalised interest on the construction of the North American bio-surfactant plant. Adjusted profit before tax increased by £32.0m to £320.3m (2016: £288.3m) (Figure 5).

The effective tax rate on this profit reduced to 26.8% (2016: 28.0%), reflecting the geographic mix of profit and the lower UK statutory rate of 19.25% (2016: 20.0%). There were no other significant adjustments between the Group's expected and reported tax charge based on its accounting profit.

The Group's adjusted profit for the year was £234.4m (2016: £207.6m). Adjusted basic earnings per share (EPS) increased by 14.9% to 179.0p (2016: 155.8p).

IFRS profit

Adjusted profit is stated before exceptional items (including discontinued business costs), acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement on page 88) assists shareholders in better understanding the performance of the business and is adopted on a consistent basis for each half year and full year results.

The charge before tax for exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition was £6.2m (2016: £12.6m). Acquisition costs were £0.8m (2016: £1.1m), the charge for amortisation of intangible assets was £3.7m (2016: £3.1m) and exceptional items were £1.7m (2016: £8.4m), being an increase in environmental provisions on discontinued business. The US Tax Cuts and Jobs Act led to a revaluation of the Group's net deferred tax liability, resulting in a £7.7m exceptional tax credit. The net credit after tax for exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition was £2.3m (2016: £10.0m charge).

The profit after tax for the year on an IFRS basis was £236.7m (2016: £197.6m) (Figure 6) and basic EPS were 180.8p (2016: 148.2p).

2018 potential impacts

A preliminary assessment of the impact of the new US tax law on the Group's effective tax rate suggests an expected fall of approximately 2.5 percentage points in 2018, which will benefit EPS. Currency translation could have an adverse impact on 2018 reported currency profit, compared to the beneficial impact in 2017, if Sterling maintains its recent strength.

Figure 4

Adjusted operating profit	2017 Reported £m	2017 Constant currency £m	2016 Restated £m
Personal Care	**155.5**	**147.8**	143.1
Life Sciences	**97.0**	**93.5**	82.0
Performance Technologies	**75.4**	**73.7**	66.6
Core Business	**327.9**	**315.0**	291.7
Industrial Chemicals	**4.3**	**3.9**	6.5
Group	**332.2**	**318.9**	298.2

Figure 5

Summary income statement	2017 £m	2016 £m
Sales	**1,373.1**	1,243.6
Operating costs	**(1,040.9)**	(945.4)
Adjusted operating profit	**332.2**	298.2
Net interest charge	**(11.9)**	(9.9)
Adjusted profit before tax	**320.3**	288.3

Cash management

Delivering good cash generation is core to Croda's strategy. This cash is used to invest in Research and Development, faster growth technologies, both organically and by acquisition, to expand production capacity and to pay increased dividends. EBITDA increased to £381.8m (2016: £344.3m), which funded net capital expenditure of £157.2m (2016: £104.5m), as our capital programme peaked with the completion of installation of our bio-surfactant plant. Working capital increased by £33.3m, reflecting stronger trading and higher inventories at the end of the year to support sales orders. As a result, free cash flow was £98.5m (2016: £155.5m) (Figure 7).

After currency translation, net debt increased by £17.4m to £381.5m (2016: £364.1m). The leverage ratio (the ratio of net debt to EBITDA) reduced to 1.0x (2016: 1.1x) and remains substantially below the maximum covenant level under the Group's lending facilities of three times.

There were no material changes to committed debt facilities during the year. These facilities provide ample liquidity to meet the Group's immediate plans at a relatively low interest cost. At 31 December 2017 the Group had £433.7m (2016: £461.6m) of cash and undrawn committed credit facilities available.

Dividend and capital allocation

Croda seeks to deliver high quality profits, measured through a superior ROIC, earnings growth and strong cash returns. The Group's capital allocation policy is to:

1. **Reinvest for growth** – we reinvest in capital projects to grow sales, increase product innovation and expand in attractive geographic markets, delivering a superior ROIC of 19.2% in 2017 (2016: 19.3%). During 2017 capital investment was over three times depreciation, funding asset replacement, new investment in key technologies and construction of the bio-surfactant plant, all of which should support future ROIC. We expect the level of capital expenditure to return to around 1.5x depreciation from 2018, depending on organic growth opportunities;
2. **Provide regular returns to shareholders** – we pay a regular dividend to shareholders, representing 40% to 50% of adjusted earnings over the business cycle. The Board has proposed an increase of 9.5% in the full year dividend to 81.0p (2016: 74.0p), a payout of 45% of adjusted EPS;
3. **Acquire promising technologies** – we have identified a number of exciting technologies to supplement organic growth in existing and adjacent markets. Some of these will be acquired, either as nascent opportunities for future scale-up or as larger 'bolt ons'. During 2017 we completed the acquisitions of Enza Biotech and IonPhasE, together with an investment in Cutitronics; and
4. **Maintain an appropriate balance sheet and return excess capital** – we maintain an appropriate balance sheet to meet future investment and trading requirements. We target leverage of 1 to 1.5x (excluding deficits on retirement benefit schemes), although we are prepared to move above this range if circumstances warrant and will consider further returns to shareholders in the event that leverage falls below the target range.

Retirement benefits

The post-tax deficit on retirement benefit plans, measured on an accounting valuation basis under IAS 19, decreased to £21.1m (2016: £112.7m), reflecting strong asset returns. Cash funding of the various plans within the Group is driven by the schemes' ongoing actuarial valuation reviews. No deficit funding payments are currently required to the Group's largest pension scheme, the UK Croda Pension Scheme, and this is not expected to change with the latest valuation of the scheme, as at 30 September 2017, which is currently ongoing.

Financial data

Figure 6

IFRS profit	2017 £m	2016 £m
Adjusted profit before tax	**320.3**	288.3
Exceptional items, acquisition costs and amortisation of intangibles	**(6.2)**	(12.6)
Profit before tax	**314.1**	275.7
Tax	**(77.4)**	(78.1)
Profit after tax	**236.7**	197.6

Figure 7

Cash flow	2017 £m	2016 £m
Adjusted operating profit	**332.2**	298.2
Depreciation and amortisation	**49.6**	46.1
EBITDA	**381.8**	344.3
Working capital	**(33.3)**	7.2
Net capital expenditure	**(157.2)**	(104.5)
Non-cash pension expense	**3.4**	(10.9)
Interest & tax	**(96.2)**	(80.6)
Free cash flow	**98.5**	155.5
Dividends	**(100.0)**	(230.2)
Acquisitions	**(30.4)**	(1.4)
Other cash movements	**5.6**	3.6
Net cash flow	**(26.3)**	(72.5)

Alternative performance measures

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

- *Constant currency sales and profit*: these reflect current year results for existing business translated at the prior year's average exchange rates, and include the impact of acquisitions. They are reconciled to reported results in Figure 1 and Figure 3. Sales in Latin America are primarily based on US dollars, which is used as the functional currency for constant currency sales translation;
- *Underlying sales:* these reflect constant currency values adjusted to exclude the impact of acquisitions. They are reconciled to reported sales in Figure 1;
- *Adjusted profit*: this is profit before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition. It is reconciled in Figure 6;
- *Adjusted EPS*: this is earnings per share using the adjusted profit after tax and is reconciled in note 7 of the accounts;
- *Return on sales*: this is adjusted operating profit divided by sales;
- *Return on Invested Capital (ROIC)*: this is adjusted operating profit after tax divided by the average invested capital for the year for the Group. Invested capital represents the net assets of the Group, adjusted for earlier goodwill written off to reserves, net debt, retirement benefit liabilities, provisions and deferred taxes;
- *Net debt*: comprises cash and cash equivalents (including bank overdrafts), current and non-current borrowings and obligations under finance leases; and
- *Leverage*: this is the ratio of net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is adjusted operating profit plus depreciation.

The Core Business comprises the core sectors of Personal Care, Life Sciences and Performance Technologies.

Case study

Incotec adding value to crop growth

Seed enhancement leads to sustainable crop growth

With the world's growing population and declining availability of arable land, our innovative seed enhancement business, Incotec, is hugely important due to the extrinsic sustainability benefits of its products, which are offered to its customers.

Seed treatments can be integrated within our film coatings, allowing for a targeted application, stimulating root and plant growth and leading to enhanced nutrient uptake. During the early weeks of plant growth, seed coating leads to an 80-90% reduction in the amount of plant protection product required.

Improving the livelihood of farmers in Ethiopia

Teff is the most valuable seed crop in Ethiopia, and a traditional staple due to its nutritional value. The small size of Teff seeds causes problems during sowing, making it difficult to control distribution, thus impacting crop yield. Incotec has developed a pellet which doubles the seed size, enabling more accurate planting. In recent field trials, this saw an increase in seed yield by 80%, helping to transform the livelihood of local Teff farmers.

Our Risks

Protecting value

Effective risk management is essential to support the achievement of our strategic and operational objectives as we address the challenges and uncertainties facing businesses today.

How we manage risk

The Board has overall responsibility for the risk framework and for ensuring that we manage risks appropriately (p48). Through regular review, the Board ensures that our risks are appropriate to our strategy. It is the role of our Executive Risk Management Committee to ensure that our market sectors, manufacturing sites, regions and functions manage their individual risk registers by applying our common Risk Framework. Ultimately, all of our employees have a responsibility in managing the Company's risks.

At the request of the Board, the Audit Committee directs internal audit to undertake assurance audits over selected key risk mitigating controls which are reported back to and reviewed by the Committee.

Our Risk Framework illustrates our approach to managing risk which reflects a 'three lines of defence' model. We employ both a top down and bottom up approach to risk assessment using this common framework, enabling comparison across sectors, regions, manufacturing sites and functions using our dashboarding tool. However, our risk management programme can only provide reasonable, not absolute, assurance that our risks are managed at an acceptable level.

Risk framework

What we monitor

Our risk landscape

Current risks
Risks that could affect our Business, customers, supply chain employees and communities and stop us achieving our strategic goals

Emerging risks
Risks with a future impact, identified through our rigorous internal risk assessment process, from external or internal threats and opportunities

Our risk categories include over 50 risks

- Strategic
- People
- Process
- External environment
- IT systems and security
- Financial

What we assess

Risk ownership
each risk has a named owner

Likelihood and impact
globally applied 6*6 scoring scale

Gross risk
before mitigating controls

Mitigating controls
subject to internal audit review and monitoring

Net risk
after mitigating controls are applied

Our bottom up register

Identify, own and manage risks involved in day-to-day operations

- Market sectors
- Regions
- Manufacturing sites
- Functions

How we manage it

Board
- Responsible for the risk management framework and definition of risk appetite
- Reviews key risks with an opportunity for in depth discussion of specific key risks and mitigating controls twice a year (p42)

Audit Committee
- Reviews the effectiveness of the Group risk management process
- Directs internal audit to undertake assurance reviews over controls for selected key risks and reviews the results (p52)

Risk Management Committee*
- Monitors and reviews non SHEQ risks quarterly
- Identifies and considers emerging risks
- Receives an in-depth presentation on one key risk and its mitigating controls from the Executive owner at each meeting

SHEQ Steering Committee*
- Meets quarterly to review Safety, Health, Environmental and Quality (SHEQ) risks
- Considers the results of assurance audits over SHEQ controls
- Monitors against stretching targets and agreed KPIs

Ethics Committee*
- Meets quarterly to review ethics and compliance risks
- Monitors against agreed KPIs

Executive Risk Register

Our Executive Committee review a combined summary of all individual bottom-up registers to identify the key emerging risks that may need to be added to their top-down register of key risks

* Executive Committee (p60)

Our key risks

Our risk framework considers more than 50 generic risks across six categories in over 20 risk registers; the key risks identified in the heat map below and on pages 32 to 34 in more detail, are those which we consider could threaten the delivery of our long term strategic objectives, business model, future performance, solvency or liquidity.

The Board has carried out a robust assessment of these key risks and has taken them into consideration when assessing the long term viability of the Company on page 35.

Changes to our gross risk environment in 2017

As a result of our risk review throughout 2017, the assessment of gross risk has been amended for four key risks; an increase in major capital project management and security of business information and networks, and a decrease in revenue generation in established and emerging markets and ineffective management of pension fund. See pages 32 to 34 for an explanation of these changes.

Risk heat map

Our principal risks are reported gross (before mitigating controls)

1	Revenue generation in established and emerging markets
2	Talent development and retention
3	Product and technology innovation
4	Protect new intellectual property
5	Product liability claims
6	Major safety or environmental incident
7	Security of raw material supply
8	Major capital project management
9	Chemical regulatory compliance
10	Security of business information and networks
11	Ethics and compliance
12	Ineffective management of pension fund

Risk management in action: Brexit risk

During 2017, our Brexit project team continued to review the implications of the result of the UK referendum to leave the EU (‘Brexit’) on our business model, strategy and operations and this was discussed with the Board. While Brexit has introduced a level of uncertainty into how our European business will operate in the future, it is experienced in dealing with the challenges associated with trading across borders that do not benefit from the Single Market.

Potential increased levels of bureaucracy may incur additional compliance costs.

We have modelled the costs to the Group of future UK-EU trade being conducted under the World Trade Organisation tariffs and duties and consider the impact should not be material. The Board will continue to keep emerging Brexit risk under review.

Key risk	Potential impact on our Business	How we respond	What we have done in 2017
Revenue generation in established and emerging markets E S	Failure to keep pace with our customers as they follow consumers into emerging markets, and increasing competition from mainstream and other chemical companies looking to move into our established markets, will adversely impact delivery of strategic objective to deliver consistent top and bottom line growth.	Through our global sector sales, marketing and technology teams, we identify consumer trends and respond swiftly to satisfy customer needs through key technologies. Our direct selling model enables us to get closer to our customers.	Delivered a year of record profits and sales growth, when all core sectors and major regions contributed to growth (p10). The reduced risk reflects the improved macroeconomic and business-led sales environment in 2017.
Product and technology innovation C	Innovation plays a critical role across our operations; it differentiates us from the competition, protects sales and improves our margins. Failure to drive New and Protected Products (NPP) through innovation will impact on growth.	Our outstanding technical resources are fully integrated into our global sector leadership teams to focus innovation on customer requirements. We build partnerships with customers and open innovation partners and invest in external acquisitions to remain at the cutting edge. We have identified key technology platforms (p12) that will direct future innovation acquisition and development.	Continued to expand our innovation pipeline supported by almost 400 open innovation partnerships with universities, specialist research laboratories and SMEs. We acquired Enza Biotech (p12), and IonPhaseE (p18) and we invested in Cutitronics (p14) which enables us to utilise the very latest in digital technology.
Protect new intellectual property C	Failure to protect our Intellectual Property (IP) in both existing and new markets could undermine our competitive advantage.	We have a specialist IP team who participate in the technical and business planning and strategy meetings to identify ways to protect any new products and technologies. They defend our IP and challenge third party IP where appropriate.	Filed patents in several key areas, concentrating on recently acquired businesses and technologies such as Enza Biotech (p12).
Talent development and retention E C M S	The vision and experience of our knowledgeable and specialist employees is critical to maintaining the Group's success. Inability to recruit and retain appropriately skilled people could adversely impact our ability to deliver our current and future business requirements and strategic priorities. If these individuals were to leave, it would take time to replace them if no succession plans were in place.	Reward programmes, a strong development culture and excellent learning opportunities support the retention and career development of the high-quality teams we need. Global graduate and management development programmes include stretching and high profile assignments and provide a pipeline of internal talent. The annual global talent review process supports review of resources and succession plans for critical roles, with actions monitored by the Executive Committee and the Board.	The implementation of a new global HR Information System was approved, to provide better people data and improve succession and development processes. A global employee culture survey was conducted (p02) and action plans developed. Progress has been made in implementing Diversity and Inclusion actions and internal targets have been set to increase the number of women in leadership positions (p23).
Product liability claims M	We sell into a number of highly regulated markets. Non-compliance with our customers' stringent quality requirements could expose us to liability and reputational damage, especially in light of our commitment to sustainability.	Our sites are certified to demanding external quality standards which are highly valued by our customers. Compliance with these is audited both internally by our specialist audit team and externally. We work proactively with relevant trade associations to shape future regulation.	All sites maintained the required level of Good Manufacturing Practice. In 2017, the relevant standards are also being applied by our new acquisitions, as well as to our larger sales offices, to ensure we have global coverage.

Link to Strategy	Key	Link to our business model
Delivering Growth	Risk increase	E Engage
Driving Innovation	No change	C Create
Sustainable Solutions	Risk decrease	M Make
		S Sell

Key risk	Potential impact on our Business	How we respond	What we have done in 2017
Major safety or environmental incident M	We rely on the continued sustainable operation of our manufacturing sites around the world. A major event causing loss of production, or violating safety, health or environmental regulations could limit our operations and expose the Group to liability, cost and reputational damage, especially in light of our commitment to sustainability and customer service.	Monitored by our SHEQ steering committee (p30), our global network of safety specialists located at each site enforce compliance with the policies and procedures defined in the Group SHE manual. Assurance over mitigating controls is provided by the dedicated Group SHE internal audit team, whilst external audits assess compliance with OHSAS 18001 and ISO 14001 certifications. We have business continuity plans in place for each site and a Group crisis management plan which is tested at least annually.	Convened a global Process Safety conference to examine the strengths and weaknesses of our Process Safety programme, identifying areas for improvement and delivering targeted training. We rolled out a behavioural safety training programme, recognising that behaviour is as important as the process.
Security of raw material supply M	An interruption in the supply of key raw materials would significantly affect our operations and financial position. Such a disruption could arise from market shortages or from restrictive legislation, for example that relating to the transport of hazardous goods.	Professional purchasing teams based in our regions monitor supply to identify potential future shortages. We look to develop good relationships with our suppliers and to agree long term contracts. To protect supply, we aim to source from multiple suppliers. Where this is not possible, we build up our own inventories.	Embedded ownership of the key raw material assessment framework and policy with regional management, delivering face to face training and guidance. Monitoring of continuous improvement programmes rests with the global operations leadership group. There were no interruptions to raw material supply in 2017.
Major capital project management M	Current major strategic capital expenditure programmes require closely controlled project management to avoid overspend and late delivery, both of which would have an impact on growth.	Specialist project management teams are formed for all major capital expenditure programmes, with steering groups chaired by a member of the Executive Committee.	Audited completed capital projects against cost, schedule, quality and financial expectations to identify learnings which were shared with the Board (p42) and other sites. Our risk has increased due to the current scale of our capital investment programme, with a focus on successful delivery of our North American bio-surfactant plant, high purity excipients plant and UK polymer additives plant.
Chemical regulatory compliance C	As a global chemical manufacturer, we operate in highly regulated markets, which are subject to regular change. Violation, incomplete knowledge or change of the appropriate regulations could limit the markets into which we can sell, or expose the Group to fines or penalties.	Global regulatory expertise is provided by our in-house team of specialists, who have in depth knowledge of the regional and market regulatory frameworks within which we operate. They work proactively to influence regulation and they are an integral part of our new product development process. We use the SAP EHS module to ensure that regulatory changes are applied to existing products.	Rolled out a Globally Harmonised System of Classification (GHS) to relevant locations, and implemented controls in SAP to ensure REACH volume thresholds are not breached. Frameworks to demonstrate compliance with the Nagoya protocol were written, communicated and adopted. Our specialists are members of a UK working party on the implications of Brexit on REACH.

Key risk	Potential impact on our Business	How we respond	What we have done in 2017
Ethics and compliance E C M S	We are subject to UK legislation, including the Bribery Act, which is far reaching in terms of global scope. Our increased presence in emerging economies and the introduction of regulations such as the Modern Slavery Act gives rise to an elevated risk to our Business.	Our Group Ethics Committee (set up at the start of 2017) meets quarterly to promote the importance of ethics and compliance across our Business and those third parties we choose to work with (p60). Compliance training and education programmes are rolled out globally, with results monitored by the Committee and followed up with refresher training.	Rolled out a refreshed compliance programme across the Business. Our ethics network have performed targeted due diligence on a number of our supply chain partners as we seek increased transparency, and we have refreshed our bribery and corruption risk assessments, meeting with many of our suppliers, agents and distributors to reinforce our expectations of their behaviour when acting on our behalf. We published our first Modern Slavery statement.
Security of business information and networks E C M S	We rely heavily on the availability of IT networks and systems and an extended interruption of these services may result in an inability to meet customer requirements. Society and business are subject to more numerous and increasingly sophisticated threats to security, including hackers, viruses and ransomware attacks which could compromise access. In addition regulatory responsibilities relating to data protection are becoming more stringent, including the implementation of the General Data Protection Regulation (GDPR) from 2018.	Our information security specialists monitor our IT services and network, and oversee computer and mobile device protection, in line with our established policies and processes. Regular penetration testing is undertaken and we run our key applications in distributed computing environments with regular failover testing. We have externally audited ISO 27001 certification for key systems and locations, whilst internal audit specialists review the operation of all IT controls annually.	Undertook a cyber maturity benchmark review which was reported to the Board (p42). Formed a project team to review and update personal and data security controls in the context of GDPR. Provided regular security awareness training and communication to all employees. The increased risk reflects the raised threat from cyber activity, despite the Company's enhanced response in 2017.
Ineffective management of pension fund E C M S	The Group maintains an open defined benefit pension scheme in the UK, which faces similar risks to other defined benefit schemes such as future investment returns, longer life expectancy and regulatory changes which could result in pension schemes becoming more of a financial burden.	The Company maintains close dialogue with the UK Pension Trustee, and the move to a career average capped salary basis of calculation in 2016 mitigated some of the risks. The pension fund investment strategy is delivered with the support of professional advisers, and trained pension fund Trustee Directors take professional advice and monitor and review arrangements quarterly.	The risk has reduced as the Trustee has continued to extend the liability driven investment component of the scheme's assets to better match assets with liability movements arising on changes in interest rates and inflation, with approximately 85% of liabilities now hedged. The scheme's return seeking assets have been further diversified to reduce expected future volatility. The triennial valuation is ongoing but no deficit contribution is expected (p28).

Long term viability statement

Assessment of prospects

In assessing the prospects of the Company and determining the appropriate viability period, the Board have taken account of:

- the financial and strategic planning cycle, which cover a three year period. The strategic planning process is led by the CEO and fully reviewed by the Board (p47);
- the investment planning cycle, which covers three years. The Executive Committee considers, and the Board reviews, likely customer demand and manufacturing capacity for each of its key technologies. The three year period reflects the typical maximum lead time involved in developing new capacity;
- the business model (p06) and its diversified portfolio of products, operations and customers, which reduce exposure to specific geographies and markets, as well as large customer/product combinations;
- the strong innovation pipeline, which supports the Company's business through development of new sales growth opportunities, protects sales and margins, differentiates the Company from competitors and provides barriers to entry;
- the Company's strong cash generation and its ability to renew and raise debt facilities in most market conditions (p28).

A critically important driver of the Company's business model is its innovation pipeline. The Board reviews this over a period longer than three years, in line with longer development cycles for new products. However, the Board considers that, in assessing the viability of the Company, its investment and planning horizon of three years, supported by detailed financial modelling, is the appropriate period.

Assessment of viability

Viability has been assessed by considering the 'top-down headroom' available in terms of the overall funding capacity to withstand events, together with the 'bottom-up headroom' assessing the potential financial impact of events reflecting the Company's principal risks, both individually and in combination.

Top-down headroom

Funding capacity	
Bank leverage covenant	The ratio of net debt to EBITDA at the end of 2017 of 1.0x remains substantially below the maximum covenant level under the Group's lending facilities of 3 times (p28), providing significant headroom. EBITDA would need to fall by more than 50% before triggering an event of default. Action could also be taken to conserve cash.
Debt headroom	Current committed debt facilities largely mature after the viability assessment period (p28) and have significant undrawn credit available. In normal lending market circumstances, additional debt funding could also be raised.

Bottom-up scenarios

Each of the key risks identified on pages 32 to 34 has been assessed for its potential financial impact as part of the viability assessment. Of these, the most severe but plausible scenarios (or combinations thereof) were identified as follows:

Scenario modelled	Link to Key Risks
Uninsured catastrophic loss of a manufacturing site – the impact of losing the contribution from the single largest site was considered assuming no insurance cover. However, for most loss events, we carry insurance cover.	Major safety or environmental incident **p33**
Significant compliance breach – the financial impact of regulatory fines was considered along with the associated reputational damage.	Ethics and compliance **p34**
Disruptive technology – the impact of substitute technologies affecting current sales were modelled together with new digital technology impacting our route to market.	Product and technology innovation **p32**
Loss of IT systems (particularly SAP Enterprise Resource Planning system) for a prolonged period.	Security of business information and networks **p34**

The results of the bottom up scenario modelling showed that no individual event or plausible combination of events would have a financial impact sufficient to endanger the viability of the Company in the period assessed. It would therefore be likely that the Company would be able to withstand the impact of such scenarios occurring over the assessment period.

Viability statement

Based on their assessment of prospects and viability, the Directors confirm that they have an expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years in line with the Company's financial and strategic time planning horizons.

Signed on behalf of the Board who approved the Strategic Report on 27 February 2018.

Steve Foots
Group Chief Executive

Our Board

A strong leadership team

Anita Frew, 60
Chairman N RM

Appointment: March 2015 and Chairman since September 2015

Key strengths and experience: Anita has been on plc boards for 20 years and has extensive leadership and international experience, together with a broad knowledge of strategic management across a range of sectors, including speciality chemicals. Her prior board roles include Chairman of Victrex Plc and Senior Independent Director of Aberdeen Asset Management PLC.

External appointments: Anita is Deputy Chairman of Lloyds Banking Group plc and a Non-Executive Director of BHP Billiton Plc and BHP Billiton Limited.

Steve Foots, 49
Group Chief Executive E F SHEQ

Appointment: July 2010 and Group Chief Executive since the beginning of 2012

Key strengths and experience: Strong business, operational and strategic leadership, and 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.

External appointments: Chairman of the Chemical Growth Partnership (CGP).

Jez Maiden, 56
Group Finance Director R E F

Appointment: January 2015 as Group Finance Director

Key strengths and experience: Extensive experience in financial management, acquisitions and disposals and of working in the speciality chemical sector. Jez has been Group Finance Director at National Express Group and prior to that held the same role at Northern Foods Plc. He has been Chief Financial Officer at British Vita Plc and Group Finance Director at Hickson International Plc. Jez is a fellow of the CIMA.

External appointments: Non-Executive Director and Audit and Risk Committee Chairman of PZ Cussons plc.

Helena Ganczakowski, 55
Non-Executive Director A RM N

Appointment: 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. She runs a consulting business working with a range of organisations, helping them to develop and implement strategies.

Nigel Turner, 68
Non-Executive Director (Senior Independent Director) A RM N

Appointment: June 2009 and Senior Independent Director since August 2011

Key strengths and experience: Broad City experience having spent over 35 years as a corporate financier. Nigel was Chairman of Numis Securities Ltd and Deputy Chairman of Numis Corporation Plc. Earlier, from 2000 to 2005, he had responsibility for the Global Corporate Finance and Global Equities Divisions at ABN AMRO and had been Managing Director and a member of the Supervisory Board at Lazard.

External appointments: Senior Independent Director and Chairman of the Remuneration Committee at Genus Plc.

Steve Williams, 70
Non-Executive Director RM A N

Appointment: 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. He was formerly the Senior Independent Director of Arriva Plc, Non-Executive Director of Bunzl Plc and Non-Executive Director of Whitbread PLC.

External appointments: Steve is a Non-Executive Director of Eversheds LLP and a senior adviser to Spencer Stuart LLP. He is Deputy Chairman of the De La Warr Pavilion Charitable Trust, on the Board of Leverhulme Trust and Deputy Chairman of Moorfields NHS Trust.

Key

- Chairman of the Committee
- Member of the Committee
- Secretary of the Committee

N | Nomination Committee
RM | Remuneration Committee
A | Audit Committee
R | Risk Management Committee

E | Group Executive Committee
ET | Group Ethics Committee
F | Group Finance Committee
SHEQ | Group SHEQ Committee

Alan Ferguson, 60
Non-Executive Director
A RM N

Appointment: July 2011

Key strengths and experience:
Extensive international financial management and board experience. Alan was Chief Financial Officer and a Director of Lonmin Plc and, prior to that, Group Finance Director of The BOC Group. Before that he spent 22 years in a variety of roles at Inchcape Plc, including Group Finance Director. Alan is a Chartered Accountant.

External appointments: Alan is Senior Independent Director of Johnson Matthey Plc and Marshall Motor Holdings Plc, Non-Executive Director of The Weir Group Plc and chairs the Audit Committee of each of these companies. He sits on the Business Policy Panel of the Institute of Chartered Accountants of Scotland.

Keith Layden, 58
Non-Executive Director
N

Appointment: February 2012 and Non-Executive Director since May 2017

Key strengths and experience:
Deep understanding of chemical innovation and broad operational and management experience. Keith joined Croda in 1984, retiring as an Executive Director in 2017. His roles included responsibility for global R&D, the Technology Investment Group and President of Life Sciences.

External appointments: Keith is an Honorary Professor of Chemistry and Industry at the University of Nottingham. He represents Croda on the chemistry advisory boards at the Universities of Nottingham and York and has council and committee roles at the University of Sheffield. He is a Fellow of the Royal Society of Chemistry.

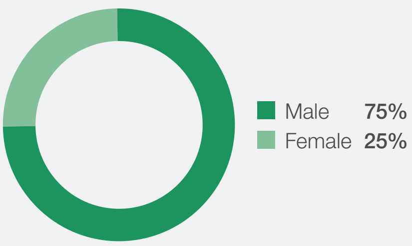
Tom Brophy, 44
Group General Counsel & Company Secretary
ET A RM N R E

Appointment: December 2012 as Board Secretary

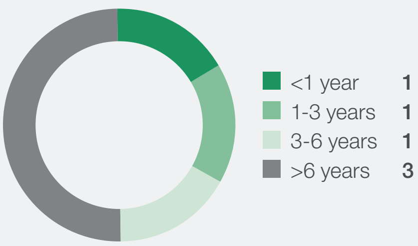
Key strengths and experience:
Tom is a solicitor and has responsibility for legal affairs, corporate governance, human resources and insurance. Prior to joining Croda, Tom spent seven years at Wolseley Plc in a number of legal and governance roles, including as Deputy General Counsel and Company Secretary.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

To read the full biographies of our Board members please visit www.croda.com/ourboard

Gender of the Board



Tenure as a Non-Executive Director



Board skills and experience

Areas of existing strength

- Sector experience
- Operational
- Financial
- Strategy and risk
- Innovation
- Technical
- Marketing

Areas of opportunity for new Board appointments

- International/ emerging markets
- Digital
- General management/CEO experience

Corporate Governance

Chairman's letter

"As guardian of our culture, the Board has a vital role to play in defining our behaviours and the ways in which we do business."

Anita Frew
Chairman

Dear fellow shareholder

The Board remains committed to the highest standards of corporate governance and integrity. Our governance framework, which underpins our ability to deliver our strategy and create long term value for our shareholders, cascades from the Board across the Group. This framework stresses the importance of compliance with rules and guidance, but equally, it sets the tone for the rest of the organisation. As guardian of our culture, the Board has a vital role to play in defining our behaviours and the ways in which we do business. The Company has complied with the UK Corporate Governance Code (April 2016)[1] 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 77, describe how the Code's main principles of governance have been applied by the Company.

This report includes practical insights into how our governance framework underpins and supports our Business and the decisions we make every day.

Culture and values

The Board spends a considerable amount of time meeting with employees and visiting our offices and manufacturing sites around the world. This ensures that our Non-Executive Directors develop and maintain greater insight and understanding of the Business, which enhance the quality of decision making and debate. That diversity of thought allows the Board to consider the broader long term impact of its decisions on our employees, suppliers and customers and the communities in which we operate. On page 43 we set out more details of the Board's programme of activities outside the boardroom.

We recognise the value of culture, and these visits also create opportunities for a cultural tone to be cascaded from the boardroom. Directors are able to promote the values-based conduct and behaviours expected from every part of the Company. The Board has spent time working on the development of our Culture Plan, linking our culture to our Business strategy in order to deliver business results. Central to this plan is the Global Employee Culture Survey, conducted in 2017 and designed in-house specifically to examine our culture and ensure that it is consistent with our values across the Business. More information about the survey can be found on page 02.

Leadership

The Directors continue to provide strong leadership, with an exceptional mix of skills and experience from across the business spectrum. Having served nine years on the Board, Nigel Turner will retire at this year's Annual General meeting (AGM). I would like to thank Nigel for his dedication and outstanding contribution to Croda. Upon Nigel's retirement Alan Ferguson will be appointed as the Senior Independent Director. Alan has been on the Board since 2011 and acts as Chairman of the Audit Committee. Alan brings a wealth of relevant experience, having served as Senior Independent Director within other listed companies.

I am pleased to report that Helena Ganczakowski, Alan Ferguson and Steve Williams had their respective appointments as Non-Executive Directors extended during the period and all Directors were reappointed by our shareholders at last year's AGM. This, combined with Professor Keith Layden's appointment as a Non-Executive Director following his retirement from the Company last year, means we continue to have effective and insightful leadership at a Board level.

We have assessed the skills and experiences of the Board to ensure that we have the right balance and composition; the results are summarised on page 37. The assessment has also enabled us to identify areas of opportunity, to bring fresh and alternative insights to the Board and enhance diversity in its broadest sense. This is especially relevant at this time as we think about the recruitment of a new Non-Executive Director to replace Nigel Turner.

We have focused on succession planning to ensure that we have a healthy talent pipeline for future Executive Committee and Board roles. We have overlaid the Board skills assessment onto the development plans of those members of the Executive Committee and other key management employees who were

1 The Code can be accessed at www.frc.org.uk.

identified as having Board potential when we considered the Company's succession planning arrangements, thus allowing us to tailor each individual's plan to further strengthen the bench.

Effectiveness

As Chairman, I am responsible for leading and ensuring that we have an effective and functioning Board. Strong and sustained progress has been made against the actions agreed following the 2016 Board effectiveness review and the priorities the Board set for itself for 2017. This progress is summarised on page 43. The rebalancing of the Board's agendas and streamlining of the Board papers and presentations has freed greater time for the Board to spend considering major strategic issues, growth, merger and acquisition opportunities, market dynamics and organisational issues, such as succession planning, Board composition and Company culture. Working with the Chief Executive and Company Secretary, I will continue to seek improvements to the Board's operation with a view to creating even further opportunity to focus on those areas that the Board believes will make the greatest difference to the Company's continuing success.

The Board and Committee review for 2017 was conducted by EgonZehnder, an external Board review specialist. The last such external evaluation was carried out in 2014. I actively encourage a culture and environment in the boardroom that facilitates candid debate and encourages our Non-Executive Directors to provide constructive challenge to management; I am pleased that this was borne out in the results of the Board review, which was overall very positive once again.

The review has also helped us to identify some opportunities for the Board, which could further improve our decision making by focusing on increased diversity for new Board appointments.

More details on the review process and its outcomes are set out on pages 46 and 47.

Accountability

The Board spent a considerable amount of time discussing the areas of risk assessment, risk management and internal control systems (including a review of control failings), and assessing the long term prospects of the Company. More information can be found on pages 30 to 35 and 48.

Relations with shareholders

As Chairman, I am responsible for effective communication with shareholders and for ensuring that the Board understands the views of major shareholders. During the year, I have met with several shareholders (as have other Non-Executive Directors) as well as speaking with many shareholders at our AGM. Our shareholders support our strategy and are very comfortable with our approach to corporate governance.

Anita Frew
Chairman

Case study

Governance in action

The Board's agendas have been rebalanced to create further opportunity to concentrate on those areas that the Board believes will make the greatest difference to the Company's continuing success, following feedback from the 2016 Board effectiveness review. Board meetings now focus on four specific areas: reporting; approvals; governance and strategy. Papers for the Board have been significantly shortened, concentrating on performance through the use of KPI dashboards, and distinguishing information reporting from decisions sought. These interventions are designed to free more Board time for high level strategic decisions. This revised format is working well, as has been borne out in the recent Board evaluation, which welcomed the improved meeting discipline.

Looking ahead to 2018

As well as those focus areas identified during the latest Board evalution (p47), the Board will:

- → Perform longer term strategic reviews
- → Oversee the recruitment of a new Non-Executive Director and consider Non-Executive Director succession
- → Focus on international operations and manufacturing strategy
- → Refine risk appetite for key Company risks
- → Consider the Company's digitalisation strategy
- → Review regular updates on safety, health and the environment; risk and ethical supply chain
- → Review and implement the relevant requirements of the Financial Reporting Council's revised UK Corporate Governance Code, which is anticipated following the FRC's announcement of its plans and subsequent public consultation in 2017.

A strong framework

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

UK Corporate Governance Code recommendations, such as ensuring the Company has a sound system of internal control and risk management, and approving the Board and Committees' terms of reference

3. 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

At the date of this report, the Board comprises eight Directors: the Chairman; the Group Chief Executive; the Group Finance Director; four independent Non-Executive Directors and one non-independent Non-Executive Director, who was the Company's Chief Technology Officer until his retirement in 2017. 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 provide appropriate balance and diversity within the Board. A key consideration for any new Board appointment will be the additional breadth a new Director could bring, in terms of skills, knowledge, experience, gender or ethnicity. Directors' biographical notes appear on pages 36 and 37 and 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. She ensures enough time is devoted, during meetings and throughout the year, to discuss all material matters, including strategic, financial, operational, business, risk, human resources and governance issues.

The Board has taken action to strike a balance between reporting, approvals and governance matters, whilst ensuring more time is devoted to major strategic issues.

Board roles

Chairman

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 that all new Directors have an appropriately tailored induction process.

Group Chief Executive

The Group Chief Executive has day-to-day responsibility for the effective management of the Group's Business and for ensuring that Board decisions are implemented. He plays a key role in devising and reviewing Group 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 that the Board has accurate, timely and clear information on all matters.

Senior Independent Director

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 her term of appointment and fees.

Independent Non-Executive Directors

The role of independent Non-Executive Director is central to an effective and accountable Board structure. They constructively challenge the Executive Directors and scrutinise the performance of management in meeting agreed goals and objectives. They help develop and monitor the delivery of the strategy within the risk and control framework set by the Board. They determine appropriate levels of remuneration for Executive Directors and have a prime role in succession planning and the appointment and, where necessary, the removal of Executive Directors.

Non-independent Non-Executive Directors

Having served Croda for 33 years, the latter five of which were as a member of the Board, Keith Layden is not considered independent. However, because of that experience, Keith contributes strongly to the Board's culture and personality, and adds unique and valuable insight and constructive challenge. With appropriate management of conflicts, Keith can constructively challenge the Executive Directors and scrutinise the performance of management in meeting agreed goals and objectives in a way largely unavailable to the Independent Non-Executive Directors.

Group General Counsel and Company Secretary

The Group General Counsel and Company Secretary is secretary to the Board and its Committees. He ensures that Board procedures are complied with and advises on regulatory compliance and corporate governance. In addition, he develops Board and Committee agendas and collates and distributes meeting papers. He facilitates induction programmes for new Directors and provides briefings on governance, legal and regulatory matters.

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.

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 Safety, Health, Environment and Quality (SHEQ) Steering Committee; the Group Ethics Committee and the Routine Business Committee. For further information on each of these Committees see page 60.

Group Board
Chaired by Anita Frew

Principal Board Committees

Audit Committee
Chaired by Alan Ferguson
Monitors the integrity of the Group's financial statements and announcements, the effectiveness of internal controls and risk management as well as managing the external auditor relationship. For more information see pages 51 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 77.

Nomination Committee
Chaired by Anita Frew
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 Board and Executive Committee succession planning. For more information see pages 58 and 59.

Group Chief Executive

Group Executive Committee
Chaired by Steve Foots

Group Finance Committee
Chaired by Steve Foots

Risk Management Committee
Chaired by Jez Maiden

Group SHEQ Steering Committee
Chaired by Stuart Arnott

Group Ethics Committee
Chaired by Tom Brophy

Routine Business Committee
Chaired by Steve Foots or Jez Maiden

The Board's 2017 activities and priorities

Membership of the Board and attendance (eligibility) at Board meetings held during the year ended 31 December 2017

Anita Frew (Chairman)	8 (8)
Alan Ferguson	8 (8)
Steve Foots	8 (8)
Helena Ganczakowski	8 (8)
Keith Layden	8 (8)
Jez Maiden	8 (8)
Nigel Turner	8 (8)
Steve Williams	8 (8)

The Board has an agenda programme that ensures strategic, operational, financial, human resources 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. The Board has seven routine meetings during the year and an additional strategy day, which is attended by all members of the Executive Committee. The strategy day in the first half of the year is followed by the consideration of the three year plan in the autumn and then the approval of the budget towards the end of the year. Key highlights of the Board's 2017 activities and priorities are set out below, along with an estimate of the proportion of the time that the Board spent discussing each area.

Board activity in 2017

Strategy

Delivering growth (p12) (20%)

- Croda Latin America, Incotec Latin America and Croda India business reviews
- Adjacent market opportunities
- Product manufacturing strategies
- Various acquisition opportunities and pipeline

Driving innovation (p12) (20%)

- Product innovation programmes and technology platforms
- Technology led acquisitions and entrepreneurial cells
- New and Protected Products pipeline
- Innovation and Research and Development metrics
- Open innovation

Sustainable solutions (p12) (15%)

- Safety, health, environment and quality
- Sustainability strategy and targets
- Review of Sustainability Report
- Senior management succession
- Ethical supply chain compliance programme

People (15%)

- Talent review and succession planning
- Board diversity
- Executive development profiles for the Executive Committee
- The Croda culture
- Health and safety of our employees and contractors
- Diversity and inclusion of our workforce
- Women in leadership roles initiatives
- Change to Group remuneration advisers

Governance and reporting (10%)

- Review of Annual Report and Accounts and other financial statements
- External Board and Committee effectiveness evaluation
- Defence strategy
- Investor relations review
- Tendering of external audit (p55)

Financial, risk and performance management (20%)

- Capital expenditure approvals and performance reviews of historic capex
- Capital allocation policy and capital returns
- The Group's budget, forecasts and key performance targets and indicators
- Dividend approvals
- USA tax changes
- Change of Group insurance broker
- Cyber security, anti-bribery and major capital projects risk reviews
- Long term viability

Update on 2016 Board evaluation actions

In 2016, the Board review was conducted using an online questionnaire tailored to our activities and concerns. The key actions, and progress in meeting them, are summarised below:

Key actions	What we did	Status
Spend time looking at major strategic issues including innovation, sustainability and market dynamics	→ Appointed a Chief Digital Officer to grow our digital strategy → Performed a technology gap analysis as a blueprint for future organic and inorganic growth → Reviewed our sustainability agenda and completed the installation phase of our industry leading bio-surfactant plant in North America → Reviewed the market landscape and generated plans to remain ahead.	✓
Regularly review our innovation pipeline	→ Reviewed the technology acquisition pipeline → Considered the open innovation pipeline → Reviewed the importance of innovation as part of a strategy day session → Regularly received updates on each Sector's performance against innovation KPIs.	✓
Continue to monitor the culture and behaviours within the organisation, taking account of these when making decisions	→ Commissioned a group wide Global Employee Culture Survey → Considered Global Employee Culture Survey results and proposed action plans → Focused on cultural fit when considering Non-Executive Director succession planning.	✓
Focus on Board succession planning and the optimum balance and composition of the Board	→ Undertook a Directors' skills and experience analysis (p37) → Prepared a talent succession development profile for each member of the Executive Committee → Undertook a Board and Committee effectiveness review (pp46 and 47).	✓

✓ Completed → Ongoing

Outside the boardroom

In addition to formal Board meetings, the Directors attended offsite 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.

The Chairman spends a considerable amount of time meeting with Steve Foots and the senior management team at the Company's head office. This ensures that she is kept appraised of significant developments in the Business between Board meetings.

All Directors are involved in the Group's Leadership Development Programme. This involves attending various sessions, and includes discussions on business strategy and leadership chaired by a Director, as well as interacting with employees on the programme in team building sessions or at dinners.

The Board visited our manufacturing site and sales office in Campinas, Brazil and Incotec's Brazilian operation at Holambra. More details of this visit can be read on page 45.

During the year, all of the Non-Executive Directors (with the exception of Keith Layden) made additional overseas site visits, outside of the normal Board site visits. Anita Frew visited the Croda India manufacturing site in Thane and the Argentinian sales office, accompanied by Helena Ganczakowski on the latter visit. Helena also visited the Mevisa manufacturing site in southern Spain, accompanied by Steve Williams. Nigel Turner and Alan Ferguson visited Incotec's headquarters and manufacturing site at Enkhuizen, in the Netherlands. The Non-Executive Directors discussed a wide range of topics with the local management teams, including process safety, innovation, business ethics, plant expansion plans and challenges and opportunities in each market.

As in previous years, members of the Executive Committee and other senior managers from across the Company attended Board dinners where the Board discussed topics relevant to the Business and its strategy. In addition, during the Board's visit to Brazil, the Directors met informally with many of the Group's 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.

Effectiveness

Board re-election

The Board has a broad range of skills and experience from different industries, 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 his/her duties and remains fully committed to his/her role in the Company. With the exception of Nigel Turner, all Directors will stand for re-election at the 2018 AGM. Full biographies for the Directors can be found on pages 36 and 37, with more detail at www.croda.com

Directors' induction

Upon joining Croda, Directors receive a tailored induction programme. New Directors need to quickly absorb a great deal about the 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 our Business, markets, culture and relationships and to establish a link with employees.

As part of the induction, new Directors gain a thorough understanding of our Business through meetings with Croda employees across all regions in which we operate. This includes site visits, typically hosted by one of our Executive Committee members. This allows our new Directors to get to know the regional and local leadership teams and to discuss a wide range of topics, including the local organisation structure, growth plans, strategic priorities, risks and the competitive landscape. Directors also spend time at our laboratories with the research and development teams, where they gain insight into technology platforms and chemistries, as well as our product development pipeline. Visiting our manufacturing sites enables new Directors to explore our complex manufacturing processes and approach to process safety and behavioural safety. They are also able to discuss our challenging sustainability targets and find out about quality and regulatory matters.

New Directors are given lots of opportunities to spend time engaging with, and talking to, a wide variety of employees across all functions and seniorities. This includes time at dinners and social events. Through these interactions new Directors gain an insight into the Croda culture and our values, which are a key differentiator between us and our competitors.

Review

The Company Secretary and the new Director have regular reviews, with input from the Chairman, to agree what extra insights the induction needs to deliver.

Board support

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

Training and briefings are available to all Directors 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 face-to-face briefings from the Company Secretary and, where appropriate, the Company's professional advisers. As well as planned training on governance, legal and regulatory matters, the programme is sufficiently flexible to capture new and emerging regulation, development stemming from evaluation and specific training requests from Directors. Each Director's training programme includes the same online training on competition law and anti-bribery and corruption as taken by managers and selected employees across the Business.

Before each Board meeting, the Company Secretary makes sure that the meeting papers and other information are delivered electronically, via a secure, iPad-accessible, web portal. Following feedback from the 2016 Board effectiveness review and leveraging experience gained from

When planning an induction we take the following steps:

1 Bespoke programme

Our Company Secretary discusses how the programme should be tailored to meet a new Director's needs.

2 Varied delivery

We use diverse formats to communicate information. These include iPad reading materials, meetings with employees and fellow Directors, briefings and training from external advisers and site visits.

3 Length

Conscious of a Director's other commitments and not wanting to overload him/her with too much information in too short a time, we deliver the induction over the full Board cycle of 12 months.

4 Review

The Company Secretary and the new Director have regular reviews, with input from the Chairman, to agree what extra insights the induction needs to deliver.

other Boards, papers have been significantly shortened, concentrating on performance through the use of KPI dashboards and distinguishing information reporting from decisions sought. Meeting papers are made available one week in advance, which ensures that each Director has the time and resources to fulfil his/her duties. Directors have the opportunity to raise questions stemming from the papers prior to the meeting, should they wish to do so. A resource centre within the web portal provides access to useful information about the Group, including corporate governance materials, 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 upon her appointment in 2015 but, as Chairman, is not classified as independent. Steve Williams has consultancy roles with Eversheds LLP, which provides legal services to the Group of immaterial monetary value, 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. With the exception of Keith Layden, the Board 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. Keith Layden is not considered independent, having served as the Company's Chief Technology Officer prior to retirement from the Company and appointment as a Non-Executive Director in May 2017.

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. In the period, Helena Ganczakowski held a Non-Executive Director role at customer, People Against Dirty, prior to its dissolution on sale. Jez Maiden has a Non-Executive Director role on the board of PZ Cussons plc, a customer of Croda.

Details of the professional commitments of the Chairman and the Non-Executive Directors are included in their biographies on pages 36 and 37. The Board is satisfied that these do not interfere with the performance of their duties for the Company.

During 2017, no Independent Non-Executive Director had served on the Board for more than nine years from the date of their first election, with the range between three years and eight and a half years. Keith Layden served just over five years as an Executive Director, prior to his appointment as a Non-Executive Director on 1 May 2017.

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 his/her 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 43.

External consultants

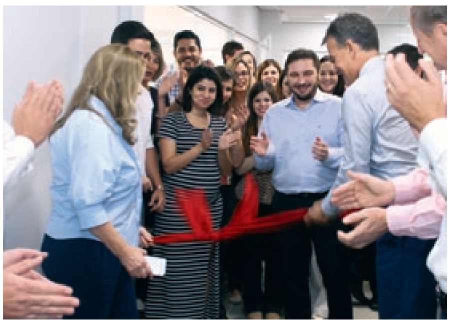
In the period, Korn Ferry and Deloitte have provided remuneration consultancy to the Remuneration Committee.

Case study

Outside the boardroom

In September 2017, the Board visited the Company's operations in Brazil where Directors officially opened a new laboratory facility, which then hosted them for interactive demonstrations.

The Directors undertook tours of both the local Croda and Incotec manufacturing facilities, where they met with local management and members of the operational teams to gain a fuller understanding of the sites' key technologies. The Directors also met with many of the local employees, which allowed them to interact in a less formal setting, whilst spending time with senior managers and potential future leaders.



2017 Board evaluation

Board performance

The nature of Board service has significantly changed, requiring an ever wider range of skills and greater time commitment. The Board is not just a governing body; boards are being leveraged as a competitive advantage to complement and support management and add value. Demand for exceptional, highly qualified Directors is growing and increasingly specialist skills are required in the boardroom.

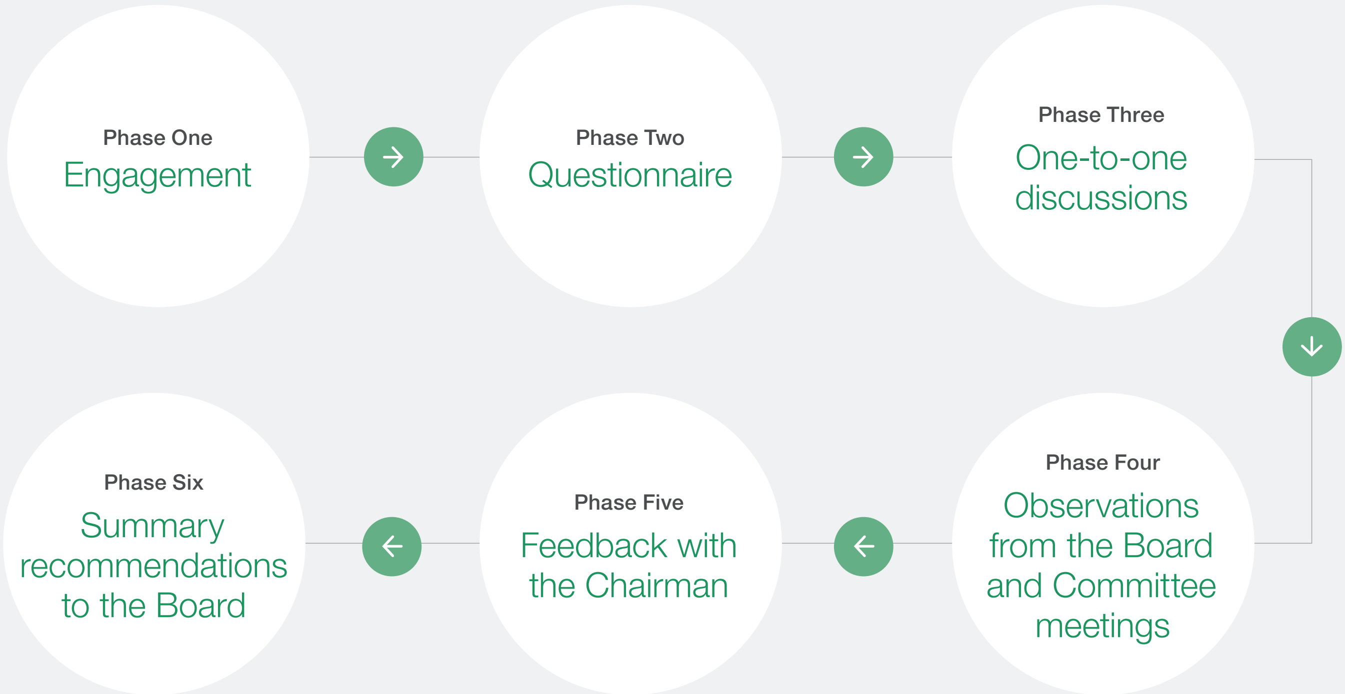
The Board undertakes a formal review of its performance and that of its Committees each year. The 2017 review was conducted by EgonZehnder, an external board review specialist. At the time of the review, EgonZehnder had no other connections with the Company in line with the requirements of the Code. The last such independent evaluation was carried out in 2014 and we anticipate the next will take place in 2020. The results of the review were, once again, extremely positive. They endorsed the boardroom culture and Non-Executive Director participation and challenge to management that is actively promoted by the Chairman. The review identified some opportunities for the Board, which have helped inform the Board's priorities for 2018 and beyond. The Board's resulting areas of focus are summarised on page 47. Its priorities for 2018 are set out on page 39.

2017 External evaluation of the Board: the preparation

The Board identified a number of potential independent external Board review specialists. The Chairman, CEO and Company Secretary interviewed three of those identified, selecting EgonZehnder from that process.

EgonZehnder were briefed on the focus areas for the review and developed and distributed a tailored questionnaire to the members of the Board.

EgonZehnder held one-to-one discussions with each Director and the Company Secretary, as well as the Group Human Resources Director and the Group's Vice President of Risk and Assurance.



EgonZehnder reported back with a Board presentation of findings and made recommendations on further performance improvements for the Board, the Committees and their operation. The report and findings were discussed by the Board at its December meeting and areas of focus to address certain recommendations agreed.

EgonZehnder held a one-to-one meeting with the Chairman, where feedback on the summary findings was presented and discussed.

EgonZehnder attended Board and Committee meetings to observe each meeting's effectiveness and the contribution of each individual Director.

2017 External evaluation of the Board: the process

We covered a broad range of areas

Purpose	Strategy and performance	Risks	Culture	People	Meetings	Committees	Effectiveness benchmarking

We took a deeper dive on certain topics

Strategy

Risk

Growth

Future

What we found

Strategy

The Board is appropriately involved with strategy formulation and is well equipped to help shape the strategic debate. The Board is aligned on the strategic priorities of the Business.

The Board's agenda covers the right issues for the Company and strikes the right balance between strategy and operations.

Risk

Board Directors are clear on the type and level of risks that the Business needs to take to deliver its growth plan and feel confident that the potential risks facing the Business are clearly defined and appropriately mitigated.

The Directors have clarity on our values and how they are shaping our culture.

Growth

The Board is fully aligned on growth as a strategic priority and the Directors demonstrate a sense of responsibility for the success of the Company.

Board deliberations are constructive and robust, with high levels of energy and pace. The CEO and Executives feel comfortable bringing open-ended questions to the Board.

Future

Board meetings are well led; agendas are balanced and Board papers have been streamlined. Board members actively leverage their knowledge of other Board practices to improve Board effectiveness.

There is clear and appropriate division of roles between the Chair and the CEO, who enjoy an open and trusting relationship.

Our areas of focus

- Perform longer term strategic reviews
- Refine risk appetite for key Company risks
- Define those elements of the culture that must be preserved and those that might flex as the Company grows and the markets around us develop
- Commission an external gap analysis for succession
- Development mechanisms for the evaluation of past Board decisions.

Accountability

The Audit Committee

The Audit Committee's report, which describes the membership of the Audit Committee, its responsibilities, main activities in 2017 and priorities for 2018, is set out on pages 51 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 guidance set out in the Financial Reporting Council's (FRC's) Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014, and in the Corporate Governance Code itself, an ongoing process has been established for identifying, evaluating and managing the principal risks faced by the Group (p30). 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 during planned internal audit visits
- Comprehensive monitoring and quantification of business risks, under the direction of the Risk Management Committee. The Group's approach to risk management and the principal risks facing the Group are discussed in more detail in the Strategic Report on pages 30 to 34
- Capital investment with detailed appraisal, risk analysis, authorisation and post-investment review procedures.

This process has been in place for the full financial year and up to the date on which the financial statements were approved by the Directors.

The Board discharged its responsibility for monitoring 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 and Accounts. 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 reports through the Vice President of Risk and Assurance to the Audit Committee
- Reports from the external auditors
- Presentations of key risks and controls by the Executive owner and other assurance providers
- Half-yearly report on significant controls from the Vice President of Risk and Assurance

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 failings or weaknesses identified from the review of internal controls' effectiveness and judges their level of significance.

Fair, balanced and understandable

The process of compiling the Annual Report and Accounts starts early enough to give the Board time to assess whether it is fair, balanced and understandable, as required by the Code. The Board considered whether the Annual Report and Accounts contained the necessary information for shareholders to assess the Company's position and performance, business model and strategy. The tone was reviewed to ensure a balanced approach and the Board made sure the narrative at the front end of the Annual Report was consistent with the financial statements.

Our annual internal audit programme

One element of our internal control framework is the work carried out by our internal auditors.

The planning process for the year's audit work is undertaken by the internal audit team, led by our Vice President Risk and Assurance. Themes from prior year audits, key risk areas and fundamental controls feed into the selection of the audit programme, which is approved by the Audit Committee. Consideration is given to the appropriate mix of IT and manual controls to be tested.

Self-assessments of controls are carried out by local management and systems' owners, which are analysed by the internal audit team with its findings and any emerging themes being reported to the Audit Committee. The Committee places great importance on the self-assessments and is concerned when there are differences (positive or negative) between the self-assessed scores and those assessed during the audit visits.

The site-based audit fieldwork and IT audits are undertaken between May and October, followed by the risk-based reviews. The outcome of this work is reported to the Audit Committee and any failures of internal controls or weaknesses from non-financial and risk-based reviews are followed up by the Audit Committee, with common themes feeding into the planning process for the following year's audit programme.

Relations with shareholders

Communication with shareholders

The Chairman, Executive Directors and other senior managers maintain regular contact with existing and potential shareholders to ensure that our strategy and trading trends are clearly understood.

Recognising the importance of communicating with our shareholders, our Vice President, Investor Relations manages the day-to-day contact with the investment community, including investors and analysts, as well as co-ordinating site visits and presentations at investor conferences and roadshows.

The Board engages in active dialogue with shareholders through the Group Chief Executive, Group Finance Director and the Chairman, who regularly meet with shareholders. These meetings provide an appropriate means of capturing shareholders' opinions and the Chairman ensures that the Board is regularly appraised of shareholders' views and key issues. All Non-Executive Directors are 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 in this area are consistent with both the Code's provisions concerning dialogue with shareholders and with good governance.

During the year, numerous meetings were held with investors in the UK, North America, Europe and Asia, including face-to-face meetings, telephone and video conferences and hosted site visits in numerous regions.

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. 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.

Set out on page 50 are answers to the most commonly asked shareholder questions and a calendar of our investor events attended by senior management throughout the year.

Substantial shareholders

As at the date of this Annual Report and Accounts the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority:

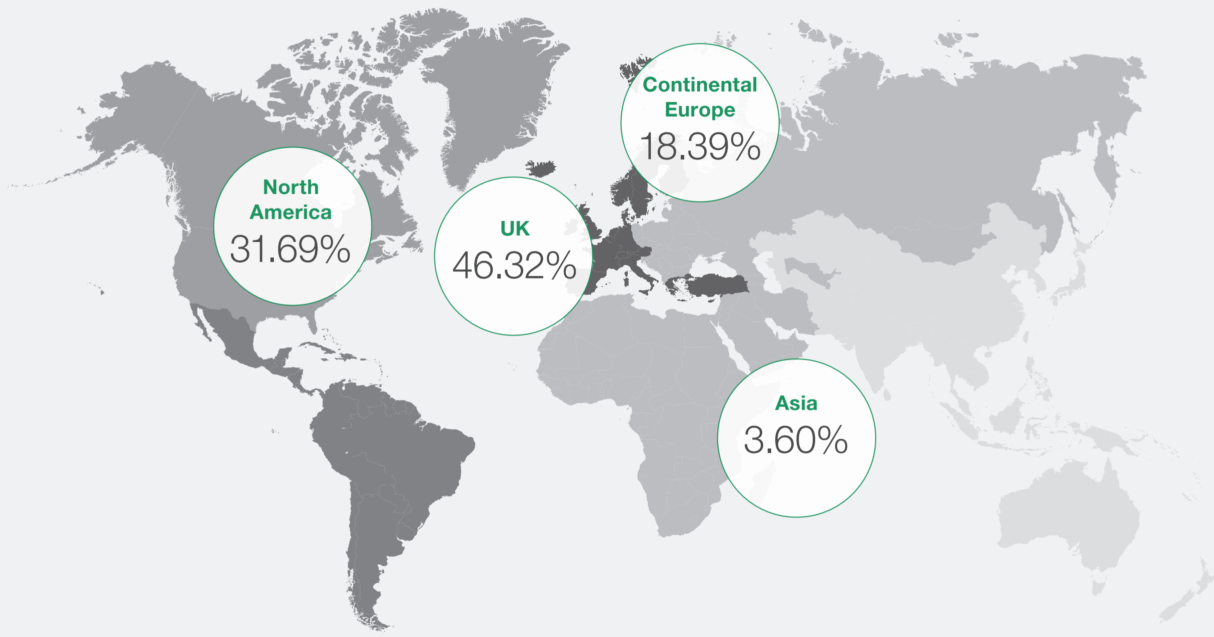
	Number of shares	% of issued capital
BlackRock, Inc.	7,463,118	5.68%

Investor concentration

Percentage of issued capital by type of holder

Institutional holders	**93.19%**
Private holders	**3.54%**
Other holders	**3.27%**

Geographical breakdown of shareholder base



Top 5 investor questions

1

How does the Company manage its allocation of capital?

The Company has good capital discipline that is aligned with its clearly defined Capital Allocation Policy (p28)

2

What are the growth targets for the core business?

Low-to-mid single digit growth (excluding raw material price recovery) (p24)

3

What are the Company's priorities in respect of merger and acquisition activity?

The Company has three types of M&A targets:

- → Nacent technologies
- → Small to medium sized bolt-ons
- → Transformational

4

What is the target for New and Protected Products (NPP) sales growth?

The aim is to grow NPP at twice the non-NPP sales growth rate (p24)

5

Can the Company expand its margin?

Our focus on value over volume growth and increasing innovation should lead to margin expansion

Our investor calendar

Set out below is a calendar of our investor events attended by senior management in 2017:

February
- → Full year results announced

March
- → Roadshows in London, Frankfurt, Montreal, Toronto and Boston and Mid-Atlantic, USA
- → Conferences in New York, Stockholm and London
- → Investor field trip in the UK

April
- → Q1 Trading Update published
- → Annual General Meeting in York

May
- → Roadshows in Edinburgh, Copenhagen, Oslo, London and Mid-West, USA

June
- → Roadshows in Geneva and the Netherlands
- → Conferences in Paris and London
- → Investor field trip to Paris

July
- → Half year results announced
- → Roadshow in London

September
- → Conferences in Dublin and London
- → Roadshow in Zurich
- → Investor field trips to France and the UK

October
- → Q3 Trading Update announced
- → Roadshow in Helsinki
- → Conference in East Yorkshire

November
- → Conferences in Boston and London
- → Roadshows in London, New York, Chicago and Toronto
- → Investor field trip in the UK

December
- → Investor field trip in the UK

Annual General Meeting (AGM)

The AGM provides an opportunity for private shareholders to raise questions with Board members. The Directors are also available to answer questions afterwards, in an informal setting. The Annual Report and Accounts, including the 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 that includes, amongst other items, presentations made to analysts. The AGM will be held at the Pavilions of Harrogate, on 25 April 2018 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.

Audit Committee

Report of the Audit Committee

for the year ended 31 December 2017

"The Committee has delivered on its key priorities during the year, including the successful tenders of the external and internal audits."

Alan Ferguson
Chairman of the Audit Committee

Members and attendance (eligibility) at meetings held during the year ended 31 December 2017

Alan Ferguson Chairman	6 (6)
Helena Ganczakowski Independent Non-Executive	6 (6)
Nigel Turner Independent Non-Executive	6 (6)
Steve Williams Independent Non-Executive	6 (6)

One of the meetings held during the year was solely concerned with the outcome of the external and internal audit tenders. In addition there were two meetings held subsequent to the year end, with attendance full at both, other than for Nigel Turner who missed one meeting due to commitments overseas.

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 2017, which I hope you find informative. It provides detail of the activities carried out by the Committee in what was a busy year. By its very nature this report covers a number of matters that were also covered last year. Whilst it is important that these are reported on, I would draw your attention to the sections on external audit tendering, internal audit and risk management and those highlighting our key focus areas for 2017 and looking ahead to 2018.

Committee membership

The Committee consists of four Non-Executive Directors. The experience of each member of the Committee is summarised on pages 36 and 37. I have held a number of senior finance director roles and am Chairman of the Audit Committees of two other FTSE 100/250 companies, as well as an AIM listed company. The Board considers each member of the Committee is independent within the definition of the Code and has relevant financial experience, as well as a broad and diverse spread of commercial experience. Such consideration provides the Board with assurance that the Committee has the appropriate skills and experience to ensure that it can be fully effective, and that it meets the Code requirement that at least one member has significant, recent and relevant financial experience.

The Chairman of the Board, Professor Layden (a Non-Executive Director), the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the Vice President of Risk and Assurance, who leads the internal audit function, and representatives from the external and internal auditors attend the meetings by invitation.

The Committee periodically, and I more regularly, meet separately with the Vice President of Risk and Assurance 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

The Committee assists the Board in ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position.

Key responsibilities:

- → To monitor the integrity of the financial statements and results announcements of the Group and to review significant financial reporting issues and judgements
- → To recommend external auditor appointment and removal, assess audit quality, negotiate and approve the audit fee, assess independence, monitor non-audit services and be responsible for audit tendering
- → To review the adequacy and effectiveness of the Group's internal controls and risk management systems, and the adequacy, effectiveness and output of the internal audit function
- → To review the adequacy of the Group's whistleblowing arrangements and procedures for detecting fraud.

In addition to its business as usual activities, the Committee selects certain focus areas each year for detailed review.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found at www.croda.com.

Main (business as usual) activities of the Committee since the publication of the 2016 Annual Report and Accounts

The Committee met four times in 2017 after publication of the 2016 Annual Report and Accounts and twice between the year end and the publication of this Annual Report. The key issues covered at the Committee meetings were reported at the subsequent Board meeting.

The Committee's main business as usual activities, excluding the focus areas, and an estimate of the proportion of time spent on them, are detailed below:

Committee activity in 2017

Financial reporting (20%)

The Committee:

→ Monitored the Group's financial statements and results announcements, and reviewed significant financial reporting and accounting issues including the going concern assessment and exceptional items

→ Undertook regular reviews of the Group's material litigation and was satisfied with the approach to provisioning

→ In conjunction with the Board, reviewed the financial modelling and stress testing based on plausible scenarios arising from selected key risks, noting the effect they would have during the viability period.

Governance (20%)

The Committee:

→ Reviewed the effectiveness of the Group's anti-bribery and fraud procedures, including the whistle-blowing procedure. The Committee were satisfied that appropriate procedures were in place for proportionate and independent investigation of whistleblowing reports, including follow up actions

→ Met with internal audit and external audit without management being present

→ Received presentations from the Finance Director of Personal Care, the Group Financial Controller and Finance Director of Life Sciences and the Finance Director of Asia

→ Undertook an externally facilitated effectiveness review as part of the review of the Board and its Committees as described on page 46

→ Reviewed its terms of reference and made changes to reflect the updated UK Corporate Governance Code and the FRC Guidance on Audit Committees

→ As part of its annual review of the Group's tax strategy and risks, approved the publication of the tax strategy on our website www.croda.com.

External audit (15%)

The Committee:

→ Discussed and approved the external audit plan, including: the assessment of significant audit risks; the engagement risk profile; the scope of the audit; the materiality level and the de minimus reporting threshold (see pages 82 to 85 of the Audit Report); the approach to working with internal audit; and the key members of the engagement team supported by specialist auditors where necessary. The resulting audit fee was approved

→ Reviewed compliance with the FRC's Ethical Standard for auditors and the restrictions on auditors to provide non-audit services; in particular as regards to PriceWaterhouseCooper's (PwC) role in tax compliance services in the USA (see page 56 for further details)

→ Discussed the FRC's 2016/2017 Audit Quality Inspection of PwC in support of the Committee's annual assessment of the quality of the external audit. Further details can be found on page 56

→ Considered and confirmed the independence of PwC, as further described on page 56

→ Approved the plans for the transition of the external audit from PwC to KPMG (see pages 55 and 56).

Internal audit and risk management (20%)

The Committee:

→ Received a report from the Vice President Risk and Assurance 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

→ Agreed a revised approach to the coverage of internal audit's programme of work. Further details on this approach are described on page 54

→ Assessed the 2017 risk-based and thematic assurance activity carried out by internal audit (with reference to the Group's principal risks), which included a review of: cyber security maturity; UK payroll and UK pensions; ethics and compliance programme; and Group Treasury

→ Considered the results of the 2017 internal audits and the IT audits, the self-assessment process, the adequacy of management's response to matters raised and the time taken to resolve such matters

→ Considered controls over the implementation of capital projects as part of the site internal audit reviews

→ Reviewed and approved the 2018 internal audit plan and the plans to transition the internal audit co-source provider from KPMG to PwC (see page 54)

→ Conducted its annual review of the Group's internal auditor (see page 54).

Key focus areas for 2017 (25%)

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 five focus areas for 2017, which absorbed the balance of the Committee's time of around 25%, which is much higher this year due to the incremental work on the two audit tenders.

Key focus area	Actions during the year	Progress
Plan and conduct the tenders of the external and internal audit services	We undertook a rigorous process for both tenders, including pre-meetings with the tendering firms, the provision of a comprehensive data room and detailed selection criteria. All Committee members attended and fully participated in the tender presentations, reaching a unanimous decision in respect of both appointments (see page 55).	Completed
Review the implementation of our enhanced ethical compliance programmes relating to anti-bribery and sales of products into sanctioned markets	In support of the renewed programme, new and enhanced internal controls were adopted and self-assessments against these controls were carried out by local management and control owners. In addition, the internal audit team conducted testing of these controls at sites visited during the year. The Committee received a review of compliance against the renewed programme, follow up actions were approved and will be monitored. This will remain a focus area for 2018 as the programme becomes embedded around the world.	Completed
Review the progress of the project to increase the use of data analytics both as an audit tool and as a tool to examine process flows within SAP	PwC were engaged to run their process analytics tools on the SAP purchase to pay process to help ensure the investment in one version of SAP is fully maximised. The review was undertaken cross region and company, based on 12 months of SAP transactional data. The findings from the review were shared with the Audit Committee, with the Committee agreeing detailed recommendations to be followed up by management and internal audit. The Committee will monitor the follow up of these recommendations during 2018. A review of the inventory management process using the same tools is planned in Q1 2018. The innovative use of SAP and data analytics was a key selection criterion for the external and internal audit tenders (see page 55) and we expect to see a further step change integrated into the audit approaches from 2018 onwards.	Completed
Continue to focus on cyber security risk and ensure the Committee receives training in this area	Our internal audit team undertook a cyber security maturity review to obtain a holistic view of Croda's information security assurance capability. A report was presented to the Committee, which included a maturity assessment across several areas, including: leadership and governance; training and awareness; information risk management; business continuity; operations and technology; and legal and compliance. The Committee discussed how we benchmarked against industry peers, identified opportunities to improve cyber maturity and agreed a detailed action plan with management. Cyber security testing forms a core part of the IT controls testing by internal audit, as well as the ISO27001 standard adopted within the Group. The Committee reviewed the IT activity relating to cyber security, including the output of penetration testing and breach detection tools. In response to the output of the 2016 Committee effectiveness review, the Committee participated in a face to face training session conducted by cyber security specialists from PwC.	Completed

Completed Ongoing

Significant financial statement reporting issues

With support from the external auditors, the Committee considered a number of significant ongoing issues related to the financial statements for the year ended 31 December 2017, as set out below.

Pensions: The Committee monitored the Group's pension arrangements, in particular the funding of the defined benefit plans in the UK, the US and the Netherlands, which are sensitive to assumptions made in respect of discount rates, salary increases and inflation. The Committee reviewed the actuarial assumptions used, compared them with those used by other companies, considered the views of the external auditors and found 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 was 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, including the impact of the recent USA legislative changes, the status of the Group's tax compliance, details of potentially significant challenges from tax authorities, the level of accruals and the relevant disclosures. The Committee concurred with management's views.

Goodwill: The strategy of the Group includes acquiring new technologies and businesses operating in adjacent markets. Goodwill represents a significant asset value on the balance sheet (£320.2m out of a total net assets of £829.9m at 31 December 2017). The Committee completed its routine annual impairment review of the carrying value of goodwill, as prepared by management, including the sensitivity to a number of underlying assumptions. After due challenge, the Committee was satisfied that the assumptions were reasonable and that no impairments were necessary.

In addition to the ongoing issues the Committee reviewed the capitalisation of interest this year as it was significantly higher than normal due to the investment in the bio-surfactant plant in North America. It also reviewed and discussed the Alternative Performance Measures being used (p29) and the associated disclosures.

Internal audit and risk management

In 2017 I met with the Vice President Risk and Assurance 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 Assurance 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 and the adequacy of management's response to matters raised, including the time taken to resolve such matters. Particular focus was addressed to those areas 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. In these instances the Committee challenged management as to what actions it was taking to minimise the chances of divergences arising in the future. The Committee looked at recurring themes where issues were identified across a number of locations; these will inform the scope of the work undertaken in the 2018 audit plan.

The approach to the selection of locations for audit visits for the 2017 internal audit plan evolved from that used the prior year. Using the three lines of defence model, assurance obtained from multiple internal and external assurance providers were mapped, with core levels of assurance being provided by the annual controls self-assessment process and embedded SAP application controls. This was supported by enhanced assurance at a selection of sites provided through an internal audit visit in line with the refreshed risk assessment process. In addition a programme of 'Croda peer reviews' was implemented within regions as part of the internal audit plan, under the direction of the Vice President Risk and Assurance, reporting back to the Audit Committee. This revised approach ensured that the internal audit resource added the greatest value to the internal control environment by focusing in the right areas.

In February, the Committee conducted its annual review of the internal auditor, including the approach to audit planning and risk assessment, communication within the Business and with the Committee and its relationship with the external auditors. Internal feedback is used in this process. This did not highlight any significant areas for development other than the desire for a more analytical based audit approach to be considered.

As previously reported, the Committee took the decision to tender the internal audit contract held by KPMG for the last seven years. This was because of the length of their tenure and the fact that if KPMG were successful in the external audit tender we would have to tender the internal audit contract in undue haste. A description of the tender process is set out on page 55. As a result of the tender, the Committee approved PwC as the internal audit co-source provider from the financial year 2018. This decision was unanimous. It was based on the belief that their analytical based approach would drive most benefit to the Business and that the team put forward by PwC had the right range of skills to address the changing nature of the audit as well as having the best cultural fit. PwC's appointment will not commence before their resignation as external auditor at the Company's AGM on 25 April 2018; however, familiarisation meetings have taken place with PwC team members and the 2018 audit approach, including further use of extended data analytics in both internal audit and peer reviews, have been discussed.

Details on how the Business implements its risk management and controls on a Group wide basis are set out on pages 30 and 31.

Case study

External Audit Tender

Set out below is the process we ran to select the best external auditor for the Business. The Internal Audit tender essentially followed the same process, other than in September the Audit Committee Chairman, Group Finance Director and Vice President, Risk and Assurance reduced the internal audit candidate firms from five, including the incumbent KPMG, to four shortlisted firms and the Vice President Risk and Assurance was a member of the selection panel.

October 2016	The Audit Committee Chairman and Group Finance Director met with potential successor firms (PwC were not asked to tender due to their tenure as external auditors), at the most senior level, and gave an outline of the tender process that we intended to run. Most importantly the key attributes that we expected from the lead audit partner and senior members of the audit team as well as the likely structure of that team were set out. This enabled the firms to select the most appropriate audit partners who could lead the tender. In addition independence was discussed and processes put in place to avoid any such issues arising.
November 2016/ January 2017	Following the introductory meetings three firms confirmed interest in tendering and put forward their proposals for lead audit partner followed by other senior team members. Time was taken to meet with those individuals to ensure the ones selected were the best fit for Croda, in its broadest sense, as without that it was unlikely that Croda would receive the best possible tenders. The Committee were then notified of the key individuals selected from each tendering firm.
April 2017	The Committee finalised the detailed selection criteria for the tendering process. These included: → Expertise, competency and cultural fit of the lead partner and team → Knowledge and understanding of our business, industry and key geographies → Audit approach including use of data analytics → Technical expertise, including SAP, and audit quality, including the results of recent FRC Audit Quality Reviews and Inspections → Conflicts of interest and independence → Quality of reporting and communication, including the ability to challenge constructively → The selection panel's previous experience of the firms → Value for money.
July/August 2017	Formal tender request issued and data room opened.
September 2017	Meetings, held over a number of days, allowing each of the tendering firms to meet with our key personnel in order for them to get a better understanding of the culture, the business and the key requirements. Feedback was gathered from our attendees following each meeting to provide input into the subsequent decision making process. Written proposal documents were then received and reviewed.
October 2017	Selection panel interviews conducted with oral presentations from the shortlisted firms. The panel comprised: → All members of the Audit Committee → Group Chief Executive → Group Finance Director → Group Financial Controller A formal decision was made by the Committee, taking account of the selection panel's recommendations, and its recommendation to appoint KPMG as external auditor was made to the Croda Board.

External auditors' effectiveness

During the year, the Committee assessed the effectiveness of PwC as Group external auditor. To assist in the assessment, the Committee reviewed the output from a questionnaire completed by senior members of the finance team to obtain their views on PwC's effectiveness in carrying out the 2017 audit. The questionnaire covered:

- → 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
- → Robustness of the audit, including the audit team's ability to challenge management as well as demonstrate professional scepticism and independence.

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 local audit partners when visiting some of the Group's businesses, 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 they applied constructive challenge and professional scepticism in dealing with management.

We reviewed the FRC's 2016/2017 Audit Quality Inspection report on the PwC's UK arm. The results were reassuring and given our focus on data analytics it was encouraging to see this was an area highlighted as an example of good practice. The main areas identified by the FRC as requiring actions were discussed by the Committee. A review of effectiveness also forms part of PwC's own system of quality control and this was discussed with the Committee during the presentation of the 2017 audit plan.

Following the review, the Committee concluded that the audit was effective.

External audit tendering

We are in compliance with the Statutory Audit Services Order 2014. Although PwC could remain as auditor until 2020, as previously reported, the Committee agreed to coincide an audit tender with the expiry of Ian Morrison's term as Lead Audit Partner, when he would sign the 2017 Annual Report and Accounts, or sooner if it were felt necessary by the Committee. The Committee formally committed to tender the audit during 2017, with the first year to be audited by the newly appointed firm being the year to 31 December 2018.

For the reasons noted in the Internal audit and risk management section (p54) the Committee considered that it was most effective and efficient to run the external and internal audit tenders at the same time.

When the Committee decided to tender it was made clear that audit quality was to be at forefront of mind when going through the process. A timely, rigorous and independent audit is fundamentally important to the Business. Upfront planning was key to making sure the right senior teams were selected from the tendering firms and that they were given enough information and access to enable them to prepare a compelling tender, the objective being to have the best possible tenders from all the competing firms. Part of the planning process included reviewing auditor independence. In conjunction with the firms themselves, we ensured they were independent at the start of the process and then monitored the Group's spend with those tendering to avoid any independence issues arising in the run up to the tender.

More information on the tender process, including a chronology and details of the selection criteria, are contained in the case study on the previous page.

Following the tender, the Committee recommended two firms to the Board as possible external auditors, with a unanimous recommendation to appoint KPMG with Chris Hearld as the Lead Audit Partner. This decision was based on the view that the team put forward by Chris was the strongest and best fit for our Business and that the proposed audit approach would bring a fresh perspective through greater use of analytics being applied to Croda's single instance of SAP.

Once the decision was made thoughts turned to managing the transition. Plans to do this effectively and efficiently were drawn up and then discussed with the Committee.

External auditors' independence

The Committee and the Board place great emphasis on the objectivity of the Group's external auditors in reporting to shareholders.

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

Our Group policy on the provision of non-audit services by external auditors, which is on our website www.croda.com, sets out prohibited non-audit services and the controls over assignments awarded to the external auditor to ensure that audit independence is not compromised.

During the year, the Committee undertook a detailed review of the provision of non-audit services by PwC and compliance with the FRC's Revised Ethical Standard for auditors, in particular in regard to the work undertaken by PwC in relation to providing tax compliance and advice to our North American business. The Committee decided that a globally consistent approach should be taken and this work has been moved away from PwC, with a new firm appointed who were not involved in the external audit tender process.

Non-audit fees have fallen for the sixth consecutive year. In 2017, they were £0.1m, significantly less than the total audit fees of £1.0m; the non-audit to audit fees ratio stands at 0.1:1.

The Committee undertook its annual review of the Group's policies relating to external audit, including the policy that governs how and when employees and former employees of the Group's auditors can be employed by the Company. No changes were made. The Committee also reviewed PwC's Independence letter.

In conclusion the Committee agreed that PwC were independent.

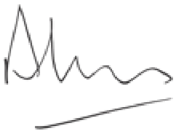
External auditor reappointment

As noted above, the Committee recommended to the Board that KPMG be offered for election at the forthcoming AGM, based on the audit tender process.

Committee Effectiveness Review

This year the Committee undertook an externally facilitated effectiveness review as part of the review of the Board and its Committees as described on page 46. The process involved completing a questionnaire, one to one discussions and EgonZehnder observing a meeting. The output was positive with the Committee scoring well in the questionnaire and getting good feedback from the observations. The Committee was felt to be operating effectively, having a balanced agenda, receiving high quality papers and setting high standards. The challenge, not untypical in my experience, is making sure all members of the Committee feel able to challenge and contribute when the topic has an element of technical content. Something for me to continually work on.

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



Alan Ferguson
Chairman of the Audit Committee

Looking ahead to 2018

In addition to our routine business, the Committee has four focus areas for 2018. We will:

- Monitor and assist in the transition to the new firms providing external and internal audit services with a focus on driving audit quality
- Continue to review the implementation of our enhanced ethical compliance programme as it becomes embedded across the world
- Review the implementation of effective policies and procedures to comply with the General Data Protection Regulation coming into force in May 2018
- Maintain our ongoing focus on cyber security risk

Nomination Committee

Report of the Nomination Committee

for the year ended 31 December 2017

"The Committee considers diversity on the Board and throughout the Company to be a key factor in the Company's strategic and financial success."

Anita Frew
Chairman of the Nomination Committee

Members and attendance (eligibility) at meetings held during the year ended 31 December 2017

Anita Frew Chairman	3 (3)
Alan Ferguson Independent Non-Executive	3 (3)
Steve Foots* Group Chief Executive	2 (2)
Helena Ganczakowski Independent Non-Executive	3 (3)
Keith Layden** Non-Executive	2 (2)
Nigel Turner Independent Non-Executive	3 (3)
Steve Williams Independent Non-Executive	3 (3)

* Stood down July 2017, responding to shareholder expectations

** Joined the Committee upon appointment as a Non-Executive Director

Dear fellow shareholder,

On behalf of your Board, and as Chairman of the Nomination Committee, I have pleasure in presenting the Nomination Committee report for the year ended 31 December 2017.

Main activities and priorities in 2017

During the year the Committee carried out a review of the size, structure and composition of the Board for its current and future needs, to align with the Company's strategy. Whilst considering succession planning for Board roles, the Committee focused on the collective skills and experiences of the Directors. A number of areas were identified from the latest two Board evaluations, against which the Committee assessed existing Board expertise and experience. The results of this analysis helped identify opportunities for the Board (p37). These opportunities informed the candidate brief for the recruitment of a new Non-Executive Director to succeed Nigel Turner, as he retires from the Board at the AGM, having served his nine-year tenure. Looking ahead, an updated version of this analysis will guide our recruitment process as we begin to consider a replacement for Steve Williams, who will retire in 2019, also having served nine years on the Board.

The Committee considered which of the Independent Non-Executive Directors should succeed Nigel Turner as Senior Independent Director, concluding that Alan Ferguson had a suitable combination of skills and experience to perform that role. Alan will become the Senior Independent Director upon Nigel's retirement.

The Committee considers diversity on the Board and throughout the Company to be a key factor in the Company's strategic and financial success. We see diversity of thought, skills, knowledge, experience, gender and ethnicity as critical to the Company's sustainable future. Diversity is a central consideration for all new Board appointments. It is also vital that we have diversity throughout the Company, as this leads directly to more balanced decision making and helps generate a diverse talent pipeline for the Executive Committee, and ultimately the Board. Our Leadership Development programmes comprise of employees from different cultures, backgrounds and nationalities. The global review of talent undertaken by the Executive Committee and the Board aims to ensure that we will have diverse and global representation for the Group's future leaders.

One recommendation of the Hampton-Alexander Review, an independent, business led review supported by the UK Government, is that all FTSE 350 Boards should target 33% female membership. Currently, 25% of the existing members of the Board are female and we have committed to reach the Hampton-Alexander target of 33% in the medium term. We have updated our Board diversity policy to capture this commitment; the policy already contained a commitment to maintain the existing 25% level of female representation on the Board. We ensure that the specification for any new Director role is equally suited to applicants of any gender and that no unlawful discrimination occurs at any stage in the selection process on any applicant characteristic. We are intensifying our efforts across the Company to increase the number of women in leadership roles with a range of initiatives. Examples include a mentoring programme for high potential female employees on executive succession plans, unconscious bias training amongst management populations, greater internal promotion of flexible working approaches and 'female friendly' job adverts and gender balanced shortlists in our recruitment processes.

A copy of our Board diversity policy, which is regularly reviewed by the Board, is available at www.croda.com

The Committee considered a talent succession development profile for each member of the Executive Committee, ensuring that a healthy talent pipeline exists for future Board roles. The Committee discussed each individual's existing strengths, development opportunities and future development plan. For those considered potential Group Chief Executive (CEO) successors, the development profiles were overlaid against the Board expertise analysis described earlier. This allows for the further focusing of the future development plan of each of those individuals to ensure that they bring the right strengths, should they be appointed to the Board.

The Committee reviewed the time commitment of the Non-Executive Directors and was satisfied that all of the Non-Executive Directors remain able to commit the required time for the proper performance of their duties. The Committee considered and concluded that, with the exception of Keith Layden, all Non-Executive Directors continue to fulfil the criteria of independence. As Keith was formerly an Executive Director of the Company, he is not considered independent.

The Committee also considered emergency CEO succession, should the Board need to appoint a temporary CEO due to unforeseen circumstances.

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

Anita Frew
Chairman of the Nomination Committee

Responsibilities

The Committee is responsible for nominating candidates for appointment to the Board for approval by the Board, and for succession planning. It evaluates the balance of skills, knowledge, experience and diversity on the Board.

Key responsibilities

- To regularly review the structure, size and composition, including the skills, knowledge, experience and diversity, of the Board and make recommendations for any changes to the Board
- To give full consideration to succession planning for Directors and other senior Executives, taking into account the challenges and opportunities facing the Company and, consequently, what skills and expertise the Board will need in the 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 the Company 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.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found at www.croda.com

Looking ahead to 2018

In addition to our routine business, during the year the Committee will:

- Oversee the recruitment of a new Non-Executive Director upon Nigel Turner's retirement
- Monitor the outcome and consider the effectiveness of interventions intended to increase diversity, in particular looking at the number of women on the Board and Executive Committee and in senior roles in the Company
- Prepare for Steve Williams' retirement in 2019 as he concludes his nine year Board tenure, focusing on the opportunity to further diversify the Board
- Review and implement the relevant requirements of the Financial Reporting Council's revised UK Corporate Governance Code, which is anticipated following the FRC's announcement of its plans and subsequent public consultation in 2017.

Other Committees

The 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. These Committees and their membership at the date of the Annual Report and Accounts is shown in the table below.

Group Executive Committee

The Committee meets eight times a year and is responsible for: developing and implementing strategy, operational plans, policies, procedures and budgets; monitoring operational and financial performance; assessing and controlling risk and prioritising and allocating resources.

Group Finance Committee

The Committee meets every month 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 to assess emerging risks.

Group SHEQ Steering Committee

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

Group Ethics Committee

This Committee was set up at the start of 2017 and meets quarterly in support of our culture of integrity, honesty and openness, and to promote the importance of ethics and compliance across the Group and amongst our supply chain partners.

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)		Group Executive Committee	Group Finance Committee	Risk Management Committee	Group SHEQ Steering Committee	Group Ethics Committee	Routine Business Committee
Steve Foots	Group Chief Executive	Chairman	Chairman		Member		Chairman
Stuart Arnott	President Global Operations	Member	Member		Chairman	Member	
Sandra Breene	President Personal Care	Member		Member			
Tom Brophy	Group General Counsel and Company Secretary	Member		Member		Chairman	Member
Nick Challoner	President Life Sciences	Member			Member	Member	
Anthony Fitzpatrick	President Corporate Development	Member			Member	Member	
Maarten Heybroek	President Performance Technologies & Industrial Chemicals	Member			Member		
Jez Maiden	Group Finance Director	Member	Member	Chairman			Chairman
Graham Myers	Group Financial Controller	Member	Member	Member			Member

● Chairman ● Member

Remuneration Report

Report of the Remuneration Committee

for the year ended
31 December 2017

"Keeping in mind our One Croda Culture, Executive Directors, Executive Committee members and other senior leaders all share the same performance metrics for annual bonus and Performance Share Plan schemes. We believe that this focuses everyone on working together to provide the best for our customers and in turn for our shareholders."

Steve Williams
Chairman of the Remuneration Committee

Chairman's Letter

On behalf of your Board, and as Chair of the Remuneration Committee, I have pleasure in presenting the Directors' Remuneration Report for the year ended 31 December 2017.

The Committee believes that the properly chosen remuneration policies can and do aid the Group. First they support the successful achievement of our business objectives and second they reward only those actions that result in sustainable growth.

Last year we submitted a new remuneration policy to all our shareholders and it was adopted without amendment. This year, we are making only one change to the operation of that policy. Responding to developing shareholder expectations, we will be aligning the pension provisions for future Executive Directors with those of other employee members of the UK pension scheme.

Also this year we have sought to simplify the presentation of our Remuneration Report. This has been done both to aid understanding and provide greater clarity for our shareholders. I hope you agree that it is an improvement and one that we hope to build upon.

We strongly believe that pay should be aligned to company performance and the delivery of our strategy. During 2017, we made progress against each of the three areas of our strategy; delivering consistent top and bottom line growth, increasing the proportion of protected innovation and accelerating the capture of new sustainable technologies.

Let me now summarise how our policy aligns with our key business objectives and how we have responded to shareholder feedback. I will also provide a summary of the remuneration out-turns for 2017 and look forward to 2018.

Alignment to key strategic objectives

The objectives of the business have remained constant over a number of years – delivering growth, driving innovation and providing sustainable solutions to meet our customers' needs. In addition, we consider our culture to be as important as our strategy, and therefore we believe it is important to keep our cultural values in mind when assessing and operating our remuneration policy.

Delivering growth – is an objective that is aligned with our performance measures and targets. Our annual bonus targets are based on a single operating profit metric with the principal requirement that no bonus can be paid unless and until the previous year's income is exceeded. For our longer term Performance Share Plan (PSP), 40% of the award is based on Earnings Per Share (EPS) growth, and 40% is based on performance against a bespoke Total Shareholder Return group, of our most relevant competitors.

Driving Innovation – is an objective that is directly aligned through the introduction in 2017 of a new and challenging PSP target relating to the introduction of New and Protected Products (NPP) – products upon which our future growth depends. 20% of the total award is based on this metric.

Sustainable solutions are a key component of our growth plans. We are an industry leader in using sustainable materials and processes to deliver value for our customers. We consider progress against our sustainability metrics, specifically safety, health and environment, as a key underpin for both our annual and long term incentive plans.

We look at rewards holistically, which means that the Committee must satisfy itself, each year, that other measures of corporate performance have not been sacrificed to achieve a result against our primary incentive plan performance measures.

Keeping in mind our one Croda culture, Executive Directors, Executive Committee members and other senior leaders all share the same performance metrics for annual bonus and PSP schemes. We believe that this focuses everyone on working together to provide the best for our customers and in turn, for our shareholders.

Responding to shareholder feedback and expectations

At the 2017 Annual General Meeting (AGM) we received support from 86% of our shareholders. Whilst the policy received a strongly positive vote, we recognised that some shareholders withheld their support and a key issue for them was a change we made to pensions in 2016. We continued a dialogue with shareholders following the AGM and have changed our pension policy for new

Executive Directors and indeed new members of the Executive Committee.

In future the implementation of our pension policy for new Executive Directors and Members of the Executive Committee will be wholly consistent with that of our general UK pension scheme members. Thus, going forward for any future new Executive Directors and members of the Executive Committee, the cash supplement element of their pension will be 15% of base salary.

Remuneration outturn for 2017

This year the Group has delivered another strong performance; with sales increasing by 10.4% to £1,373.1m and operating profit by 6.9% to £318.9m, on a constant currency basis. This strong performance has resulted in a bonus payment of 78.39% of the maximum potential for 2017.

The annual bonus is subject to a safety, health and environment underpin and this received explicit consideration by the Committee. I am pleased to confirm that health, safety and environment performance across the Group was good and in line with our internal objectives. Under our new performance framework, the Committee also specifically considered Return on Invested Capital (ROIC), as part of the general financial underpin, before approving bonus payments. Again I am pleased to say that the Company target of maintaining ROIC at two to three times weighted average cost of capital was met in 2017.

With regard to longer term incentives, 2017 was the year in which grants made in 2015 under the PSP reached the conclusion of the three year performance period. As you will read in the following pages, these programmes required TSR and EPS targets to be met in the years from 2015 to 2017 before any vesting could take place. Over the performance period we delivered a three year TSR of 87.5% which placed our performance in the top quartile against our FTSE 350 comparator group, which was the relevant comparator for grants under the old policy. This results in 100% of this part of the award vesting. EPS growth over the performance period was 43%, resulting in 100% of this part of the award vesting. Therefore, overall vesting will be at 100% of the total award.

It is the Committee's view that these awards are consistent with and reflective of the overall success of the business in the last three years.

Salaries for 2018

In 2018 the general increase set for the UK workforce was 3% and this level of increase was also given to the Executive Directors.

Sharing success with our employees

We have a high take up for our Sharesave. Indeed around 83% of our UK workforce participated in this plan and therefore share in rewards enjoyed by all shareholders. For example, an employee saving £250 per month in the 2014 Sharesave plan would have been awarded 510 shares; if they chose to sell those shares today they would make in excess of £13,000 profit based on recent share price.

New remuneration advisers

We began this year with a change of advisers to the Remuneration Committee. I would like to welcome Deloitte to the role and to thank Korn Ferry and Aon New Bridge Street for their support over the last few years.

Looking ahead to 2018

With the exception to the change to the application of our policy described earlier, your Committee does not propose to make any further changes in 2018. Targets have been set in line with 2017, and we are confident that the current policy will serve us well in the coming year. We will of course continue our dialogue with shareholders and are committed to ensuring that our remuneration policies reflect the changing expectations of shareholders, stakeholders and society at large.

Yours sincerely,

Steve Williams
Chairman of the Remuneration Committee

The Remuneration Committee year

February 2017 York, UK	→ Considered feedback from the shareholder consultation exercise → Reviewed the draft Director Remuneration Report → Approved the calculation for 2016 annual bonus award for payment in March 2017 → Approved the vesting outcome for the 2014 Performance Share Plan (PSP) Awards → Approved the granting of PSP Awards for 2017 → Agreed leaving arrangements for the Chief Technology Officer → Reviewed update on ABI headroom limits as they apply to the Business.
April 2017 York, UK	→ Gave authority for UK employees to join the UK Sharesave Scheme and non-UK employees to join the International Scheme → Agreed the tender process to appoint a new Independent Adviser.
October 2017 Snaith, UK	→ Appointed a new Independent Adviser → Considered and reviewed remuneration trends → Agreed a change to future pension contributions for Executive Directors and Executive Committee → Reviewed the updated Committee's Terms of Reference → Agreed dividend enhancement to the Deferred Bonus Share Plan.
December 2017 York, UK	→ Approved salary increases for Executive Directors, Executive Committee and fee increase for the Chairman → Approved the creation of a new Restricted Share scheme to be used below Executive Committee level → Reviewed shareholder consultation feedback → Reviewed proposed targets for 2018 annual bonus and PSP award.

2017 remuneration at a glance

How we performed in 2017

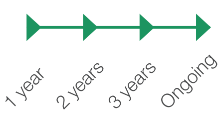
Adjusted Operating Profit	EPS	NPP as a % of Group Sales
+ 11.4% to £332.2m	+ 14.9% to 179.0p	+ 0.2% to 27.6%

How was our policy implemented in 2017?

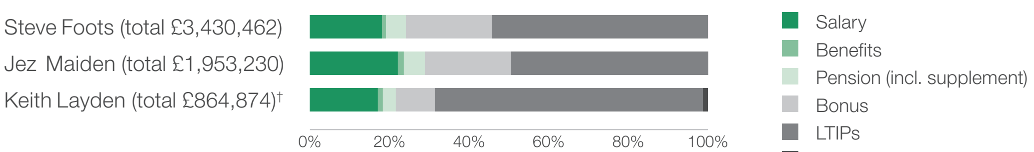
Key component and timeline	Feature	Metrics and results	How we implemented in 2017 Chief Executive Officer	 Group Finance Director	 Chief Technology Officer*
Basic salary and core benefits	Competitive package to attract and retain high calibre Executives	N/A	Pay rise of 1% awarded to Executive Directors. UK workforce was awarded a 2% increase.		
			£624,316	**£430,563**	**£333,349**
Annual bonus	Incentivise delivery of strategic plan, targets set in line with Group KPIs	**Income growth** (see page 66 for definition of income) Threshold: 2016 actual Maximum: 2016 actual plus 10% Actual: 2016 actual plus 7.83% 78.39% of maximum bonus paid	**£734,102**	**£421,898**	**£85,911**
Deferred element of bonus	Compulsory deferral of one third of bonus into shares with three year holding period to align with long term business performance	N/A	**£244,701** deferred (out of £734,102)	**£140,633** deferred (out of £421,898)	**£28,637** deferred (out of £85,911)
PSP	Incentivise execution of the business strategy over long term measuring profit and shareholder value (EPS growth p.a. is calculated on a simple average basis over the three year period).	Vesting of the 2015 PSP award EPS*: Threshold 6% p.a.; Maximum 12% p.a.; Actual over 3 years 43% TSR: Threshold Median; Maximum Upper quartile; Actual over 3 years 87.5% 100% of maximum PSP vesting	**£1,865,602**	**£964,949**	**£581,035**
Shareholding requirements	Share ownership guideline to ensure material personal stake in business	CEO: 200% of salary GFD, CTO: 150% of salary	**>200%** of target	**<150%** of target	**>150%** of target

* Represents annual salary – Professor Layden retired as an Executive Director in April 2017

Time horizon key



Single figure remuneration at a glance



† Includes all earnings in 2017 as an Executive Director and Non-Executive Director

Summary and Feedback Remuneration Policy adopted 2017

An updated Remuneration Policy was presented and approved by shareholders at the 2017 AGM and will operate until the AGM in 2020. Changes to the Policy were minimised and the Committee believes that the changes that were made are right for the business, reflect the values of the organisation and remain reasonable and proportionate.

Objectives of the policy

The Committee spent several months considering the effectiveness of the previous policy and any potential changes for the future. This review was completed with the following five principal objectives in mind:

1. To achieve the closest possible alignment with the Company's strategy
2. To raise the profile of performance and to ensure that it is judged against true business competition
3. To ensure that the policy properly reflects the various concerns of shareholders as to structure and metrics
4. To ensure that year by year target setting sets truly stretching ambitions and that the scale of reward is proportionate
5. The Committee's method of operation will be flexible and dynamic taking account of external changes and business performance

Summary of policy

Salary	Set taking into account an individual's responsibilities, performance and experience, as well as external factors, pay and employment conditions elsewhere in the Group.
Annual Bonus	Maximum annual bonus opportunities: → Group Chief Executive 150% of salary → Group Finance Director 125% of salary Income growth targets, with no bonus payable until the previous year's income is exceeded. General financial and safety, health and environmental underpins apply. One third deferred for three years. Malus and clawback provisions apply.
Performance Share Plan	Maximum performance share plan award: → Group Chief Executive 200% of salary → Group Finance Director 150% of salary Awards based on EPS, Relative TSR and NPP. Subject to satisfactory underlying financial performance of the Group. Three year performance period with an additional two year holding period. Malus and clawback provisions apply.
Pension and benefits	Pension benefits are either a capped career averaged defined benefit pension plan with a cash supplement above the cap, or a cash supplement. Cash allowance of up to 25% of salary, for future appointments this will be reduced to up to 15% of salary. Typical other benefits include company car, private fuel allowance, private health insurance and other insured benefits.
Shareholding guidelines	Shareholding guidelines apply.

Changes to the application of Remuneration Policy effective 2018

In direct response to shareholder concerns, the Committee has agreed that for all future Executive Director or Executive Committee appointments the cash supplement element of their pension will be 15% of base salary in line with the general population.

Consultation with shareholders

Prior to the 2017 AGM and also afterwards the Committee Chairman supported by the Group General Counsel and Group Human Resources Director consulted directly with shareholders about the new Remuneration Policy; in all nearly 20% of the total shareholders were talked to. These discussions were open, frank and often wide ranging. As a direct result of this consultation, changes to the pension policy were approved for new appointments, the Board Chairman, Anita Frew, stood down from the Remuneration Committee, and the Committee is looking at ways to incorporate wider sustainability metrics into the PSP and bonus underpins. Throughout this useful consultation exercise we were asked how the new policy relates to the business strategy, below is a summary of this alignment.

A summary of the policy can be found on pages 76 to 77.

How our Remuneration Policy links to strategy

Delivering both top and bottom line growth is critical to our business success. Therefore we reward increases in profit over prior year within our bonus plan. Longer term growth is measured and rewarded through the EPS and TSR metrics within the PSP; the general financial underpin ensures that the Remuneration Committee can use its discretion to reduce payments if profit growth has been achieved at the expense of other financial measures.

Driving innovation is the key differentiator between ourselves and our peers, making us the preferred supplier for our customers. We reward success in this area directly through the New and Protected Products (NPP) metric in the PSP but we also recognise that sustained EPS growth can only come about through relentless innovation and the creation of new ingredients for our customers.

We are industry leaders in providing sustainable solutions for our customers and innovation in sustainable products is central to our long term growth. Many of our customers are well known brands that have a direct connection to consumers who expect branded products to be made using sustainable ingredients. Our customers rely on the integrity of our ingredients to retain their market position. Therefore the EPS and NPP metric within the PSP, by measuring long term growth and innovation, drives our sustainability agenda. A very direct connection to sustainability is also rewarded within the annual bonus plan through the provision of a safety, health and environment underpin.

We are proud of our culture at Croda and believe sustaining this culture is key to our ongoing success. One of the principal pillars of our culture is 'One Croda' coupled with a strong sense of fairness and transparency, therefore we have the same simple bonus metric for the top 400 employees within Croda; profit has to increase over prior year for any bonus to be paid. Another prime element of our culture, as well as our strategy, is creativity and innovation which as discussed is supported by our PSP metric related to NPP.

How our Remuneration practices support our strategy

		Delivering growth	Driving innovation	Sustainable solutions	One Croda culture	Long term shareholder return
Bonus	Profit	✓	✓		✓	
Long term incentive plan	EPS	✓	✓	✓	✓	✓
	TSR	✓	✓		✓	✓
	NPP	✓	✓	✓	✓	✓
Underpins	Safety, health and environment			✓	✓	✓
	General financial	✓			✓	✓
Other features	Holding periods & deferrals					✓
	Shareholding requirements					✓

Report of the Remuneration Committee

for the year ended
31 December 2017

In this section

Directors' Remuneration for the year ending 2018

Key component	Implementation in 2018
Basic salary	→ Executive Directors' base salaries were reviewed during the final quarter of the financial year ending 31 December 2017. Salaries for 2018 are as follows:

	Salary at Jan 2018	Salary at Jan 2017	Increase
Steve Foots	£643,045	£624,316	3%
Jez Maiden	£443,480	£430,563	3%

→ UK based employees will be awarded an increase of 3% in 2018.

Commentary

→ 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.

Other benefits

→ Other benefits such as company cars or car allowances, fuel allowance and health benefits are made available to Executive Directors.

Performance related annual bonus

→ In 2018, award levels will be as follows:

Steve Foots	Jez Maiden
150% of salary	**125%** of salary

→ The targets for 2018 are set out below:

Level of award	Income*	% of bonus payable
Threshold	At least equivalent to 2017 actual	0%
Maximum	2017 actual plus 10%	100%

* 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 IFRS2 share based payments) less a notional interest charge on working capital employed during the year. Income is measured after providing for the cost of bonuses on a constant currency basis.

→ When determining bonus outcomes the Committee will take health, safety and environmental performance into consideration and may reduce the bonus awards if it considers it appropriate.
→ One third of any bonus paid will be deferred into shares for a three year period.
→ Malus and clawback provisions apply.
→ Full retrospective disclosure will be made.

Commentary

→ No change to maximum awards or performance measures from last year.
→ 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 Committee considers the targets set for 2018 to be at least as demanding as in previous years and were set after taking due account of the Company's commercial circumstances and inflationary expectations.

Key component	Implementation in 2018
Performance Share Plan	→ In 2018, award levels will be as follows:

Steve Foots	Jez Maiden
200% of salary	**150%** of salary

→ The targets for the 2018 award are set out below:

Performance measures (weighting)	Threshold vesting	Maximum vesting
Relative TSR[1] (40%)	Median	Upper quartile
EPS growth[2] (40%)	5% p.a.	11% p.a.
NPP (20%)	Target vesting for NPP sales growth to be at least twice non-NPP sales, subject to a minimum average of 5% growth per year and overall positive Group profit growth	

1 TSR peer group constituents: AkzoNobel, Albemarle, Arkema, Ashland, BASF, Clariant, Koninklijke DSM, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex.

2 EPS growth p.a. is calculated on a simple average basis over the three year period and therefore growth of 33% or more over three years is required for maximum vesting.

Commentary

→ No change to maximum awards or performance measures from last year.

→ Awards are also subject to a general finance underpin, the Committee may consider such things as management of ROIC and cash.

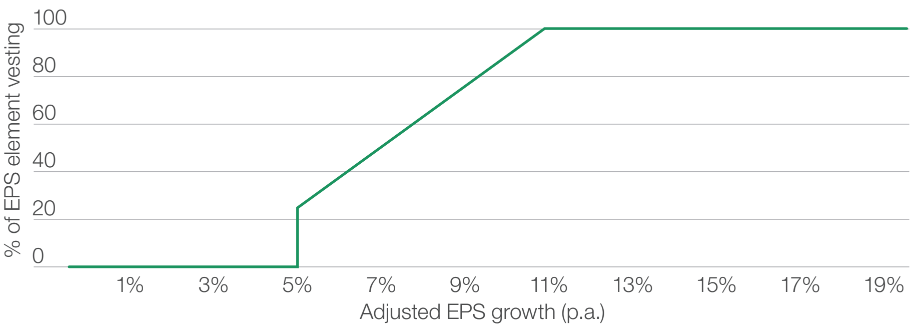
→ An additional two-year holding period will apply for any shares vesting.

→ Malus and clawback provisions apply.

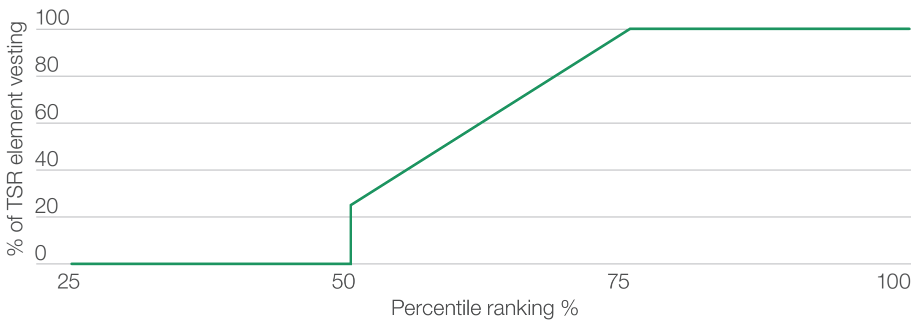
→ Performance period 01.01.18 to 31.12.20.

Full retrospective disclosure of the targets and actual performance will be provided in next year's Annual Report on Remuneration.

EPS vesting schedule



TSR vesting schedule



Directors' Report

Directors' Remuneration for the year ending 2017

Elements of remuneration

Executive Directors' Remuneration

Executive Director		Salaries and fees[1] £	Benefits[2] £	Pension[3] supplement £	Pension[4] £	Annual bonus £	Long term Incentives[5A-B] £	Other[6] £	Total £
Steve Foots	**2017**	**624,316**	**31,650**	**146,704**	**28,088**	**734,102**	**1,865,602**	**–**	**3,430,462**
	2016	618,135	30,302	132,276	35,884	772,669	812,204	2,971	2,404,441
Jez Maiden	**2017**	**430,563**	**28,179**	**107,641**	**–**	**421,898**	**964,949**	**–**	**1,953,230**
	2016	426,300	27,377	101,246	–	426,300	–	3,843	985,066
Keith Layden[7]	**2017**	**111,116**	**7,630**	**27,779**	**–**	**85,911**	**581,035**	**11,710**	**825,181**
	2016	330,049	20,061	78,387	–	330,049	296,813	1,581	1,056,940
Total 2017		**1,165,995**	**67,459**	**282,124**	**28,088**	**1,241,911**	**3,411,586**	**11,710**	**6,208,873**
Total 2016		1,374,484	77,740	311,909	35,884	1,529,018	1,109,017	8,395	4,446,447

1 Steve Foots' salary before salary sacrifice pension contributions of £3,000
2 Benefits include benefit-in-kind for company car or cash allowance, benefit-in-kind for private medical insurance and private fuel allowance
3 Represents the 20% cash supplement paid to Jez Maiden and Keith Layden and the 20% supplement paid to Steve Foots in relation to benefits provided above the salary pension cap from 1 January to 31 March 2016. The cash supplements increased to 25% with the introduction of the CARE scheme on 1 April 2016
4 For defined benefit 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
5A The PSP awards granted in March 2015 reached the end of their performance period on 31 December 2017. The awards will vest at 100% (see below). The values included in the table above are based on the three month average price to 31 December 2017 of 41.482. These values will be updated in next year's Annual Report based on the share price at vesting which will take place on 5 March 2018.
5B The 2016 PSP award has been updated to reflect the actual share price at vesting of 3923p
6 Holiday pay and fractional payment relating to SIP
7 Keith Layden retired as an Executive Director on 30 April 2017. Details on the treatment of his outstanding share awards is set out on page 70. Following his retirement as an Executive Director he was appointed as a Non-Executive Director, remuneration in respect of these services is included in the table on page 72.

Annual bonus

The 2017 bonuses for Executive Directors were calculated by reference to the amount by which the income for the year exceeded the income for 2016 (the 'base income'). Bonuses for 2017 are payable against a graduated scale once the 2017 income exceeds the base income with bonus targets set, and performance measured, based on constant currency actual exchange rates.

	Threshold target	Maximum target	Actual	Bonus outcome (% of maximum)
Income	£319m (last year's income)	£350.9m (10% above the threshold target)	£343.9m	78.39%

The Remuneration Committee has discretion to reduce (including to zero) the amount of any payment under the scheme if it considers the safety, health or environment (SHE) performance is in serious non-compliance with the Croda SHE policy statement, document of minimum standards. In addition the Committee can also reduce any payment (including to zero) if it considers the underlying business performance of the Company is not sufficient to support the payment of any bonus.

PSP

PSP awards vesting in March 2018

The PSP awards granted in March 2015 reached the end of their three-year performance period on 31 December 2017.

Measure	Weighting	Threshold	Maximum	Actual Performance	Out-turn (% of max element)
Relative TSR versus FTSE 350 constituents	50%	Median (50th percentile)	Upper quartile (75th percentile)	87.5% percentile%	100%
Adjusted annual average EPS growth over 3 years*	50%	6% pa	12% pa	43%	100%

* EPS growth p.a. is calculated on a simple average basis over the three year period; and therefore growth of 36% or more over three years is required for maximum vesting.

As well as considering the EPS and TSR targets under the rules of the PSP, the Remuneration Committee are obliged to consider the underlying performance of the Company over the performance period.

The forecast vesting value of the awards made in March 2015, subject to the above performance targets, is included in the 2017 single figure table above.

Gains made on exercise of share options and PSPs

The gains are calculated according to the market price of Croda International Plc ordinary shares of 10.35143p 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	12 May 2017	20,701	PSP	0	3923.5p	£812,203.74
Keith Layden	12 May 2017	7,565	PSP	0	3923.5p	£296,812.78

PSP awards granted in 2017

Directors were eligible to receive PSP awards up to a value of 200% of salary at grant. The PSP awards granted on 9 March 2017 were as follows:

Executive Director	Number of PSP shares awarded	Basis of award granted (% of salary)	Face/maximum value of awards at grant date[1]	% of award vesting at threshold (maximum)	Performance period
Steve Foots	34,880	200%	1,248,599	25% (100%)	01.01.17 – 31.12.19
Jez Maiden	18,041	150%	645,814	25% (100%)	01.01.17 – 31.12.19

1 Face value/maximum value of award is calculated based on a share price of £35.797, being the average mid-market share price of the three dealing days prior to the date of grant

The 2017 PSP awards, are subject to a performance condition which is split into three parts; 40% EPS, 40% TSR and 20% NPP. Vesting will take place on a sliding scale.

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.

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 124.

Executive Director	SIP shares held 01.01.17	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.17*	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.17
Steve Foots	5,623	47	47	5,717	112	5,239
Jez Maiden[1]	100	48	48	199	–	–
Keith Laydon	5,623	17	17	–	5,657	–

1 Jez Maiden also had three additional shares acquired through the Dividend Reinvestment 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 01.01.17 (shares)	Granted in year	Exercised in year	Number at 31.12.17 (shares)
Steve Foots								
18 September 2014	1 November 2017	30 April 2018	£2,247.06	1763p	102	–		102
17 September 2015	1 November 2018	30 April 2019	£4,490.29	2232p	161	–		161
16 September 2016	1 November 2019	30 April 2020	£6,728.94	2639p	204	–		204
13 September 2017	1 November 2020	30 April 2021	£6,725.10	3092p	–	174		174
					467	**174**	**–**	**641**
Jez Maiden								
17 September 2015	1 November 2018	30 April 2019	£11,239.67	2232p	403	–		403
16 September 2016	1 November 2019	30 April 2020	£11,247.89	2639p	341	–		341
					744	**–**	**–**	**744**

During 2017, the highest mid-market price of the Company's shares was 4413p and the lowest was 3214.5p. The year end closing price was 4424p. The year end mid-market price was 4413.5p.

* Face value is calculated using the market value on the day before the date of grant, multiplied by the number of shares awarded

Pension

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 2017 £000	Single remuneration figure 2017 £000	Single remuneration figure 2016 £000	Single remuneration figure excluding supplement £000
Steve Foots	14 September 2033	119	175	168	28
Jez Maiden	N/A	0	108	101	0
Keith Layden	18 October 2020	69[1]	28	78	0

1 Keith Layden started to draw his pension on 19 October 2014.

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 2017, Steve Foots was paid £146,704 (2016: £132,275), Keith Layden was paid £27,779 (2016: £67,386) and Jez Maiden was paid £107,641 (2016: £101,246) in addition to their basic salary to enable them to make independent provision for their retirement.

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.

Following a review of pension provision in the UK conducted in 2014, a Career Average Revalued Earnings scheme was introduced with a cap applied to pension benefits. The plan was rolled out in 2016 and at this time, the cap was set at £65,000; and is increased each year in line with inflation and from April 2018 will be £67,620.

Employees who earn in excess of the pension cap receive a pension supplement. For current Executive Directors this supplement is up to 25% of salary; however from 2018, any new appointments to the role of Executive Director or to the Executive Committee will receive a supplement of up to 15% in line with the general population.

Where employees elect not to join the pension plan, cash is paid in lieu of a Company pension contribution. Again, for current Executive Directors this is set at 25% of salary; however from 2018, any new appointments to the role of Executive Director or to the Executive Committee will receive a supplement of 15% in line with the general population.

Steve Foots' pension provision

Steve Foots accrues pension benefits under the Croda Pension Scheme (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, and due to annual allowance regulations and changes to the pension scheme, reduced to £37,500 in April 2016 (reduced from the scheme cap of £65,650 due to annual allowance regulations). 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.

Steve Foots is entitled to death-in-service benefits from the CPS. He also receives a pension supplement at 25% of salary above his personal pension benefit cap.

Jez Maiden's pension provision

Jez Maiden has elected not to join the CPS and is therefore paid a pension supplement of 25% of salary. He has an agreement with the Company to provide him with death-in-service benefits outside of the CPS.

Keith Layden's pension provision

As previously detailed, Keith Layden started to draw his pension under the CPS on 19 October 2014. He can draw this deferred pension, with Company consent, while continuing in employment. His pension will increase in line with retail price index (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 was paid a pension supplement of 25% of salary up until his retirement as an Executive Director in April 2017.

Keith Layden retirement

As announced on 28 February 2017, Keith Layden retired from his role as Chief Technology Officer and Executive Director on 30 April 2017. Keith continued to receive base salary and contractual benefits up to his retirement date at which time these payments and benefits ceased. In line with the provisions in the relevant plan rules, as a retiree, he was considered to be a good leaver. As a result, he was eligible to receive a pro-rata annual bonus payment for the period of his employment in 2017 (based on the number of complete calendar months worked in the relevant year). The payment will be made at the normal time calculated based on the performance targets tested over the complete financial year. One-third of the bonus earned will be deferred for three years. With regard to his outstanding shares awards, as a good leaver, these will remain eligible to vest in line with the relevant plan rules. Vesting in connection with Performance Share Plan awards will be subject to a pro-rata reduction to reflect the proportion of the relevant performance periods for which he was employed and with performance targets tested at the normal time. The holding period applying to vested share awards will continue to apply. No PSP awards were made in 2017. No further payments will be made in connection with his retirement.

Payments for cessation of office

There were no payments for loss of office during the year under review.

Payments to past directors

Mike Humphrey, former CEO, was paid £60,000 in 2017 in respect of consultancy services to the business.

Share interests

The interests of the Directors who held office at 31 December 2017 are set out in the table below:

	Legally owned[1]					SIP			
	31.12.16	31.12.17	PSP (unvested)	DBSP (unvested)	Sharesave (unvested)	Restricted	Unrestricted	Total 31.12.17	% of salary held under shareholding guideline
Executive Director									
Steve Foots	124,225	135,177	121,138	14,077	641	478	5,239	**276,750**	>200% target
Jez Maiden	3,475	3,475	44,616	7,763	744	199	–	**56,797**	<150% target
Non-Executive Director									
Alan Ferguson	2,414	2,414	–	–	–	–	–	**2,414**	–
Anita Frew	9,655	9,655	–	–	–	–	–	**9,655**	–
Helena Ganczakowski	362	370	–	–	–	–	–	**370**	–
Keith Layden	68,141	72,143	34,542	6,011	–	–	–	**112,696**	–
Nigel Turner	14,482	14,482	–	–	–	–	–	**14,482**	–
Steve Williams	11,566	11,824	–	–	–	–	–	**11,824**	–

1 Including connected persons

There have been no changes in the interests of any Directors between 31 December 2017 and the date of this report, except for the purchase of 7 partnership shares and 7 matching shares by Steve Foots and Jez Maiden during January and February 2018.

Ten year remuneration figures for Group Chief Executive

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

	2009*	2010*	2011*	2012^	2013^	2014^	2015^	2016^	2017^
Total remuneration (£)	1,943,740	3,224,875	4,142,608	1,364,048	1,427,156	769,414	1,374,046	2,404,441	3,430,462
Annual bonus (%)	100%	100%	100%	28%	0%	0%	76.38%	100%	78.36%
Long term incentives vesting (%)	100%	100%	100%	100%	81.8%	0%	0%	42.95%	100%

* Relate to Mike Humphrey
^ Relate to Steve Foots

Chairman and other Non-Executive Directors' remuneration

The fees paid to the Non-Executive Directors (including for chairmanship of Committees) and to the Senior Independent Director were reviewed in December 2017 and increased by 3% which was in line with the UK employee population. These changes will take effect from 1 January 2018. The revised fee structure for the Chairman and other Non-Executive Directors for 2018 is detailed below.

Non-Executive Director	Position	2017 Fee	2018 Fee
Anita Frew	Chairman	£238,000	£245,140
Alan Ferguson*	Audit Committee Chairman	£65,000	£66,950
Helena Ganczakowski	Non-Executive Director	£55,000	£56,650
Keith Layden	Non-Executive Director	£55,000	£56,650
Nigel Turner*	Senior Independent Director	£65,000	£66,950
Steve Williams*	Remuneration Committee Chairman	£65,000	£66,950

* Committee Chairman and the Senior Independent Director receive a supplementary fee of £10,000 in respect of their additional duties.

Non-Executive Directors' remuneration

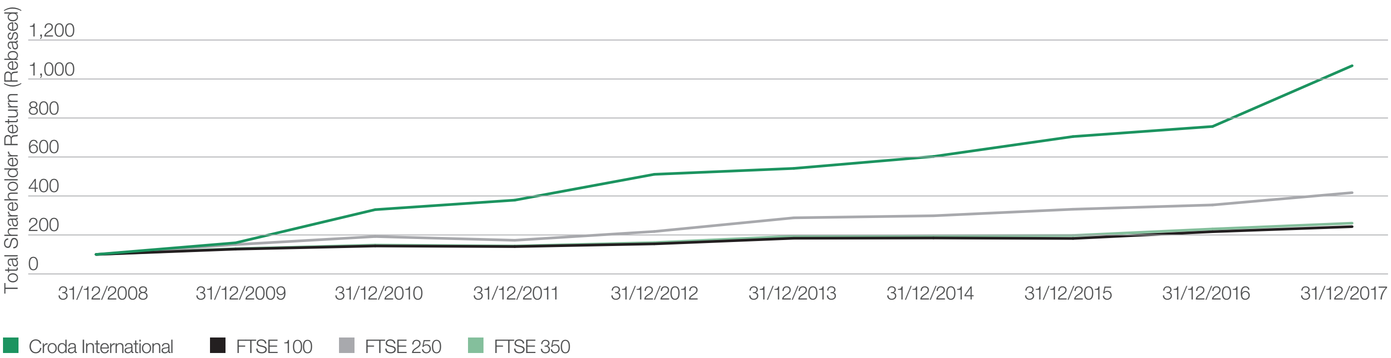
The remuneration of Non-Executive Directors for the year ended 31 December 2017 payable by Group companies was as follows:

Non-Executive Director		Salaries and fees £	Benefits[1] £	Total £
Anita Frew	**2017**	**236,917**	**7,295**	**244,212**
	2016	225,000	8,727	233,727
Nigel Turner	**2017**	**64,917**	**4,947**	**69,864**
	2016	63,583	2,651	66,234
Steve Williams	**2017**	**64,917**	**4,043**	**68,960**
	2016	63,833	3,263	67,096
Alan Ferguson	**2017**	**64,917**	**3,215**	**68,132**
	2016	63,833	2,077	65,910
Helena Ganczakowski	**2017**	**54,917**	**6,230**	**61,147**
	2016	53,833	4,370	58,203
Keith Layden	**2017**	**36,667**	**3,026**	**39,693**
	2016	–	–	–
Total 2017		**523,252**	**28,756**	**552,008**
Total 2016		470,082	21,088	491,170

1 The benefits relate to Directors undertaking business travel on behalf of Croda and ensuring the Directors are not out of pocket for related tax.

Performance graph

Total shareholder return



Source: Thomson Reuters Datastream

Service contracts and outside interests

The Executive Directors have service contracts as follows:

Executive Director	Contract date	Termination provision
Steve Foots	16 September 2010	by the Company 12 months by the Director 6 months
Jez Maiden	9 October 2014	by the Company 12 months by the Director 6 months

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. Jez Maiden was appointed as a Non-Executive Director of PZ Cussons on 16 October 2016 and received a fee of £65,382 for 2017.

Non-Executive Directors

The effective dates of the letters of appointment for the Chairman and each Non-Executive Director who served during 2017, are shown in the table below:

Non-Executive Director	Original appointment date	Expiry date of current term
Anita Frew	5 March 2015	5 March 2021
Alan Ferguson	1 July 2011	30 June 2018
Helena Ganczakowski	1 February 2014	31 January 2020
Nigel Turner	1 June 2009	31 May 2018
Steve Williams	1 July 2010	30 June 2018
Keith Layden	1 May 2017	1 May 2020

Wider employee context of reward

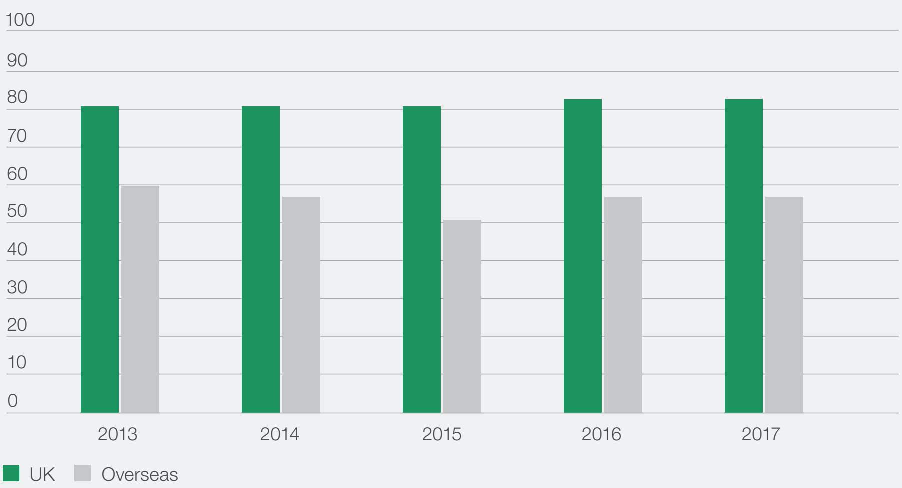
When making decisions about Executive remuneration the Committee considers the pay and reward structures across the business. One of the principles of Croda's culture is to forge 'One Croda'. Therefore many of the Remuneration structures that apply to Executives also apply further in the global organisation:

Employee group	Number of employees	Annual bonus based on operating profit	Pension (UK only)[1]	PSP	SIP	Sharesave[2]
Executive Directors	2	Yes 125% – 150%	Defined benefit plan	Yes 150% – 200%	after 1 yrs service	Yes
Executive Committee	7	Yes	Defined benefit plan	Yes	after 1 yrs service	Yes
Senior Managers	400	Yes	Defined benefit plan	Top 60	after 1 yrs service	Yes
All employees	3,391	No – but local bonus schemes apply in many locations	Defined benefit plan	No	after 1 yrs service	Yes

1 Other pension arrangements, aligned to local practice and legislation apply to many of our global locations.
2 Sharesave or similar schemes are provided where local security law allow

Employee participation in our SIP and Sharesave plans has remained consistently strong and is driven by our culture of employees feeling a strong loyalty to the business.

Employee participation in employee share schemes %



Directors' Report

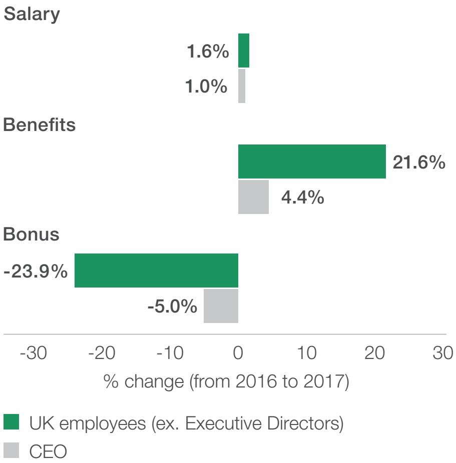
The Committee is also considering the implications of the gender pay gap and CEO pay ratios. The Committee will continue to consider these issues over the coming months and will make specific recommendations as the data becomes clear. One initial recommendation that has been adopted is to sign up for the real Living Wage accreditation from the Living Wage foundation. We are pleased to announce that in February 2018 we gained accreditation as a Living Wage Employer from the Living Wage foundation. From 1 January 2018 all directly employed UK based employees met the minimum real wage requirement outside of London of £8.75 per hour. Only a small group of employees required an increase to meet this standard, and all regular contractors will move to this wage during 2018.

The Company, in line with current market practice, does not actively consult with employees on Executive remuneration, however the Group Human Resources Director updates the Committee periodically on feedback received on remuneration practices across the Group and this again will be a topic of conversation at the Board during 2018.

Percentage change in remuneration levels

The following chart shows the movement in the salary, benefits and annual bonus for the Group Chief Executive between the current and previous financial year compared with 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.

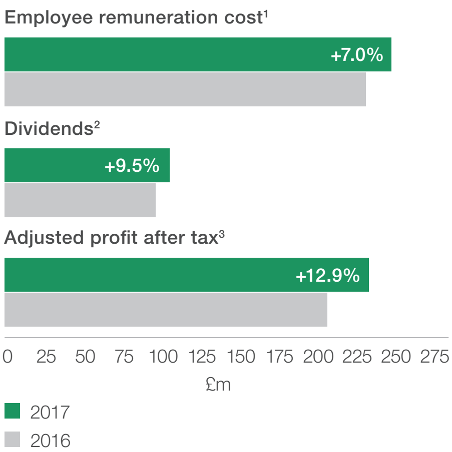
Change in remuneration levels %



Relative importance of the spend on pay

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

Relative importance of the spend on pay %



1 Employee remuneration costs, as stated in the notes to the Group accounts on page 105. 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 are the amounts payable in respect of the relevant financial year

3 Adjusted profit after tax is profit for the relevant year adjusted for exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon

Remuneration Committee and advisers

Members and attendance (eligibility) at meetings held during the year ended 31 December 2017

Steve Williams Chairman	4 (4)
Alan Ferguson Independent Non-Executive	4 (4)
Helena Ganczakowski Independent Non-Executive	4 (4)
Nigel Turner Senior Independent Non-Executive	4 (4)

The Chairman, Anita Frew, stepped down as a member of the Committee in October 2017. Anita Frew attended 2 (2) meetings prior to stepping down from the Committee.

In addition 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 2017, invitees included other Directors and employees of the Group and the Committee's advisers (see below), including Steve Foots (Group Chief Executive), Jez Maiden (Group Finance Director), Keith Layden (Non-Executive Director), Tracy Sheedy (Group HR Director), and Tom Brophy (Group General Counsel and Company Secretary).

Responsibilities

The Committee determines and agrees with the Board the Company's remuneration policy and framework. It determines the remuneration packages for all Executive Directors and the Chairman, and recommends and monitors the level and structure of remuneration for senior managers.

Key responsibilities:

→ To determine the Company's remuneration policy and framework, taking into account factors which it deems necessary, including legal and regulatory requirements

→ To review the ongoing appropriateness and relevance of the remuneration policy

→ To determine the total individual remuneration packages for the Chairman, each Executive Director, the Company Secretary and other members of the Executive management team as are designated by the Board from time to time

→ To ensure that no payment or proposed payment is made that is not consistent with the remuneration policy most recently approved by shareholders

→ To select, appoint and set the terms of reference for any remuneration consultants who advise the Committee

→ To oversee any major changes in employee benefit structures throughout the Group.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found at www.croda.com.

Summary of key decisions for 2017

→ New Remuneration Policy presented and approved by shareholders at the AGM; main change was the increase of bonus quantum for Group CEO and Group Finance Director

→ Vesting of 2014 PSP awards; the EPS target representing 50% of the award was not met, the TSR target vested at 85.9% with the overall award vesting at 42.95%

→ Payment of 2016 annual bonus in March 2017 at 100% of maximum target reflecting a 12.9% increase in operating profit

→ Granting of 2017 PSP Awards based on 40% EPS, 40% TSR and 20% NPP target

→ Establishing annual bonus target for 2017

→ Salary of the CEO and Group Finance Director to be increased by 3% effective 1 January 2018, in line with UK workforce

→ Fee of Chairman also to be increased by 3% effective from 1 January 2018

→ Agreed that Professor Layden would be treated as a good leaver for bonus and PSP purposes upon his retirement but that no loss of office payments would be made

→ Appointment of Deloitte as the new independent advisers to the Committee

External advisers to the Committee

Korn Ferry Hay Group was retained as the appointed adviser to the Committee until October 2017 to provide independent advice on remuneration policy and practice. During the Summer of 2017, the Committee conducted a tendering process inviting a long list of members of the Remuneration Consulting Group (RCG) to participate in the pre-tender process. From this process, four firms were invited to present to a sub-group of the Committee and Deloitte were selected to be the new advisers from October 2017.

Korn Ferry Hay Group did not have any connection with the Group other than in providing advice in relation to Executive remuneration and Non-Executive fees. Deloitte also provided overseas tax and legal advisory services. Both Deloitte and Korn Ferry Hay Group are signatories to the Remuneration Consultants Group Code of Conduct.

The total fees paid to Korn Ferry Hay Group for its services during the year were £74,320 (excluding VAT) and the total fees paid to Deloitte during the year were £13,600 (excluding VAT).

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

Statement of voting

At the 2017 AGM, the Directors Remuneration Policy and Directors Remuneration Report received the following votes from shareholders:

	Remuneration Policy		Annual Report on Remuneration	
	number of votes	% of votes	number of votes	% of votes
Votes cast in favour	77,434,375	86.34	87,511,176	97.36
Votes cast against	12,253,393	13.66	2,369,282	2.64
Total votes cast	89,687,768	100	89,880,458	100
Withheld	320,236		127,546	

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

27 February 2018

Remuneration Policy

An updated Remuneration Policy was presented and approved by shareholders at the 2017 AGM and will operate until the AGM in 2020.

Changes to the application of Remuneration Policy effective 2018

In direct response to shareholder concerns the Committee has agreed that for all new Executive Director or Executive Committee appointments the cash supplement element of their pension will be up to 15% of base salary.

Main components of the 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 → 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 → Rates of pay in international manufacturing and pan-sector companies of a comparable size and complexity.	Salaries may be increased each year in percentage of salary terms. The Committee will be guided by the salary increase budget set in each region and across the workforce generally. Increases beyond those linked to the region of the Executive or the workforce as a whole (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value or complexity of the Group. The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases in subsequent years, in order to bring the salary to the desired positioning, subject to individual performance.
Framework used to assess performance and for the recovery of sums paid The Committee considers individual salaries at the appropriate Committee meeting each year, taking due account of the factors noted in operation of the salary policy.		
Benefits To provide competitive benefits to act as a retention mechanism and reward service.	The Group typically provides the following benefits: → Company car (or cash allowance) → Private fuel allowance → Private health insurance and other insured benefits → Other ancillary benefits, including relocation expenses/arrangements as required. Additional benefits might be provided from time to time (for example 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 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 through the Deferred Bonus Share Plan (DBSP). The Committee has the discretion to permit DBSP awards to benefit from dividends on shares that vest. The balance of the bonus is paid in cash.	Group Chief Executive: 150% of salary Group Finance Director: 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 based on a challenging range of financial targets set in line with the Group's KPIs (for example income growth targets). The Committee has the flexibility to include, for a minority of the bonus, targets related to the Group's other KPIs where this is considered appropriate. For each objective set, bonus starts to accrue once the threshold target is met (0% payable) rising on a graduated scale to 100% for out-performance. The Committee takes 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 provisions that enable the Committee to recover value overpaid through the withholding of variable pay previously earned or granted (malus) or through requesting a payment from an individual (claw back) in the event of a material misstatement of results or serious misconduct. The provisions will operate for a three-year period following the date on which the bonus is paid.

Performance Share Plan (PSP) To incentivise and reward the execution of business strategy over the longer term To reward sustained growth in (i) profit and (ii) shareholder value	The 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 two year post-vesting holding period. The Committee has the discretion when awards are granted, 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), shareholder return (eg relative TSR) and strategic targets (eg NPP). Targets will normally be tested over three years.

In relation to financial targets (eg EPS growth and TSR) 25% of awards subject to such targets will vest for threshold performance with a graduated scale operating through to full vesting for equalling, or exceeding, the maximum performance targets (no awards vest for performance below threshold). In relation to strategic targets, the structure of the target will vary based on the nature of target set (i.e it will not always be practicable to set such targets using a graduated scale and so vesting may take place in full for strategic targets if specific criteria are met in full). Vesting is also dependent on satisfactory underlying financial performance of the Group over the performance period and 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.

All-employee share plans To encourage long term shareholding in the Company To provide 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.

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 UK'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.	Career Average Revalued Earnings Scheme with up to 1/60th accrual up to a capped salary currently set at up to £65,650 plus cash allowance of up to 15% of salary above the cap. The salary cap may be reduced due to annual allowance regulations. or Cash allowance of up to 15% of salary. (A cap of 25% applies to Executive Directors appointed prior to 2018)

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

Other Disclosures

Pages 36 to 81 inclusive, together with the sections of the Annual Report and Accounts 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.

Research and 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 46p per share (2016: 41.25p). If approved by shareholders, total dividends for the year will amount to 81p per share (2016: 74p). Details of dividends are shown in note 8 on page 104; 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% of the total dividend payable on the Company's Ordinary Shares. Further details of the EBTs can be found in note 24 on page 124.

Directors

The Company's Articles of Association (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 36 and 37. In line with the UK Corporate Governance Code, each Director will be standing for re-election at the AGM, with the exception of Nigel Turner, who will retire at the AGM. Details of the Directors' service contracts are given in the Directors' Remuneration Report on page 72.

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

A statement indicating the beneficial and non-beneficial interests of the Directors in the share capital of the Company, including share options, is shown in the Directors' Remuneration Report on page 71.

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

Directors' indemnities

The Company maintains Directors and Officers' liability insurance that 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 that the Directors or Company Secretary may incur to third parties in the course of acting as Directors or the Company Secretary or as 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 2017 and at the date of approval of the Group financial statements.

Share capital

At the date of this Report, 135,124,108 Ordinary Shares of 10.357143p 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 7.5% 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 7.5% Cumulative Preference Shares do 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 do 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 2017 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 of these authorities expire on the date of the 2018 AGM, that is 25 April 2018, 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 2018 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 3,731,314 shares in treasury.

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 that cannot be shown to be justified. Group human resources policies are clearly communicated to all of our employees and are available through the Company intranet.

Recruitment and progression: It is established policy throughout the Business 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.

We give full and fair consideration to applications for employment from people with disabilities, having regard to their particular aptitudes and abilities. Should an employee become disabled during their employment with the Company, they are fully supported by our 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:
The Company recognises that the key to future success lies in the skills and abilities of its dedicated global workforce.

The continuous development of all of our employees is key to meeting the future demands of our customers, especially in relation to enhanced creativity, innovation and customer service. During 2017, 82.7% of our employees received training, totalling over 107,000 hours.

Involvement: We are 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 2017, 83.26% of our UK employees and 56.89% of our non-UK 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 the Company magazine, the Croda Way; quarterly updates; the Company intranet, Connect; team briefing 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. We are 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. More information on the 2017 Global Employee Culture Survey can be found on page 02.

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 that are affected by a change of control and there are no other agreements that the Company is party to that 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 that are essential to the business of the Group.

Political donations

No donations were made for political purposes during the year (2016: £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 115 to 119.

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 98.

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 (p22)
- → An indication of likely future developments in the Group's Business can be found in the Strategic Report, starting on page 02
- → An indication of the Company's overseas branches (pp138 to 140)

There have been no events affecting the Company since the financial year end to report to shareholders in accordance with the Accounts Regulations and Disclosure and Transparency Rules.

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

Section	Topic	Page reference
(1)	Capitalised interest	Page 80
(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) (6)	Waiver of emoluments by a Director	Not applicable
(7) (8)	Allotments of equity securities for cash	Page 79
(9)	Participation in a placing of equity securities	Not applicable
(10)	Contracts of significance	Page 80
(11) (14)	Controlling shareholder disclosures	Not applicable
(12) (13)	Dividend waiver	Page 78

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

PricewaterhouseCoopers LLP will sign the 2017 audit report and will then retire as external auditors. Following a comprehensive tender process, which is fully described on page 55, KPMG, with Chris Hearld as Lead Audit Partner, will be recommended for appointment as the Company's external auditors at the AGM on 25 April 2018.

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.

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, comprising FRS101 'Reduced Disclosure Framework', and applicable law).

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 and Company for that period. In preparing the 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 applicable 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
- → 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 the Company's position and performance, business model and strategy.

Each of the Directors, whose details are set out on pages 36 and 37, confirms that, to the best of his/her knowledge:

- → The Company financial statements, which have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company
- → 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
- → The Directors' Report and Strategic Report include a fair review of the development and performance of the Business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

In the case of each Director in office at the date the Directors' Report is approved:

- → So far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware, and
- → They have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group and 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 Conduct Authority Disclosure and Transparency Rules (DTR 4.1.8R). It was approved by the Board on 27 February 2018 and is signed on its behalf by

Tom

Tom Brophy
Group General Counsel
and Company Secretary

27 February 2018

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

Report on the audit of the Group financial statements

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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the Group balance sheet as at 31 December 2017; the Group income statement and statement of comprehensive income, the Group statement of cash flows, and the Group statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the Group in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

Materiality	→ Overall Group materiality: £15.7 million (2016: £13.8 million), based on 5% of profit before tax.
Audit scope	→ We, as the Group engagement team, audited the two financially significant components – the UK and the US – covering 43% of the Group's external revenues and 46% of the Group's profit before tax. → For the next seven largest components of the Group, which are audited by PwC component auditors (the five largest as full scope audits and the remaining two subject to specified procedures), 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, review and discussion of audit findings, in particular over our areas of focus. → As a result of this scoping we obtained coverage over 75% of the Group's external revenues and 87% of the Group's profit before tax.
Key audit matters	→ Provision for environmental remediation. → Valuation of defined benefit pension scheme liability. → Taxation.

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industries in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We designed audit procedures that focused on the risk of non-compliance related to the Group's financial conduct as well as ongoing legal claims as a consequence of the Group's production of speciality chemicals. Our tests included review of legal correspondence, discussions with the Group's legal counsel and management's experts. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Provision for environmental remediation Refer to page 54 (Audit Committee Report), page 93 (Accounting Policies) and page 119 (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. Environmental standards and legislation are specific to, and often contain unique requirements, in each territory the Group operates in and may be subject to change. As such, understanding the potential environmental risks and the financial implications that the Group is exposed to is often complex. The provision held for environmental liabilities within the balance sheet at 31 December 2017 totalled £10.2 million, which relates to a number of matters. For each matter, the Directors, in conjunction with experts they engaged, assessed the likelihood of the Group being found liable for any remedial work and, where applicable the costs of that 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 the resolution of each matter. The Directors performed a detailed assessment of environmental liabilities to ensure that the level of environmental provision held remains appropriate.	We obtained and read the Directors' assessment of each specific environmental matter that the Directors made us aware of, and assessed the completeness of the list against publicly available information and other information on potential environmental exposure at current and former sites. We performed audit work on each matter as there is a risk that the liability for each matter could be materially misstated. We evaluated the Directors' assumptions, both in terms of the likelihood of the Group being found liable and also of any resulting financial obligation by: → reading publicly available information, correspondence with relevant stakeholders and other information available to the Directors relating to the specific matters identified, and assessing the Directors' assumptions against this information; → reading remediation plans drawn up by the Directors' external experts and considering whether the Directors have properly reflected them in the calculation of the provision; → evaluating the independence, objectivity and 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; → comparing historic provisions with actual remediation costs incurred during the year to assess the Directors' historical forecasting accuracy; → assessing the Directors' 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 Vice President of Sustainability, and obtaining independent confirmations from the Group's external legal advisers on the progress of each claim; and → discussing all matters arising in Europe and the US with local management, and corroborating information received from all parties. We found, based on the results of our testing, that the provision recorded and disclosures made in the financial statements were consistent with the supporting evidence obtained. We consider management's estimates to be a reasonable reflection of the current situation.

Key audit matter	How our audit addressed the key audit matter
Valuation of defined benefit pension scheme liability Refer to page 54 (Audit Committee Report), page 93 (Accounting Policies) and pages 106 to 109 (notes). The Group has a number of defined benefit pension schemes that, together, are in a net deficit position of £30.5 million, which is material both in the context of the overall balance sheet and the results of the Group. 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. Small 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 primarily focused our work on the pension plan surplus/deficit 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 internal actuarial specialists and compared the assumptions around salary increases and mortality to national and industry accepted averages; → we evaluated the competence of the experts that the Directors engaged to calculate the defined benefit pension schemes, by confirming they are qualified and affiliated with the appropriate industry body; → we evaluated the sensitivity of the pension scheme liabilities to differences between our independent judgements and those made by the Directors, both individually and in aggregate; and → we have reviewed the Trust Deed and Rules for the UK scheme to confirm that the Group has the unconditional right to the refund, in line with the requirements of IFRIC 14 and IAS 19R. Based on the evidence obtained, we found that the assumptions used by the Directors in the valuation of the liability were within a range considered to be reasonable using an internally developed range of acceptable assumptions for valuing pension liabilities, based on our view of various economic indicators.
Taxation Refer to page 54 (Audit Committee Report), page 93 (Accounting Policies) and pages 102 and 103 (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. 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 judgemental tax accruals that 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 the Directors' assumptions for determining and calculating the consolidated tax expense, balances and accruals. For all in scope territories we: → obtained the Group's tax computations and tested the deductions and tax rates applied by reference to local tax legislation; → obtained the Group's latest internal transfer pricing studies and associated documentation and used our internal tax specialists to assess its reasonableness; → assessed the amount of the specific tax accruals based on our experience of similar situations both related and unrelated to the Group; → read the latest correspondence between the Group and tax authorities and considered any implications this may have had on the tax position reported in the Group's financial statements; → utilised our experience of similar tax exposures and risks faced by other multinational groups to assess the evidence described above; and → compared the levels of tax expense by territory with the local statutory tax rates and investigated the basis for any differences. The Directors' judgements in respect of the Group's position on uncertain tax items are supportable and reasonable in the context of the information currently available to them and no matters were identified by our work 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 structure of the Group, the accounting processes and controls, and the industry in which it operates.

The Group operates through various components in 37 different countries across five continents.

We, as the Group engagement team, 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 industry in which the Group operates.

We, as the Group engagement team, performed an audit of the complete financial information for the two financially significant components- the UK and the US. For the next five largest components of the Group, PwC component auditors, under our instructions, performed an audit of their complete financial information. PwC component auditors also performed specified procedures at the two next largest components of the Group.

Where the work was performed by PwC component auditors we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. We were involved at all stages of their audits by virtue of numerous communications throughout the process, including the issuance of detailed audit instructions, review and discussion of audit findings, in particular over our areas of focus. We, as the Group engagement team, were also responsible for other head office activities such as the consolidation, financial statement disclosures and share based payments.

The procedures performed over the components (either by the Group team or PwC component audit teams) and specifically by the Group team (for example, on goodwill), accounted for 75% of the Group's external revenues and 87% 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 on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate 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	£15.7 million (2016: £13.8 million).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality hat is less than our overall Group materiality. The range of materiality allocated across components was between £0.7 million and £14.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.8 million (2016: £0.7 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

→ The Directors' confirmation on page 35 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

→ The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

→ The Directors' explanation on page 35 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

→ The statement given by the Directors, on page 81, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group obtained in the course of performing our audit.

→ The section of the Annual Report on pages 51 to 57 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

→ The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 81, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors in 1970 to audit the financial statements for the year ended December 1970 and subsequent financial periods. The period of total uninterrupted engagement is 48 years, covering the years ended December 1970 to December 2017.

Other matter

We have reported separately on the Company financial statements of Croda International Plc for the year ended 31 December 2017 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

27 February 2018

Group Consolidated Statements

Group Income Statement

for the year ended 31 December 2017

	Note	2017 Adjusted £m	2017 Adjustments £m	2017 Reported Total £m	2016 Adjusted £m	2016 Adjustments £m	2016 Reported Total £m
Revenue	1	**1,373.1**	**–**	**1,373.1**	1,243.6	–	1,243.6
Cost of sales		**(855.7)**	**–**	**(855.7)**	(798.5)	–	(798.5)
Gross profit		**517.4**	**–**	**517.4**	445.1	–	445.1
Operating costs	2	**(185.2)**	**(6.2)**	**(191.4)**	(146.9)	(12.6)	(159.5)
Operating profit	3	**332.2**	**(6.2)**	**326.0**	298.2	(12.6)	285.6
Financial costs	4	**(12.5)**	**–**	**(12.5)**	(10.6)	–	(10.6)
Financial income	4	**0.6**	**–**	**0.6**	0.7	–	0.7
Profit before tax		**320.3**	**(6.2)**	**314.1**	288.3	(12.6)	275.7
Tax	5	**(85.9)**	**8.5**	**(77.4)**	(80.7)	2.6	(78.1)
Profit after tax for the year		**234.4**	**2.3**	**236.7**	207.6	(10.0)	197.6
Attributable to:							
Non-controlling interests				**(0.3)**			0.9
Owners of the parent				**237.0**			196.7
				236.7			197.6

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

Earnings per 10.36p ordinary share	Note	Pence (2017)	Pence (2016)
Basic	7	**180.8**	148.2
Diluted	7	**179.0**	146.9

Group Statement of Comprehensive Income

for the year ended 31 December 2017

	Note	2017 £m	2016 £m
Profit for the year		**236.7**	197.6
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-employment benefit obligations	11	**121.9**	(65.5)
Tax on items that will not be reclassified	5	**(23.8)**	10.4
		98.1	(55.1)
Items that may be reclassified subsequently to profit or loss:			
Currency translation		**(22.6)**	79.0
Other comprehensive income for the year		**75.5**	23.9
Total comprehensive income for the year		**312.2**	221.5
Attributable to:			
Non-controlling interests		**(0.6)**	1.7
Owners of the parent		**312.8**	219.8
		312.2	221.5
Arising from:			
Continuing operations		**313.9**	221.5
Discontinued operations		**(1.7)**	–
		312.2	221.5

Group Balance Sheet

at 31 December 2017

	Note	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets	12	**386.3**	355.3
Property, plant and equipment	13	**684.0**	598.1
Investments	15	**2.2**	1.0
Deferred tax assets	6	**33.1**	56.3
Retirement benefit assets	11	**19.1**	–
		1,124.7	1,010.7
Current assets			
Inventories	16	**258.5**	235.7
Trade and other receivables	17	**202.2**	192.4
Cash and cash equivalents	19	**63.3**	61.0
		524.0	489.1
Liabilities			
Current liabilities			
Trade and other payables	18	**(201.4)**	(186.2)
Borrowings and other financial liabilities	19	**(18.4)**	(10.4)
Provisions	20	**(5.2)**	(8.1)
Current tax liabilities		**(45.9)**	(47.0)
		(270.9)	(251.7)
Net current assets		**253.1**	237.4
Non-current liabilities			
Borrowings and other financial liabilities	19	**(426.4)**	(414.7)
Other payables		**(1.1)**	(2.6)
Retirement benefit liabilities	11	**(49.6)**	(146.5)
Provisions	20	**(7.4)**	(9.2)
Deferred tax liabilities	6	**(63.4)**	(66.3)
		(547.9)	(639.3)
Net assets		**829.9**	608.8
Equity			
Ordinary share capital	21	**14.0**	14.0
Preference share capital	23	**1.1**	1.1
Share capital		**15.1**	15.1
Share premium account		**93.3**	93.3
Reserves		**713.9**	492.2
Equity attributable to owners of the parent		**822.3**	600.6
Non-controlling interests in equity	25	**7.6**	8.2
Total equity		**829.9**	608.8

The financial statements on pages 88 to 125 were signed on behalf of the Board who approved the accounts on 27 February 2018.

Anita Frew
Chairman

Jez Maiden
Group Finance Director

Group Statement of Cash Flows

for the year ended 31 December 2017

	Note	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operations	ii	**359.3**	345.1
Interest paid		**(13.9)**	(11.1)
Tax paid		**(82.9)**	(70.2)
Net cash generated from operating activities		**262.5**	263.8
Cash flows from investing activities			
Acquisition of subsidiaries	27	**(29.0)**	(1.4)
Acquisition of associates	15	**(1.4)**	–
Purchase of property, plant and equipment	13	**(155.8)**	(103.8)
Purchase of other intangible assets	12	**(3.5)**	(1.6)
Proceeds from sale of property, plant and equipment		**2.1**	0.9
Proceeds from sale of other investments		**–**	0.1
Cash paid against non-operating provisions	20	**(2.5)**	(2.2)
Interest received		**0.6**	0.7
Net cash used in investing activities		**(189.5)**	(107.3)
Cash flows from financing activities			
New borrowings		**359.3**	699.3
Repayment of borrowings		**(331.8)**	(632.5)
Capital element of finance lease repayments	iii	**(0.8)**	(0.4)
Sale of own shares held in trust	21	**0.7**	1.2
Dividends paid to equity shareholders	8	**(100.0)**	(230.2)
Net cash used in financing activities		**(72.6)**	(162.6)
Net movement in cash and cash equivalents	i,iii	**0.4**	(6.1)
Cash and cash equivalents brought forward		**56.4**	55.8
Exchange differences	iii	**(1.9)**	6.7
Cash and cash equivalents carried forward		**54.9**	56.4
Cash and cash equivalents carried forward comprise:			
Cash at bank and in hand		**63.3**	61.0
Bank overdrafts		**(8.4)**	(4.6)
		54.9	56.4

Group Cash Flow Notes

for the year ended 31 December 2017

(i) Reconciliation to net debt

	Note	2017 £m	2016 £m
Movement in cash and cash equivalents	iii	**0.4**	(6.1)
Movement in debt and lease financing	iii	**(26.7)**	(66.4)
Change in net debt from cash flows		**(26.3)**	(72.5)
New finance lease contracts		**(0.7)**	(0.5)
Exchange differences		**9.6**	(31.8)
		(17.4)	(104.8)
Net debt brought forward		**(364.1)**	(259.3)
Net debt carried forward	iii	**(381.5)**	(364.1)

(ii) Cash generated by operations

	Note	2017 £m	2016 £m
Adjusted operating profit		**332.2**	298.2
Exceptional items	iv	**(1.7)**	(8.4)
Acquisition costs and amortisation of intangible assets arising on acquisition		**(4.5)**	(4.2)
Operating profit		**326.0**	285.6
Adjustments for:			
Depreciation and amortisation		**53.3**	49.2
Loss on disposal of property, plant and equipment		**1.5**	0.9
Net provisions charged (note 20)		**1.3**	4.3
Share-based payments		**9.2**	9.5
Cash paid against operating provisions (note 20)		**(2.2)**	(0.7)
Non-cash pension expense		**3.4**	(10.9)
Share of loss of associate		**0.1**	–
Movement in inventories		**(31.0)**	8.4
Movement in receivables		**(14.4)**	(10.9)
Movement in payables		**12.1**	9.7
Cash generated by continuing operations		**359.3**	345.1

(iii) Analysis of net debt

	2017 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2016 £m
Cash and cash equivalents	**63.3**	4.2	(1.9)	–	61.0
Bank overdrafts	**(8.4)**	(3.8)	–	–	(4.6)
Movement in cash and cash equivalents		0.4	(1.9)		
Borrowings repayable within one year	**(9.6)**	(4.7)	0.5	–	(5.4)
Borrowings repayable after more than one year	**(426.0)**	(22.8)	11.0	–	(414.2)
Finance leases	**(0.8)**	0.8	–	(0.7)	(0.9)
Movement in borrowings and other financial liabilities		(26.7)	11.5		
Total net debt	**(381.5)**	(26.3)	9.6	(0.7)	(364.1)

(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 £4.7m (2016: £2.9m). Details of exceptional items can be found in note 3 on page 101.

Group Statement of Changes in Equity

for the year ended 31 December 2017

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2016		15.1	93.3	(2.0)	494.4	6.5	607.3
Profit for the year		–	–	–	196.7	0.9	197.6
Other comprehensive income/(expense)		–	–	78.2	(55.1)	0.8	23.9
Total comprehensive income for the year		–	–	78.2	141.6	1.7	221.5
Transactions with owners:							
Dividends on equity shares	8	–	–	–	(230.2)	–	(230.2)
Share-based payments		–	–	–	9.0	–	9.0
Sale of own shares held in trust		–	–	–	1.2	–	1.2
Total transactions with owners		–	–	–	(220.0)	–	(220.0)
Total equity at 31 December 2016		15.1	93.3	76.2	416.0	8.2	608.8
At 1 January 2017		15.1	93.3	76.2	416.0	8.2	608.8
Profit for the year		–	–	–	237.0	(0.3)	236.7
Other comprehensive (expense)/income		–	–	(22.3)	98.1	(0.3)	75.5
Total comprehensive (expense)/income for the year		–	–	(22.3)	335.1	(0.6)	312.2
Transactions with owners:							
Dividends on equity shares	8	–	–	–	(100.0)	–	(100.0)
Share-based payments		–	–	–	8.2	–	8.2
Sale of own shares held in trust		–	–	–	0.7	–	0.7
Total transactions with owners		–	–	–	(91.1)	–	(91.1)
Total equity at 31 December 2017		**15.1**	**93.3**	**53.9**	**660.0**	**7.6**	**829.9**

Other reserves include the Capital Redemption Reserve of £0.9m (2016: £0.9m) and the Translation Reserve of £53.0m (2016: £75.3m).

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) 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 31 December 2017. A summary of the more important Group accounting policies is set out below.

Going concern

The financial statements which appear on pages 88 to 125 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.

Accounting estimates and judgements

The Group's significant 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 provision for potential environmental liabilities. The rationale behind these and other provisions is discussed in note 20, with consideration of contingent liabilities disclosed in note 28. 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 cash flow projections of the relevant CGU, the critical estimates are as follows:

- → Growth in EBITDA (calculated as operating profit before depreciation and amortisation) – estimated at 3% long term, a prudent estimate given the Group's historical growth rates
- → Timing and quantum of capital expenditure – estimated to grow from current levels at the same 3% rate
- → Selection of appropriate discount rates to reflect the risks involved – typically the Group's weighted average cost of capital would be used as a starting point unless the risk profile of a particular acquired business warranted different treatment.

Currently, as recoverable amounts 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, including consideration of the potential impact of transfer pricing. 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

(i) New and amended standards adopted by the Group for the first time for the financial year beginning on 1 January 2017:

There are no IFRSs or IFRIC interpretations that are effective for annual periods beginning after 1 January 2017 that have had a material impact on the Group.

(ii) New standards and interpretations not yet adopted – a number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these consolidated financial statements. Those most relevant to the consolidated financial statements of the Group are set out below:

IFRS 9, 'Financial Instruments' includes requirements for classification and measurement, impairment and hedge accounting.

It replaces the classification and measurement models for financial instruments in IAS 39 with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The standard will become effective for periods ending on or after 1 January 2018, subject to EU endorsement. The Group has assessed the impact of IFRS 9 and concluded that it will not have a material impact, consistent with the non-complex nature of the Group's financial instruments.

IFRS 15, 'Revenue from contracts' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The Group has completed a detailed assessment of IFRS 15 and has concluded that the impact will not be material to the Group's revenue and profit. This reflects the relatively non-complex and largely standardised terms and conditions applicable to the Group's revenue contracts. Accordingly, the Group does not intend to restate prior year comparators when the new standard is adopted.

IFRS 16, 'Leases' will require lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IAS 17, lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after 1 January 2019.

The Group will complete its IFRS 16 implementation work over the next twelve months. The Group does not intend to early adopt IFRS 16, having already undertaken a significant review.

The new standard will result in most of the Group's current operating leases (as defined under IAS 17) being recognised on balance sheet. As at the reporting date, the Group had non-cancellable operating lease commitments of £30.7m (as shown in note 14). However, the Group has not yet fully determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows, although the impact on the latter will not be material based on initial estimates. Some existing operating lease commitments are expected to be covered by the exception for short term and low-value leases.

The Group does not intend to restate prior year comparators when the new standard is adopted, with lease asset values being set equal to lease liabilities at the date of transition in line with the 'simplified approach' under IFRS 16.

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 in the current or future reporting periods and on foreseeable future transactions.

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. It is registered in England and Wales and the address of its registered office can be found on page 142.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Parent Company has control. The Parent controls an entity when it 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 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 historical growth rates.

Other intangible assets arising on acquisition

On acquisition, intangible assets other than goodwill are 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 to the income statement.

Computer software

Acquired computer software licences 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 seven 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 typically be on dispatch or delivery. 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 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.

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 assets and liabilities recognised in the balance sheet in respect of defined benefit pension plans is the net of plan obligations and assets. A scheme surplus is only recognised as an asset in the balance sheet when the Group has the unconditional right to future economic benefits in the form of a refund or a reduction in future contributions. 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 IFRS 2 '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 for non-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 net 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 balance sheet 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 environmental costs of businesses discontinued in prior years. Exceptional items in the prior year relate to reorganisation costs. Details can be found in note 3 on page 101.

Income statement presentation

The acquisition in 2016 of Inventiva and in 2017 of Enza Biotech AB and IonPhasE OY, increased acquisition costs and amortisation of acquired intangible assets. If the right targets can be found, these costs are likely to increase in the future. To avoid distorting the underlying trend in profitability, the Group introduced the definitions 'Adjusted operating profit', 'Adjusted profit before tax' 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. 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 land and buildings, and 3 to 15 years for plant and equipment. All individual assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. By far the bulk of the Group's 'plant and equipment' asset class relates to the value of plant and equipment at the Group's manufacturing facilities. Consequently, the Group does not seek to analyse out of this class other items such as motor vehicles and office equipment.

Impairment of non-financial assets

The Group assesses at each year end whether an asset may be impaired. If any evidence exists of impairment, the estimated recoverable amount is compared to the carrying value of the asset and an impairment loss is recognised where appropriate. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell. In addition to this, goodwill is tested for impairment at least annually. Non-financial assets other than goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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 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
Investment in own shares
(i) Employee share ownership trusts – shares acquired by the trustees of the employee share ownership trust (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.

(ii) 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.

Dividends
Dividends on Ordinary share capital 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 in associates are initially recorded at cost and subsequently adjusted for the Group's share of results. 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

The Group's sales, marketing and research activities are organised into four global market sectors, being Personal Care, Life Sciences, Performance Technologies and Industrial Chemicals. These are the segments for which summary management information is presented to the Group's Executive Committee, which is deemed to be the Group's Chief Operating Decision Maker. A review of each sector can be found within the Strategic Report on pages 14 to 20.

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

	2017 £m	2016 £m Restated
Income statement		
Revenue		
Personal Care	**466.6**	420.6
Life Sciences	**322.6**	292.2
Performance Technologies[2]	**456.9**	405.6
Industrial Chemicals[2]	**127.0**	125.2
Total Group revenue	**1,373.1**	1,243.6
Adjusted operating profit		
Personal Care	**155.5**	143.1
Life Sciences	**97.0**	82.0
Performance Technologies[2]	**75.4**	66.6
Industrial Chemicals[2]	**4.3**	6.5
Total Group operating profit (before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition)	**332.2**	298.2
Exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition[1]	**(6.2)**	(12.6)
Total Group operating profit	**326.0**	285.6

1 Relates to Personal Care £0.6m (2016: £0.8m), Life Sciences £3.2m (2016: £11.3m), Performance Technologies £0.6m (2016: £0.5m), Industrial Chemicals £0.1m (2016: £nil) and operations discontinued in prior years £1.7m (2016: £nil)
2 2016 sector revenue and adjusted operating profit have been increased by a net of £3.1m and £0.4m respectively in Performance Technologies for product portfolio changes, with corresponding reductions in Industrial Chemicals.

	2017 £m	2016 £m Restated
Balance sheet		
Total assets		
Segment total assets:		
Personal Care	**561.4**	527.3
Life Sciences	**358.9**	315.0
Performance Technologies	**444.0**	389.4
Industrial Chemicals	**166.7**	149.8
Total segment assets	**1,531.0**	1,381.5
Tax assets	**33.1**	56.3
Retirement benefit assets	**19.1**	–
Cash and investments	**65.5**	62.0
Total Group assets	**1,648.7**	1,499.8

Capital expenditure and depreciation

	2017 £m		2016 £m	
	Additions to non-current assets	Depreciation and amortisation	Additions to non-current assets	Depreciation and amortisation
Personal Care	**50.5**	**14.0**	31.4	13.0
Life Sciences	**41.6**	**14.8**	21.2	13.6
Performance Technologies	**56.3**	**18.5**	43.8	16.8
Industrial Chemicals	**15.9**	**6.0**	12.0	5.8
Total Group	**164.3**	**53.3**	108.4	49.2

The Group manages its business segments on a global basis. The operations are based in the following geographical areas; Europe, with manufacturing sites in the UK, France, the Netherlands, Italy, Spain and Finland; the Americas, with manufacturing sites in the US, Brazil and Argentina; Asia, with manufacturing sites in Singapore, Japan, India, China and Indonesia; and Australia and South Africa.

The Group's revenue from external customers in the UK is £50.2m (2016: £45.0m), in Germany is £113.6m (2016: £113.6m), in the US is £356.5m (2016: £317.2m) and the total revenue from external customers from other countries is £852.8m (2016: £767.8m).

The total of non-current assets other than financial instruments, retirement benefit assets and deferred tax assets located in the UK is £94.0m (2016: £90.2m), and the total of the non-current assets located in other countries is £658.3m (2016: £557.1m). 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

	2017 £m	2016 £m
Analysis of net operating expenses by function:		
Distribution costs	**74.1**	59.5
Administrative expenses	**117.3**	100.0
	191.4	159.5

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

3. Profit for the year

	2017 £m	2016 £m
The Group profit for the year is stated after charging/(crediting):		
Depreciation and amortisation (note 12 & 13)	**53.3**	49.2
Staff costs (note 9)	**265.8**	245.5
Redundancy costs		
Non-exceptional	**1.6**	1.6
Exceptional	**–**	4.1
Inventories		
Cost recognised as expense in cost of sales	**741.9**	674.8
Provision movement in the year	**(2.4)**	5.1
Research and development	**37.5**	34.6
Hire of plant and machinery and other operating lease rentals	**9.9**	5.9
Net foreign exchange	**1.2**	(3.3)
Bad debt charge (note 17)	**0.8**	1.8

Adjustments (including exceptional items):

Adjustments in the Group income statement of £6.2m (2016: £12.6m) include £1.7m relating to environmental costs of businesses discontinued in prior years (2016: £8.4m of costs associated with the reorganisation of Incotec during the year). Also included are acquisition costs of £0.8m (2016: £1.1m) and amortisation of intangible assets arising on acquisition of £3.7m (2016: £3.1m).

	2017 £m	2016 £m
Services provided by the Group's auditors		
Audit services		
Fees payable to the Group auditors for the audit of Parent Company and consolidated financial statements	**0.1**	0.1
Fees payable to the Group auditors and its associates for the audit of the Company's subsidiaries	**0.9**	0.8
Other audit services		
Tax compliance services	**0.1**	0.3
	1.1	1.2

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4. Net financial costs

	2017 £m	2016 £m
Financial costs		
US$100m 5.94% fixed rate 10 year bond	**4.6**	4.4
2014 Club facility due 2021	**2.9**	3.2
2016 Club facility due 2021	**0.1**	0.2
€30m 1.08% fixed rate 7 year bond	**0.3**	0.1
€70m 1.43% fixed rate 10 year bond	**0.9**	0.4
£30m 2.54% fixed rate 7 year bond	**0.8**	0.4
£70m 2.80% fixed rate 10 year bond	**2.0**	1.0
Net interest on retirement benefit liabilities	**3.6**	2.5
Other bank loans and overdrafts	**2.3**	1.4
Capitalised interest	**(5.0)**	(3.0)
	12.5	10.6
Financial income		
Bank interest receivable and similar income	**(0.6)**	(0.7)
Net financial costs	**11.9**	9.9

5. Tax

	2017 £m	2016 £m
(a) Analysis of tax charge for the year		
UK current corporate tax	**16.4**	17.4
Overseas current corporate taxes	**65.5**	59.3
Current tax	**81.9**	76.7
Deferred tax (note 6)	**(4.5)**	1.4
	77.4	78.1
(b) Tax on items charged/(credited) to equity		
Deferred tax on actuarial movement on retirement benefit liabilities	**23.8**	(10.4)
Deferred tax on share based payments	**(1.7)**	(0.5)
	22.1	(10.9)
(c) Factors affecting the tax charge for the year		
Profit before tax	**314.1**	275.7
Tax at the standard rate of corporation tax in the UK, 19.25% (2016: 20.00%)	**60.5**	55.1
Effect of:		
Deferred tax rate change	**(7.7)**	(0.4)
Prior year overprovisions	**(2.9)**	–
Tax cost of remitting overseas income to the UK	**0.8**	0.3
Expenses and write-offs not deductible for tax purposes	**0.6**	0.5
Net effect of higher overseas tax rates	**26.1**	22.6
	77.4	78.1

Croda's 2017 effective adjusted corporate tax rate of 26.8% is significantly higher than the UK's standard rate of 19.25%. Croda operates in many tax jurisdictions other than the UK, both as a manufacturer and distributor, with the majority of those jurisdictions having rates higher than the UK; considerably so in some cases. It is the exposure to these different tax rates that increases the effective tax rate above the UK standard rate and also makes it difficult to forecast the Group's future tax rate with any certainty given the unpredictable nature of exchange rates, individual economies and tax legislators. Other than the exposure to higher overseas tax rates, there are no significant adjustments between the Group's expected and reported tax charge based on its accounting profit. Given the global nature of the Group, and the number of associated cross-border transactions between connected parties, we are exposed to potential adjustments to the price charged for those transactions by tax authorities. However, we would not expect such adjustments, if any, to have a material impact on the Group's tax charge in future years. Details of the Group's tax strategy can be found on our website at www.croda.com.

The main rate of UK corporation tax reduced from 20% to 19% from 1 April 2017. Further reductions to the UK tax rate have been announced that will reduce the rate to 17% by 1 April 2020, although for 2017 the rate as currently enacted will be 19%. The future changes to rates were substantively enacted on 6 September 2016. Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

On 22 December 2017, The Tax Cuts and Jobs Act was given legislative effect in the US. The principal change for the Group is the reduction in the headline rate of Federal Corporate tax from 35% to 21% with effect from 1 January 2018. The change in Federal rate will contribute to a fall in the Group's future effective rate from where it otherwise would have been. Assuming the Group's current taxable profits by territory remain unchanged, the net benefit of the Act's changes is estimated to be worth approximately 2.5ppts off the Group's effective tax rate. The change in rate also resulted in a reduction in the Group's US net deferred tax liability at 31 December 2017, with the £7.7m benefit treated as exceptional in these financial statements.

6. Deferred tax

	2017 £m	2016 £m
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Retirement benefit liabilities	**12.5**	33.8
Provisions	**20.6**	22.5
	33.1	56.3
Deferred tax liabilities		
Accelerated capital allowances	**45.0**	52.2
Revaluation gains	**1.9**	1.9
Acquired intangibles	**12.4**	9.4
Retirement benefit assets	**3.1**	–
Other	**1.0**	2.8
	63.4	66.3
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax (charged)/credited through the income statement		
Continuing operations before adjustments	**(4.0)**	(2.1)
Adjustments and exceptional items	**8.5**	0.7
Deferred tax (charged)/credited directly to equity (note 5(b))	**(22.1)**	10.9
Acquisitions	**(3.4)**	–
Exchange differences	**0.7**	(2.6)
	(20.3)	6.9
Net balance brought forward	**(10.0)**	(16.9)
Net balance carried forward	**(30.3)**	(10.0)
Deferred tax (charged)/credited through the income statement relates to the following:		
Retirement benefit obligations	**(0.2)**	(3.0)
Accelerated capital allowances	**4.8**	(0.9)
Provisions	**(2.7)**	–
Other	**2.6**	2.5
	4.5	(1.4)

Deferred tax is calculated in full on temporary differences under the balance sheet liability method at rates appropriate to each subsidiary. Deferred tax expected to reverse in the year to 31 December 2018 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 £3.2m (2016: £2.9m) 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, £5.0m are expected to reverse within 12 months of the balance sheet date, due to payments against provisions. No material 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.

7. Earnings per share

	2017 £m	2016 £m
Adjusted profit for the year	**234.4**	207.6
Exceptional items, acquisition costs and amortisation of intangible assets	**(6.2)**	(12.6)
Tax impact of exceptional items, acquisition costs and amortisation of intangible assets	**8.5**	2.6
Non-controlling interests	**0.3**	(0.9)
	237.0	196.7

	Number m	Number m
Weighted average number of 10.36p ordinary shares in issue for basic calculation	**131.1**	132.7
Deemed issue of potentially dilutive shares	**1.3**	1.2
Average number of 10.36p ordinary shares for diluted calculation	**132.4**	133.9

	Pence	Pence
Basic earnings per share	**180.8**	148.2
Adjusted basic earnings per share from continuing operations	**179.0**	155.8
Diluted earnings per share	**179.0**	146.9
Adjusted diluted earnings per share from continuing operations	**177.3**	154.4

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 calculations are included above to give a better indication of the Group's underlying performance.

8. Dividends

	Pence per share	2017 £m	Pence per share	2016 £m
Ordinary				
Interim				
2016 interim, paid October 2016	–	–	32.75	42.9
2017 interim, paid October 2017	**35.00**	**45.8**	–	–
Final				
2015 final, paid June 2016	–	–	38.00	51.5
2015 special, paid June 2016	–	–	100.00	135.7
2016 final, paid June 2017	**41.25**	**54.1**	–	–
	76.25	**99.9**	170.75	230.1
Preference (paid June and December)		**0.1**		0.1
		100.0		230.2

The Directors are recommending a final dividend of 46.0p per share, amounting to a total of £60.4m, in respect of the financial year ended 31 December 2017.

Subject to shareholder approval, the dividend will be paid on 31 May 2018 to shareholders registered on 20 April 2018 and has not been accrued in these financial statements. The total dividend for the year ended 31 December 2017 will be 81.0p per share amounting to a total of £106.2m.

9. Employees

	2017 £m	2016 £m
Group employment costs including Directors		
Wages and salaries	**190.3**	181.7
Share-based payment charges (note 22)	**17.0**	13.0
Social security costs	**35.0**	32.5
Post retirement benefit costs	**23.5**	18.3
Redundancy costs	**1.6**	5.7
	267.4	251.2

	2017 Number	2016 Number
Average employee numbers by function		
Production	**2,659**	2,683
Selling and distribution	**1,032**	1,017
Administration	**579**	589
	4,270	4,289

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 2017, the Group had 4,309 (2016: 4,273) 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 77 forming 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:

	2017 £m	2016 £m
Key management compensation including Directors		
Short term employee benefits	**6.6**	7.1
Post retirement benefit costs	**0.1**	0.1
Share-based payments	**3.4**	2.4
	10.1	9.6

11. Post retirement benefits

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

	2017 £m	2016 £m
Balance sheet:		
Retirement benefit assets	**19.1**	–
Retirement benefit liabilities	**(49.6)**	(146.5)
Net liability in Group balance sheet	**(30.5)**	(146.5)
Net balance sheet liabilities for:		
Defined pension benefits	**(17.1)**	(130.3)
Post-employment medical benefits	**(13.4)**	(16.2)
	(30.5)	(146.5)
Income statement charge included in profit before tax for:		
Defined pension benefits	**22.1**	15.9
Post-employment medical benefits	**1.0**	1.2
	23.1	17.1
Remeasurements included in other comprehensive (income)/expense for:		
Defined pension benefits	**(119.9)**	69.2
Post-employment medical benefits	**(2.0)**	(3.7)
	(121.9)	65.5

Defined benefit pension schemes

The Group operates defined benefit pension schemes in the UK, US and several other territories under broadly similar regulatory frameworks. All of the Group's final salary type pension schemes (which provide benefits to members in the form of a guaranteed level of pension payable for life based on salary in the final years leading up to retirement) are closed to future service accrual with the exception of a small number of 'grandfathered' employees in the US scheme. The UK scheme operated on a final salary basis until 5 April 2016, following which the scheme changed to a Career Average Revalued Earnings (CARE) defined benefit scheme, with annual pensionable earnings capped at a CPI indexed £65,000 and indexation of pensions in payment based on CPI (previously RPI), for service accrued from 6 April 2016. This change is expected to reduce the future comparable cost and risk attached to the UK scheme. Material defined benefit pension schemes in other territories operate on a similar basis to the UK, except in the US, which (other than for 'grandfathered' employees) operates a cash balance pension scheme that provides a guaranteed rate of return on pension contributions until retirement. From 1 January 2018 the US scheme has closed to new joiners who will receive defined contribution benefits. The US plans also do not generally receive inflationary increases once in payment. With the exception of this difference in inflationary risk, the Group's main defined benefit pension schemes continue to face broadly similar risks, as described on page 109.

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 – predominantly lies with the particular scheme's board of trustees with appropriate input from the relevant Group company. The board of trustees must be composed of representatives in accordance with each scheme's regulations and any relevant legislation.

The amounts recognised in the balance sheet in respect of these schemes are as follows:

	2017 £m	2016 £m
Present value of funded obligations		
UK pension scheme	**(991.6)**	(1,036.1)
US pension scheme	**(127.9)**	(135.7)
Netherlands pension scheme	**(176.0)**	(164.1)
Rest of World	**(22.3)**	(19.5)
	(1,317.8)	(1,355.4)
Fair value of schemes' assets		
UK pension scheme	**1,010.1**	956.4
US pension scheme	**128.5**	126.3
Netherlands pension scheme	**151.0**	134.3
Rest of World	**15.2**	12.4
	1,304.8	1,229.4
Net liability in respect of funded schemes	**(13.0)**	(126.0)
Present value of unfunded obligations	**(4.1)**	(4.3)
Liability in Group balance sheet (excluding post-employment medical benefits)	**(17.1)**	(130.3)

	2017 £m	2016 £m
Movement in present value of retirement benefit obligations in the year:		
Opening balance	**1,359.7**	1,032.4
Current service cost	**19.1**	14.1
Interest cost	**34.4**	37.4
Remeasurements		
Change in demographic assumptions	**(5.5)**	(0.7)
Change in financial assumptions	**21.0**	272.5
Experience gains	**(60.3)**	(7.5)
Contributions paid in		
Employee	**2.6**	2.6
Benefits paid	**(41.8)**	(38.6)
Exchange differences on overseas schemes	**(7.3)**	47.5
	1,321.9	1,359.7
Movement in fair value of schemes' assets in the year:		
Opening balance	**1,229.4**	969.6
Interest income	**31.4**	35.6
Remeasurements		
Return on scheme assets, excluding amounts included in financial expenses	**75.1**	195.1
Contributions paid in		
Employee	**2.6**	2.6
Employer	**15.8**	25.1
Benefits paid out including settlements	**(41.8)**	(38.6)
Exchange differences on overseas schemes	**(7.7)**	40.0
	1,304.8	1,229.4

As at the balance sheet date, the present value of retirement benefit obligations was comprised of approximately £370m in respect of active employees, £358m in respect of deferred members and £594m in relation to members in retirement.

Total employer contributions to the schemes in 2018 are expected to be £12.8m.

The significant actuarial assumptions were as follows:

	2017 UK	2017 US	2017 Netherlands	2016 UK	2016 US	2016 Netherlands
Discount rate	**2.4%**	**3.6%**	**1.9%**	2.6%	4.0%	1.9%
Inflation rate – RPI	**3.2%**	**2.5%**	**1.9%**	3.3%	2.5%	1.9%
Inflation rate – CPI	**2.2%**	**n/a**	**n/a**	2.3%	n/a	n/a
Rate of increase in salaries	**4.2%**	**4.0%**	**2.4%**	4.3%	4.0%	2.4%
Rate of increase for pensions in payment	**3.0%**	**n/a**	**1.5%**	3.1%	n/a	1.5%
Duration of liabilities (ie life expectancy) (years)	**19.9**	**11.1**	**22.4**	20.5	11.5	23.9
Remaining working life	**12.7**	**11.1**	**13.0**	15.8	11.1	13.5

11. Post retirement benefits continued

Mortality assumptions are based on country-specific mortality tables and where appropriate allow for future improvements in life expectancy. Where credible data exists, actual plan experience is taken into account. Applying the mortality tables adopted, the expected future average lifetime of members currently at age 65 and members at age 65 in 20 years' time is as follows:

			Current age 65			Age 65 in 20 years
	UK	US	Netherlands	UK	US	Netherlands
Male	**21.5**	**21.1**	**22.1**	22.9	22.6	23.8
Female	**24.0**	**23.0**	**24.8**	25.5	24.4	26.4

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%**	+6.6%	-6.2%
Mortality (assumes a one year increase in life expectancy)	**1 year**	+3.0%	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 19.3 years (2016: 19.9 years).

The assets in the schemes comprised:

	2017 £m	2017 %	2016 £m	2016 %
Quoted				
Equities	**355.1**	**27%**	486.5	40%
Government bonds	**64.5**	**5%**	56.4	5%
Corporate bonds	**128.7**	**10%**	123.8	10%
Other quoted securities	**1.9**	**0%**	4.8	0%
Unquoted				
Cash and cash equivalents	**43.1**	**3%**	66.8	5%
Real estate	**66.8**	**5%**	67.2	5%
Liability driven instruments	**378.3**	**29%**	179.6	15%
Other	**266.4**	**21%**	244.3	20%
	1,304.8	**100%**	1,229.4	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 health care costs of 7.6% a year (2016: 8.0%).

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

	2017 £m	2016 £m
Present value of unfunded obligations		
US scheme	**13.4**	16.2

	2017 £m	2016 £m
Movement in present value of retirement benefit obligations in the year:		
Opening balance	**16.2**	16.0
Current service cost	**0.4**	0.5
Interest cost	**0.6**	0.7
Remeasurements		
Change in demographic assumptions	**–**	(0.2)
Change in financial assumptions	**(1.3)**	(2.0)
Experience gains	**(0.7)**	(1.5)
Benefits paid	**(0.3)**	(0.4)
Exchange differences on overseas schemes	**(1.5)**	3.1
	13.4	16.2

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 pension trustees (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 years. As part of these processes, the Group increased the proportion of assets in its UK liability driven investment portfolio during the year by 18.7% to leave approximately 85% of liabilities hedged against interest rate and inflation movements. 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 2017 consist 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 last completed as at 30 September 2014. The results showed that the actuarial scheme deficit had been eliminated following the last deficit payment of £22m in January 2015. As a result, no deficit funding payments to this scheme were required prior to completion of the next triennial valuation (as at 30 September 2017) which is currently ongoing. The funding review of our US scheme is undertaken annually. As at 1 December 2016 the scheme was 129% funded, with the funding level allowing for contributions to be received during 2017. The Group's Dutch scheme is subject to a more rigorous regulatory environment under the supervision of the Dutch National Bank (DNB). As at 31 December 2017 the scheme was 115% funded on an actuarial basis relative to the DNB's required level of 121% and a minimum funding requirement of 104%.

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	34.8	34.9	117.1	1,135.1	1,321.9
Post-employment medical benefits	0.5	0.5	1.7	10.7	13.4
	35.3	35.4	118.8	1,145.8	1,335.3

Defined contribution schemes

	2017 £m	2016 £m
Contributions paid charged to operating profit	**4.0**	3.7

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12. Intangible assets

	Goodwill £m	Software £m	Other intangibles £m	Total £m
Cost				
At 1 January 2016	293.2	13.7	39.4	346.3
Exchange differences	12.5	2.5	6.8	21.8
Additions	–	1.5	0.1	1.6
Acquisitions	1.4	–	0.4	1.8
Reclassification from plant and equipment	–	0.9	–	0.9
At 31 December 2016	**307.1**	**18.6**	**46.7**	**372.4**
At 1 January 2017	307.1	18.6	46.7	372.4
Exchange differences	1.1	(0.2)	1.7	2.6
Additions	–	3.5	–	3.5
Acquisitions	12.8	–	18.1	30.9
Disposals and write-offs	(0.8)	(1.0)	(0.1)	(1.9)
Reclassification from plant and equipment	–	1.5	–	1.5
At 31 December 2017	**320.2**	**22.4**	**66.4**	**409.0**
Accumulated amortisation and impairment losses				
At 1 January 2016	–	8.4	0.1	8.5
Exchange differences	–	2.5	1.0	3.5
Charge for the year (note 3)	–	2.0	3.1	5.1
At 31 December 2016	–	**12.9**	**4.2**	**17.1**
At 1 January 2017	–	12.9	4.2	17.1
Exchange differences	–	(0.3)	0.2	(0.1)
Charge for the year (note 3)	–	1.7	3.7	5.4
Disposals and write-offs	–	(1.0)	0.1	(0.9)
Reclassification from plant and equipment	–	1.2	–	1.2
At 31 December 2017	**–**	**14.5**	**8.2**	**22.7**
Net carrying amount				
At 31 December 2017	**320.2**	**7.9**	**58.2**	**386.3**
At 31 December 2016	307.1	5.7	42.5	355.3
At 1 January 2016	293.2	5.3	39.3	337.8

Intangible asset amortisation is recorded in operating costs within the income statement on page 88.

Impairment testing for goodwill

The goodwill relates predominantly to the value of commercial and other synergies arising from the combination of acquired businesses, 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:

	2017 £m	2016 £m
Uniqema (Personal Care and Life Sciences)	**192.6**	193.4
Sipo	**21.6**	22.3
Incotec (Life Sciences)	**71.4**	69.0
Other	**34.6**	22.4
	320.2	307.1

As discussed in the accounting policies note on page 95, 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.

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 6.6% pre-tax (2016: 7.3%). For the purposes of the Sipo calculation, the pre-tax rate was increased to 8.4% (2016: 9.0%) because of the higher risk associated with this investment. A long term future growth rate of 3% has been used for all calculations.

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 possible 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.

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2016	151.5	595.7	747.2
Exchange differences	27.5	122.6	150.1
Additions	7.9	98.9	106.8
Acquisitions	–	0.1	0.1
Other disposals and write-offs	(0.8)	(7.1)	(7.9)
Reclassifications	0.6	(1.5)	(0.9)
At 31 December 2016	**186.7**	**808.7**	**995.4**
At 1 January 2017	186.7	808.7	995.4
Exchange differences	(4.6)	(32.1)	(36.7)
Additions	10.1	150.7	160.8
Acquisitions	–	3.0	3.0
Other disposals and write-offs	(5.7)	(9.6)	(15.3)
Reclassifications	0.1	(1.6)	(1.5)
At 31 December 2017	**186.6**	**919.1**	**1,105.7**
Accumulated depreciation and impairment losses			
At 1 January 2016	49.5	237.1	286.6
Exchange differences	12.0	60.8	72.8
Charge for the year (note 3)	5.5	38.6	44.1
Other disposals and write-offs	(0.4)	(5.8)	(6.2)
At 31 December 2016	**66.6**	**330.7**	**397.3**
At 1 January 2017	66.6	330.7	397.3
Exchange differences	(1.3)	(8.5)	(9.8)
Charge for the year (note 3)	5.6	42.3	47.9
Other disposals and write-offs	(3.8)	(8.7)	(12.5)
Reclassifications	–	(1.2)	(1.2)
At 31 December 2017	**67.1**	**354.6**	**421.7**
Net book amount			
At 31 December 2017	**119.5**	**564.5**	**684.0**
At 31 December 2016	120.1	478.0	598.1
At 1 January 2016	102.0	358.6	460.6

The net book amount of assets held by the Group under finance leases for plant and equipment at 31 December 2017 was £1.0m (2016: £1.1m). The leased equipment secures the lease obligations in note 19. No other property, plant or equipment have been pledged as security for liabilities.

14. Future commitments

	2017 £m	2016 £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	**22.7**	43.2
Intangible assets	**0.5**	0.7
Authorised, but not contracted for		
Property, plant and equipment	**83.8**	76.8
Intangible assets	**1.0**	4.0
	108.0	124.7
Operating leases – minimum lease commitments		
At 31 December the Group's future minimum lease commitments were due as follows:		
Within one year	**9.2**	6.3
From one to five years	**14.1**	10.8
After five years	**7.4**	9.2
	30.7	26.3

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

The amounts recognised in the balance sheet are as follows:

	2017 £m	2016 £m
Associate	**1.3**	–
Other investments	**0.9**	1.0
	2.2	1.0

On 18 July 2017, the Group acquired a 24.9% shareholding in Cutitronics Limited. This investment is recognised as an associate on the Group's balance sheet. Cutitronics is a multi-award winning company that has developed digital skin devices which assess skin health and prepare it for the optimum delivery of skin care formulations. This investment will enable us to utilise the very latest digital technology to gain greater insight of Personal Care consumer behaviour and the use of data for future product development.

Other investments of £0.9m (2016: £1.0m) 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.

The amounts recognised in the income statement are as follows:

	2017 £m	2016 £m
Share of loss of associate	**0.1**	–
Other investments	**–**	–
	0.1	–

16. Inventories

	2017 £m	2016 £m
Raw materials	**48.6**	45.9
Work in progress	**36.8**	32.0
Finished goods	**173.1**	157.8
	258.5	235.7

The Group consumed £741.9m (2016: £674.8m) of inventories during the year.

17. Trade and other receivables

	2017 £m	2016 £m
Amounts falling due within one year		
Trade receivables	**175.3**	164.7
Less: provision for impairment of receivables	**(4.8)**	(4.4)
Trade receivables – net	**170.5**	160.3
Other receivables	**26.1**	25.0
Prepayments	**5.6**	7.1
	202.2	192.4

The ageing of the Group's year end overdue receivables against which no provision has been made is as follows:

	2017 £m	2016 £m
Not impaired		
Less than three months	**24.2**	17.6
Three to six months	**–**	0.1
Over six months	**1.5**	0.2
	25.7	17.9

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:

	2017 £m	2016 £m
Sterling	**13.7**	13.3
US Dollar	**59.2**	54.2
Euro	**72.1**	71.0
Other	**57.2**	53.9
	202.2	192.4

Movements on the Group's provision for impairment of trade receivables are as follows:

	2017 £m	2016 £m
At 1 January	**4.4**	2.9
Exchange differences	**(0.1)**	0.4
Charged to income statement	**0.8**	1.8
Net write-off of uncollectible receivables	**(0.3)**	(0.7)
At 31 December	**4.8**	4.4

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

	2017 £m	2016 £m
Trade payables	**69.8**	62.2
Taxation and social security	**7.8**	8.3
Other payables	**44.2**	37.8
Accruals and deferred income	**79.6**	77.9
	201.4	186.2

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 Finance Review on pages 26 to 29.

	2017 £m	2016 £m
Current assets		
Investments	**2.2**	1.0
Trade and other receivables (excluding prepayments)	**196.6**	185.3
	198.8	186.3
Current liabilities		
Trade and other payables (excluding taxation, social security, accruals and deferred income)	**114.0**	100.0
Unsecured bank loans and overdrafts due within one year or on demand	**10.1**	4.7
Other loans	**7.9**	5.3
Obligations under finance leases	**0.4**	0.4
	132.4	110.4
Non-current liabilities		
2014 Club facility due 2021	**144.4**	80.3
2016 Club facility due 2021	**–**	20.0
US$100m 5.94% fixed rate 10 year bond	**73.9**	81.8
€30m 1.08% fixed rate 7 year bond	**26.6**	25.7
€70m 1.43% fixed rate 10 year bond	**62.1**	60.1
£30m 2.54% fixed rate 7 year bond	**30.0**	30.0
£70m 2.80% fixed rate 10 year bond	**70.0**	70.0
Other secured bank loans	**0.7**	–
Other unsecured bank loans	**18.3**	46.3
Obligations under finance leases	**0.4**	0.5
	426.4	414.7

The initial Club facility was put in place in June 2014 and falls due for repayment upon expiry of the agreement in July 2021. During the first half of 2016, a further facility was put in place and also falls due for repayment upon expiry of the agreement in July 2021. Interest is charged on both agreements 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.

In addition to the new Club facility in 2016, the Group also took out four new Sterling and Euro denominated bonds in the US private placement market. The bonds have an average maturity of 7.6 years and carry an average fixed rate of interest of 2.1% at the 31 December 2017.

19. Borrowings, other financial liabilities and other financial assets continued

	2017 £m	2016 £m
Maturity profile of financial liabilities		
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	**10.1**	4.7
Other loans	**7.9**	5.3
Obligations under finance leases	**0.4**	0.4
	18.4	10.4
After more than one year		
Loans repayable		
Within one to two years	**0.1**	0.1
Within two to five years	**237.2**	228.3
Five years and over	**188.7**	185.8
Obligations under finance leases payable between years two and five	**0.4**	0.5
	426.4	414.7
The minimum lease payments under finance leases fall due as follows:		
Within one year	**0.5**	0.5
Within one to five years	**0.4**	0.5
	0.9	1.0
Future finance charges on finance leases	**(0.1)**	(0.1)
Present value of finance lease liabilities	**0.8**	0.9

	2017 £m	2016 £m
Undiscounted maturity analysis of financial liabilities		
Within one year		
Bank loans and overdrafts	**14.0**	5.4
Other loans	**4.8**	5.0
Obligations under finance leases	**0.5**	0.5
	19.3	10.9
After more than one year		
Loans repayable		
Within one to two years	**0.1**	0.1
Within two to five years	**255.6**	249.5
Five years and over	**219.4**	220.5
Obligations under finance leases	**0.4**	0.5
	475.5	470.6

The analysis above includes estimated interest payable to maturity on the underlying loans. For the loans due after more than one year £11.1m (2016: £10.3m) of the interest falls due within one year of the balance sheet date, £11.1m (2016: £10.3m) within one to two years, £16.2m (2016: £20.6m) within two to five years and £10.7m (2016: £14.7m) 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	147.7	100.0	47.7	2.72	7.6
US Dollar	176.8	73.9	102.9	5.94	2.1
Euro	108.0	88.7	19.3	1.33	7.6
Other	12.3	–	12.3	–	–
At 31 December 2017	**444.8**	**262.6**	**182.2**	**3.16**	**6.0**
Sterling	159.6	100.0	59.6	2.72	8.6
US Dollar	141.3	81.8	59.5	5.94	3.1
Euro	117.1	85.8	31.3	1.33	8.6
Other	7.1	–	7.1	–	–
At 31 December 2016	**425.1**	**267.6**	**157.5**	**3.26**	**6.9**

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 2017 £m	Fair value 2017 £m	Book value 2016 £m	Fair value 2016 £m
Cash deposits	**63.3**	**63.3**	61.0	61.0
Other investments	**2.2**	**2.2**	1.0	1.0
2014 Club facility due 2021	**(144.4)**	**(144.4)**	(80.3)	(80.3)
2016 Club facility due 2021	**–**	**–**	(20.0)	(20.0)
US$100m 5.94% fixed rate 10 year bond	**(73.9)**	**(76.4)**	(81.8)	(84.1)
€30m 1.08% fixed rate 7 year bond	**(26.6)**	**(27.0)**	(25.7)	(25.5)
€70m 1.43% fixed rate 10 year bond	**(62.1)**	**(63.1)**	(60.1)	(61.6)
£30m 2.54% fixed rate 7 year bond	**(30.0)**	**(30.5)**	(30.0)	(30.3)
£70m 2.80% fixed rate 10 year bond	**(70.0)**	**(71.4)**	(70.0)	(70.0)
Other bank borrowings	**(29.1)**	**(29.1)**	(51.0)	(51.0)
Other loans	**(7.9)**	**(7.9)**	(5.3)	(5.3)
Obligations under finance leases	**(0.8)**	**(0.8)**	(0.9)	(0.9)

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 2017, the Group had undrawn committed facilities of £390.2m (2016: £410.6m). In addition, the Group had other undrawn facilities of £59.0m (2016: £65.0m) available. Of the Group's total committed facilities of £814.4m, £688.7m expire after 2020.

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 2017, 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 £17.4m (2016: £14.8m) 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 £56.6m (2016: £47.7m) lower/higher.

Interest rate risk

The Group has both interest bearing assets and liabilities. In 2016, the Group had a policy of maintaining no more than 60% of its gross borrowings at fixed interest rates in normal circumstances. During 2016, the Group increased its amount of fixed rate debt following payment of the £136m special dividend and consequent increase in core debt requirements. Bonds were issued in the amounts of £100m and €100m with an average maturity of 9.1 years and interest rate of 2.08%. The Group also retained its US$100m loan note repayable in 2020 carrying a fixed rate of 5.94%. During 2017, the policy formally increased the upper limit for fixed rate debt to 75% of gross borrowings. At 31 December 2017, approximately 59% of Group borrowings were at fixed rates.

As at 31 December 2017, aside from the loan notes referred to above, all Group debt and cash was exposed to repricing within 12 months of the balance sheet date.

At 31 December 2017, the Group's fixed rate debt was at a weighted average rate of 3.16% (2016: 3.26%). 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 (2016: £0.2m) due to increased interest expense on the Group's floating rate borrowings.

Liquidity risk

The Group actively maintains a mixture of long term and short term committed facilities designed to ensure that the Group has sufficient funds available for operations and planned investments. The Group also has a share buyback programme that 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 2 and 3.

Underlying growth coupled to Return on Invested Capital (ROIC) is the key perceived driver of shareholder value within the Group. The Group's ROIC now stands at 19.2% against a post-tax WACC of 4.8%, 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 2017. Further details can be found in the Finance Review on pages 26 to 29. The Group was in compliance with its covenant requirements throughout the year. Additional information on progress against Key Performance Indicators can be found on pages 24 and 25.

20. Provisions

	Environmental £m	Restructuring £m	Other £m	Total £m
At 1 January 2017	12.1	4.5	0.7	17.3
Exchange differences	(1.1)	(0.3)	0.1	(1.3)
Released to the income statement	–	–	(0.4)	(0.4)
Charged to the income statement	1.7	–	–	1.7
Cash paid against provisions and utilised	(2.5)	(2.2)	–	(4.7)
At 31 December 2017	**10.2**	**2.0**	**0.4**	**12.6**

Analysis of total provisions

	2017 £m	2016 £m
Current	**5.2**	8.1
Non-current	**7.4**	9.2
	12.6	17.3

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 groundwater 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 ten years. Provisions for remediation costs are made when there is a present obligation, it is probable that expenditures for remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts and prior experience. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation of environmental damage typically takes a long time to complete due to the substantial amount of planning and regulatory approvals normally required before remediation activities can begin. In addition, increases in or releases of environmental provisions may be necessary whenever new developments occur or additional information becomes available. Consequently, environmental provisions can change significantly. 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.

The restructuring provision primarily relates to the reorganisation of Incotec. Most of this provision is expected to be utilised within one year.

21. Ordinary share capital

Ordinary shares of 10.36p (2016: 10.36p)	2017 £m	2016 £m
Authorised at 1 January and 31 December		
222,788,170 ordinary shares of 10.36p each (2016: 222,788,170 ordinary shares of 10.36p each)	**23.1**	23.1
Allotted, called up and fully paid at 1 January and 31 December		
135,124,108 ordinary shares of 10.36p each (2016: 135,124,108 ordinary shares of 10.36p each)	**14.0**	14.0

At the Annual General Meeting on 27 April 2016, shareholders approved a share consolidation which was completed on 9 May 2016. As a result, shareholders held 28 new ordinary shares of 10.357143 pence each in exchange for every 29 ordinary shares of 10 pence each held immediately prior to the share consolidation, which were cancelled by the Company.

In 2017 options were granted to employees under the Croda International Plc Sharesave Scheme to subscribe for 84,674 ordinary shares at an option price of 3092p per share and under the Croda International Plc International Sharesave Plan to subscribe for 279,032 ordinary shares at an option price of 3092p per share. Conditional awards over 233,280 ordinary shares were granted under the Performance Share Plan during the year. Also granted in the year were 94,908 ordinary shares under the Deferred Bonus Share Plan.

During the year consideration of £0.7m was received on the exercise of options over 73,266 shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 1,122 shares have been transferred from the trusts.

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	2014	5,490	1763p	1 November 2017 to 30 April 2018
	2015	65,957	2232p	1 November 2018 to 30 April 2019
	2016	110,374	2639p	1 November 2019 to 30 April 2020
	2017	83,367	3092p	1 November 2020 to 30 April 2021
Croda International Plc International Sharesave Plan (2009)	2015	146,569	2232p	1 November 2018 to 30 November 2018
	2016	359,417	2639p	1 November 2019 to 30 November 2019
	2017	275,685	3092p	1 November 2020 to 30 November 2020
Croda International Plc Performance Share Plan (2014)	2015	290,726	Nil	4 March 2018
	2016	272,168	Nil	4 March 2019
	2016	5,125	Nil	31 October 2019
	2017	230,806	Nil	9 March 2020
Croda International Plc Deferred Bonus Share Plan	2016	76,792	Nil	4 March 2019
	2016	1,884	Nil	16 March 2019
	2017	96,664	Nil	9 March 2020
Croda International Plc Deferred Bonus Discretionary Arrangement	2016	1,080	Nil	16 March 2019

22. Share-based payments

The impact of share-based payment transactions on the Group's financial position is as follows:

	2017 £m	2016 £m
Analysis of amounts recognised in the income statement:		
Charged in respect of equity settled share-based payment transactions	**6.5**	6.1
Charged in respect of cash settled share-based payment transactions	**10.5**	6.9
	17.0	13.0
Analysis of amounts recognised in the balance sheet:		
Liability in respect of cash settled share-based payment transactions	**11.2**	8.4

The key elements of each scheme along with the assumptions employed to arrive at the charge in the income statement are set out across. Where appropriate the expected volatility has been based on historical 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. 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	**2017**	2016
Share price at grant date	**3777p**	3328p
Exercise price	**3092p**	2639p
Number of employees	**594**	573
Shares under option	**84,674**	117,348
Vesting period	**Three years**	Three years
Expected volatility	**20%**	20%
Option life	**Six months**	Six months
Expected life	**–**	–
Risk free rate	**0.3%**	0.1%
Dividend yield	**2.0%**	2.2%
Possibility of forfeiture	**7.5% p.a.**	7.5% p.a.
Fair value per option at grant date	**765.3p**	682.8p
Option pricing model	**Black Scholes**	Black Scholes

A reconciliation of option movements over the year is as follows:	2017 Number	2017 Weighted average exercise price (p)	2016 Number	2016 Weighted average exercise price (p)
Outstanding at 1 January	**267,091**	**2275**	214,885	2025
Granted	**84,674**	**3092**	117,348	2639
Forfeited	**(12,018)**	**2469**	(7,629)	2058
Exercised	**(73,266)**	**1791**	(57,513)	2116
Outstanding at 31 December	**266,481**	**2659**	267,091	2275
Exercisable at 31 December	**6,510**	**1763**	2,841	2141
For options exercised in year, weighted average share price at date of exercise		**4156**		3394
Weighted average remaining life at 31 December (years)	**2.3**		2.5	

Croda International Plc International Sharesave Plan (2009) ('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	**2017**	2016
Share price at grant date	**3777p**	3328p
Exercise price	**3092p**	2639p
Number of employees	**1,891**	1,891
Shares under option	**279,032**	391,769
Vesting period	**Three years**	Three years
Expected volatility	**20%**	20%
Option life	**One month**	One month
Expected life	**–**	–
Risk free rate	**0.4%**	0.7%
Dividend yield	**1.7%**	2.3%
Possibility of forfeiture	**7.5% p.a.**	7.5% p.a.
Fair value per option at 31 December	**1274.1p**	613.6p
Option pricing model	**Black Scholes**	Black Scholes

22. Share-based payments continued

A reconciliation of option movements over the year is as follows:

	2017 Number	2017 Weighted average exercise price (p)	2016 Number	2016 Weighted average exercise price (p)
Outstanding at 1 January	804,182	2280	621,464	1999
Granted	279,032	3092	391,769	2639
Forfeited	(62,876)	2271	(51,205)	2056
Exercised	(237,922)	1779	(157,846)	2137
Outstanding at 31 December	782,416	2723	804,182	2280
For options exercised in year, weighted average share price at date of exercise		4179		3477
Weighted average remaining life at 31 December (years)	2.1		2.1	

Croda International Plc Performance Share Plan 2014 ('PSP')

The PSP scheme was established in 2014 and replaces the Company's previous Executive long term incentive plans (the Long Term Incentive Plan and the Bonus Co-Investment Plan). The PSP provides for awards of free shares (ie either conditional shares or nil-cost options) normally made annually which vest after three years dependent upon an EPS performance related sliding scale (non-market condition), an NPP growth measure (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 77). 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:

	2017 Market condition	2017 Non-market condition	2016 Market condition	2016 Non-market condition	2016 Market condition	2016 Non-market condition
Grant date	9 March 2017	9 March 2017	31 October 2016	31 October 2016	4 March 2016	4 March 2016
Share price at grant date	3636p	3636p	3498p	3498p	3114p	3114p
Number of employees	94	94	56	56	101	101
Shares under conditional award	93,312	139,968	2,730	2,730	141,300	141,299
Vesting period	Three years	Three years	Three years	Three years	Three years	Three years
Expected volatility	20%	20%	20%	20%	20%	20%
Expected life	–	–	–	–	–	–
Risk free rate	–	–	–	–	–	–
Dividend yield	2.0%	2.0%	2.1%	2.1%	2.3%	2.3%
Possibility of forfeiture	3.45%	3.45%	3.45%	3.45%	3.45%	3.45%
Fair value per option at grant date	1767p	3423p	1732p	3260p	1532p	2902p
Option pricing model	Closed form valuation	Closed form valuation	Closed form valuation	Closed form valuation	Closed form valuation	Closed form valuation

A reconciliation of option movements over the year is as follows:

	2017 Number	2017 Weighted average exercise price (p)	2016 Number	2016 Weighted average exercise price (p)
Outstanding at 1 January	917,914	–	645,556	–
Granted	233,280	–	288,019	–
Forfeited	(235,164)	–	(15,661)	–
Exercised	(117,205)	–	–	–
Outstanding at 31 December	798,825	–	917,914	–
For options exercised in year, weighted average share price at date of exercise		3924		–
Weighted average remaining life at 31 December (years)	1.1		1.2	

Croda International Plc Deferred Bonus Share Plan ('DBSP')

The DBSP scheme was established in 2014. From 2014 one third of any annual bonuses due to certain senior executives are deferred under the DBSP. The size of award is determined by the amount of the total bonus divided by one third and converted into a number of Croda shares using the market value of shares at the time the award is granted. Awards are increased by the number of shares equating to the equivalent value of any dividend paid during the option period. The awards vest on the third anniversary of the date of grant, unless the recipient has been dismissed for cause. There are no performance conditions applied to the award. The DBSP is also discussed in the Directors' Remuneration Report (pages 61 to 77).

	2017		2016
Grant date	**9 March 2017**	16 March 2016	4 March 2016
Share price at grant date	**3636p**	2893.5p	3114p
Number of employees	**109**	8	104
Shares under conditional award	**94,908**	1,824	74,650
Vesting period	**Three years**	Three years	Three years

A reconciliation of option movements over the year is as follows:

	2017 Number	2017 Weighted average exercise price (p)	2016 Number	2016 Weighted average exercise price (p)
Outstanding at 1 January	**74,828**	**–**	–	–
Granted	**94,908**	**–**	76,474	–
Dividend enhancement	**5,604**	**–**	–	–
Forfeited	**–**	**–**	(1,646)	–
Exercised	**–**	**–**	–	–
Outstanding at 31 December	**175,340**	**–**	74,828	–
For options exercised in year, weighted average share price at date of exercise		**–**		–
Weighted average remaining life at 31 December (years)	**1.7**		2.2	

Croda International Plc Deferred Bonus Discretionary Arrangement

In addition to the awards under the DBSP, a no cost option over 1,061 shares was awarded in 2016 to similarly defer bonus entitlement where the DBSP could not be used due to employment having ceased before the grant date. These options will be deemed to be exercised automatically on the date falling three years after the date of grant. As of 31 December 2017, 1.2 years of the vesting period remains outstanding.

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 or prior year and no further options will be granted or remain to be exercised under the Plan.

A reconciliation of option movements over the year is as follows:

	2017 Number	2017 Weighted average exercise price (p)	2016 Number	2016 Weighted average exercise price (p)
Outstanding at 1 January	**–**	**–**	79,421	–
Lapsed	**–**	**–**	(79,421)	–
Outstanding at 31 December	**–**	**–**	–	–
For options exercised in year, weighted average share price at date of exercise		**–**		–
Weighted average remaining life at 31 December (years)	**–**		–	

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 an EPS performance related sliding scale. There were no options granted during the year or prior year and no further options will be granted or remain to be exercised under the Plan.

A reconciliation of option movements over the year is as follows:

	2017 Number	2017 Weighted average exercise price (p)	2016 Number	2016 Weighted average exercise price (p)
Outstanding at 1 January	**–**	**–**	48,070	–
Lapsed	**–**	**–**	(48,070)	–
Outstanding at 31 December	**–**	**–**	–	–
For options exercised in year, weighted average share price at date of exercise		**–**		–
Weighted average remaining life at 31 December (years)	**–**		–	

22. Share-based payments continued

Croda International Share Incentive Plan ('SIP')

The SIP was established in 2003 and has similar objectives to the Sharesave scheme in terms of increasing employee retention and share ownership. Under the SIP scheme, employees enter into an agreement to purchase shares in the Company each month. For each share purchased by an employee, the Company awards a matching share which passes to the employee after three years' service. The matching shares are allocated each month at market value with this fair value charge being recognised in the income statement in full in the year of allocation.

23. Preference share capital

	2017 £m	2016 £m
The authorised, issued and fully paid preference share capital comprises:		
615,562 5.9% preference shares of £1 (2016: 615,562)	**0.6**	0.6
498,434 6.6% preference shares of £1 (2016: 498,434)	**0.5**	0.5
21,900 7.5% preference shares of £1 (2016: 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 a 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 2017 the QUEST had a net amount due from the Company of £6.9m (2016: £5.6m) and held 113,706 (2016: 41,938) shares transferred at a nil cost (2016: nil cost) with a market value of £5.0m (2016: £1.3m). As at 31 December 2017 the CIPEBT was financed by a repayable on demand loan to the Company of £4.5m (2016: £3.9m) and held 43,167 (2016: 144,928) shares transferred at a nil cost (2016: nil cost) with a market value of £1.9m (2016: £4.6m).

As at 31 December 2017 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 2017 and, except for a nominal amount, the right to receive dividends has been waived.

25. Non-controlling interests in equity

	2017 £m	2016 £m
At 1 January	**8.2**	6.5
Exchange differences	**(0.3)**	0.8
Income allocated to non-controlling interests	**(0.3)**	0.9
At 31 December	**7.6**	8.2

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.

27. Business combinations

On 7 July 2017, the Group acquired Enza Biotech AB, a research enterprise established as a spin-out company from Lund University in Sweden. Enza Biotech's patented technology will enable us to create the next generation of renewable surfactants using carbohydrate-based chemistry, and enhance our well-established natural and renewable product portfolio to offer our customers, particularly in Personal Care and Life Sciences markets.

On 8 December 2017, the Group acquired IonPhasE OY, an innovative technology provider of static electricity dissipation solutions for electronic and automotive applications, headquartered in Tampere, Finland. IonPhasE's products are a natural extension to our existing product portfolio and by bringing together the expertise of both research and development teams, a broader and more diverse range will be made available to customers through our Smart Materials marketing and sales force (within our Performance Technologies sector).

The following table summarises the Directors' provisional assessment of the consideration paid in respect of the acquisitions, the fair value of assets acquired and liabilities assumed.

	Enza Biotech £m	IonPhasE £m
Consideration (inclusive of debt and deferred consideration)	**10.7**	**20.9**
Fair value of assets and liabilities acquired		
Intangible assets	5.8	12.3
Property, plant and equipment	–	3.0
Inventories	–	0.8
Trade and other receivables	–	1.1
Trade and other payables	–	(0.8)
Taxation	(1.0)	(2.4)
Total identifiable net assets	**4.8**	**14.0**
Goodwill	**5.9**	**6.9**

Total consideration is inclusive of £2.6m deferred consideration not contingent upon any performance criteria.

The goodwill is attributable to the synergies expected to arise from the combination of the acquired technologies and the Group's global sales and marketing network. It will not be deductible for tax purposes.

Acquisition-related costs of £0.8m have been charged to administration expenses in the consolidated income statement for the year ended 31 December 2017.

During 2017, the Group completed its fair value review of the 2016 acquisition of Inventiva Indústria e Inovação em Produtos Cosméticos Ltda. This review did not identify any changes to the asset base nor goodwill.

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 127 to 137 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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

Report on the audit of the Company financial statements

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 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the Company balance sheet as at 31 December 2017; the Company statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Materiality	→ Overall materiality: £10.2 million (2016: £10.5 million), based on 0.5% of net assets.
Audit scope	→ We performed full scope audit procedures over Croda International Plc (the Parent Company of the Group).
Key audit matters	→ Carrying value of investments.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the Group and its subsidiaries in the period from 1 January 2017 to 31 December 2017.

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We designed audit procedures that focused on the risk of non-compliance related to financial conduct. Our tests included review of legal correspondence and discussion with management's experts. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments Refer to page 99 (Accounting Policies) and page 134 (notes). The investment balance of £492.5 million relates to a number of subsidiary companies and is required to be tested annually for impairment. An impairment charge of £3.8 million has been recognised against these balances in the current financial year. The risk we focused on is that the investment balances may be overstated and that a further impairment charge may be required. The large magnitude of the balance, and the numerous assumptions made, add to the judgemental nature of the balance.	To assess the impairment assessment performed by the Directors' we have performed the following: → we compared the carrying value of the investment to the net assets of the individual subsidiaries; → we evaluated and assessed the reasonableness of the future cash flow forecasts, and the process by which they were prepared, including comparing them to the latest Board approved budgets, and testing the underlying calculations; → tested the Directors' key assumptions for long-term growth rates outside the budget period, by comparing them to, and finding them broadly in line with, forecast inflation rates; → considered the discount rate by testing the inputs into the calculation, including the Group WACC and the risk premium; and → we performed our own sensitivities over the key drivers of the cash flow forecasts, being revenue and margin growth, and the discount rate used. These sensitivities confirm that there would have to be significant changes in the underlying assumptions for the investments to be impaired. Based on the results of our testing, we have not identified any issues in relation to the carrying value of investments.

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 structure of the Company, the accounting processes and controls, and the industry in which it operates.

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 on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate 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 materiality	£10.2 million (2016: £10.5 million).
How we determined it	0.5% of net assets.
Rationale for benchmark applied	We believe that net assets is considered to be appropriate as it is not a profit oriented company. The Company holds the investments in subsidiaries and therefore net assets is deemed a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.8 million (2016: £0.7 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 35 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 35 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 81, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 51 to 57 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

- In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 81, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors in 1970 to audit the financial statements for the year ended December 1970 and subsequent financial periods. The period of total uninterrupted engagement is 48 years, covering the years ended December 1970 to December 2017.

Other matter

We have reported separately on the Group financial statements of Croda International Plc for the year ended 31 December 2017.

Ian Morrison

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

27 February 2018

Company Financial Statements

Company Balance Sheet

at 31 December 2017

	Note	2017 £m	2016 £m
Fixed assets			
Intangible assets	D	–	–
Tangible assets	E	**1.6**	1.4
Investments			
Shares in Group undertakings	F	**492.5**	447.7
Other investments other than loans	G	**0.6**	0.6
Retirement benefit assets	L	**0.9**	–
		495.6	449.7
Current assets			
Debtors	H	**1,853.7**	1,930.8
Deferred tax asset	I	–	0.7
Cash and cash equivalents		**5.1**	6.4
		1,858.8	1,937.9
Current liabilities			
Creditors: Amounts falling due within one year	J	**(57.9)**	(59.3)
Borrowings	K	**(8.3)**	(7.5)
		(66.2)	(66.8)
Net current assets		**1,792.6**	1,871.1
Total assets less current liabilities		**2,288.2**	2,320.8
Non-current liabilities			
Deferred tax liability	I	**(0.2)**	–
Borrowings	K	**(248.2)**	(213.8)
Retirement benefit liabilities	L	–	(4.0)
		(248.4)	(217.8)
Net assets		**2,039.8**	2,103.0
Capital and reserves			
Ordinary share capital		**14.0**	14.0
Preference share capital		**1.1**	1.1
Called up share capital		**15.1**	15.1
Share premium account		**93.3**	93.3
Reserves[1]		**1,931.4**	1,994.6
Total shareholders' funds		**2,039.8**	2,103.0

1 Included within Reserves is profit after tax of £28.2m (2016: £37.2m).

The financial statements on pages 131 to 137 were approved by the Board of Directors on 27 February 2018 and signed on its behalf by

Anita Frew
Chairman

Jez Maiden
Group Finance Director

Company Statement of Changes in Equity

for the year ended 31 December 2017

	Note	Share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m
At 1 January 2016		15.1	93.3	0.9	2.1	2,184.1	2,295.5
Profit for the year attributable to equity shareholders		–	–	–	–	37.2	37.2
Other comprehensive expense		–	–	–	–	(4.5)	(4.5)
Transactions with owners:							
Dividends on equity shares		–	–	–	–	(230.2)	(230.2)
Share-based payments		–	–	–	–	3.8	3.8
Sale of own shares held in trust		–	–	–	–	1.2	1.2
Total transactions with owners		–	–	–	–	(225.2)	(225.2)
Total equity at 31 December 2016		**15.1**	**93.3**	**0.9**	**2.1**	**1,991.6**	**2,103.0**
At 1 January 2017		15.1	93.3	0.9	2.1	1,991.6	2,103.0
Profit for the year attributable to equity shareholders		–	–	–	–	28.2	28.2
Other comprehensive income		–	–	–	–	3.2	3.2
Transactions with owners:							
Dividends on equity shares		–	–	–	–	(100.0)	(100.0)
Share-based payments		–	–	–	–	4.7	4.7
Sale of own shares held in trust		–	–	–	–	0.7	0.7
Total transactions with owners		–	–	–	–	(94.6)	(94.6)
Total equity at 31 December 2017		**15.1**	**93.3**	**0.9**	**2.1**	**1,928.4**	**2,039.8**

Of the retained earnings, £653.0m (2016: £556.3m) are realised and £1,275.4m (2016: £1,435.3m) are unrealised. Details of investments in own shares are disclosed in note 24 of the Group financial statements.

Notes to the Company Financial Statements

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

A. Accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the Company has adopted FRS 101 'Reduced Disclosure Framework' and has ceased to apply all UK Accounting Standards issued prior to FRS 100. Therefore the recognition and measurement requirements of EU-adopted IFRS have been applied, with amendments where necessary in order to comply with the requirements of the Companies Act 2006 ('the Act'). The financial statements have been prepared under the historical cost convention, in compliance with the provisions of the Act and the requirements of the Listing Rules of the Financial Conduct Authority.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under the standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are provided in the Group financial statements of Croda International Plc.

Going concern

The financial statements which appear on pages 131 to 137 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.

Principal accounting policies

The accounting policies which have been applied by the Company when preparing the financial statements are in accordance with FRS 101. FRS 101 is based on the recognition and measurement requirements of EU-adopted IFRS, under which the Group financial statements have been prepared. As a result, the accounting policies of the Company are consistent with those used by the Group as presented on pages 93 to 99, except for those relating to the recognition and measurement of goodwill and the recognition of revenue, which are not directly relevant to the Company financial statements.

The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 118 and 119.

B. Profit and loss account

Of the Group's profit for the year, £28.2m (2016: £37.2m) is included in the profit and loss account of the Company which was approved by the Board on 27 February 2018 but which is not presented as permitted by Section 408 Companies Act 2006.

Included in the Company profit and loss account is a charge of £0.1m (2016: £0.1m) in respect of the Company's audit fee.

C. Employees

	2017 £m	2016 £m
Company employment costs including Directors		
Wages and salaries	**9.6**	9.3
Share-based payment charges (note M)	**5.1**	3.8
Social security costs	**1.2**	1.2
Post retirement costs	**0.5**	0.4
	16.4	14.7

	2017 Number	2016 Number
Average employee numbers by function		
Production	**24**	23
Administration	**34**	32
	58	55

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 2017, the Company had 57 (2016: 54) employees in total.

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 77 which forms part of the Annual Report and Accounts.

D. Intangible assets

	Other Intangibles £m
Cost	
At 1 January 2017	0.8
Additions	–
At 31 December 2017	**0.8**
Accumulated amortisation	
At 1 January 2017	0.8
Charge for year	–
At 31 December 2017	**0.8**
Net carrying amount	
At 31 December 2017	**–**
At 31 December 2016	–

E. Tangible assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2017	1.7	1.8	3.5
Additions	0.3	0.2	0.5
Disposals	–	(0.3)	(0.3)
At 31 December 2017	**2.0**	**1.7**	**3.7**
Accumulated depreciation			
At 1 January 2017	1.2	0.9	2.1
Charge for year	0.1	0.2	0.3
Disposals	–	(0.3)	(0.3)
At 31 December 2017	**1.3**	**0.8**	**2.1**
Net book amount			
At 31 December 2017	**0.7**	**0.9**	**1.6**
At 31 December 2016	0.5	0.9	1.4

F. Shares in Group undertakings

	Shares £m	Loans £m	Total £m
Cost			
At 1 January 2017	326.2	146.8	473.0
Exchange differences	–	3.7	3.7
Additions	15.9	278.0	293.9
Amounts repaid	–	(249.0)	(249.0)
At 31 December 2017	**342.1**	**179.5**	**521.6**
Impairment			
At 1 January 2017	(25.3)	–	(25.3)
Impairment in the year	(2.5)	(1.3)	(3.8)
At 31 December 2017	**(27.8)**	**(1.3)**	**(29.1)**
Net book value			
At 31 December 2017	**314.3**	**178.2**	**492.5**
At 31 December 2016	300.9	146.8	447.7

The undertakings which affect the financial statements are listed on pages 138 to 140.

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

G. Other investments other than loans

	Other investments £m
Cost or valuation of net equity	
At 1 January 2017 and **31 December 2017**	**0.6**

Available for sale financial assets comprise unlisted investments included at Directors' valuation based on appropriate attributable net assets.

H. Debtors

	2017 £m	2016 £m
Amounts owed by Group undertakings	**1,809.1**	1,912.9
Corporation tax	**43.6**	17.4
Other receivables	**0.8**	0.3
Prepayments	**0.2**	0.2
	1,853.7	1,930.8

The amounts owed by Group undertakings are current and have no fixed date of repayment. Of the amount at 31 December 2017, £1,808.0m will continue to attract interest from 1 January 2018 at a floating rate based on the main facility agreement. The remainder will continue to be interest free.

I. Deferred tax

The deferred tax balances included in the balance sheet are attributable to the following:

	2017 £m	2016 £m
Retirement benefit obligations	**(0.2)**	0.7
The movement on deferred tax balances during the year is summarised as follows:		
At 1 January	**0.7**	0.2
Deferred tax charged through the profit and loss account	**–**	(0.1)
Deferred tax (charged)/credited directly to equity	**(0.9)**	0.6
At 31 December	**(0.2)**	0.7

Deferred tax assets were recognised in all cases where such assets arose, as it was probable that the assets would be recovered.

J. Creditors: Amounts falling due within one year

	2017 £m	2016 £m
Amounts falling due within one year		
Trade payables	**0.3**	0.1
Taxation and social security	**1.2**	1.1
Amounts owed to Group undertakings	**47.0**	46.5
Other payables	**5.7**	7.1
Accruals and deferred income	**3.7**	4.5
	57.9	59.3

The amounts owed to Group undertakings are interest free, unsecured and have no fixed date of repayment.

K. Borrowings

The Company's objectives, policies and strategies in respect of financial instruments are outlined in the accounting policies note on pages 97 and 98 which forms part of the Annual Report and Accounts. Short term receivables and payables have been excluded from all of the following disclosures.

	2017 £m	2016 £m
Maturity profile of financial liabilities		
2014 Club facility due 2021	**59.5**	28.0
€30m 1.08% fixed rate 7 year bond	**26.6**	25.7
€70m 1.43% fixed rate 10 year bond	**62.1**	60.1
£30m 2.54% fixed rate 7 year bond	**30.0**	30.0
£70m 2.80% fixed rate 10 year bond	**70.0**	70.0
Bank loans and overdrafts repayable on demand	**8.3**	7.5
	256.5	221.3
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	**8.3**	7.5
	8.3	7.5
After more than one year		
Loans repayable		
Within one to five years	**59.5**	28.0
After five years	**188.7**	185.8
	248.2	213.8

L. Post retirement benefits

In line with the requirements of FRS 101, the Company now recognises its share of the UK pension fund assets and liabilities. A full reconciliation of the Group retirement benefit obligation can be found in note 11 of the Group financial statements on pages 106 to 109. The table below shows the movement in the obligation during the year.

	2017 £m	2016 £m
Opening balance:		
Assets	**47.5**	35.5
Liabilities	**(51.5)**	(36.3)
Net opening retirement benefit liability	**(4.0)**	(0.8)
Movements in the year:		
Service cost	**(0.5)**	(0.3)
Interest cost	**–**	–
Contributions	**0.5**	1.0
Actuarial movement	**4.9**	(3.9)
Closing balance	**0.9**	(4.0)

M. Share-based payments

The total charge for the year in respect of share based remuneration schemes was £5.1m (2016: £3.8m). 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.

N. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £91.2m (2016: £128.1m).

O. Dividends

Details of dividends are disclosed in note 8 of the Group financial statements.

P. Related party transactions

The Company has taken advantage of the exemption available under FRS 101 from disclosing transactions with other Group undertakings. There were no other related party transactions during the year. Information on the Group can be found in note 26 on page 124 of the Group financial statements.

Related Undertakings

Related undertakings of Croda International Plc

All companies listed below are owned by the Group and all interests are in ordinary share capital, except where otherwise indicated. All subsidiaries have been consolidated. All companies operate principally in their country of incorporation. Unless otherwise indicated, all shareholdings represent 100% of the issued share capital of the subsidiary.

Wholly owned subsidiaries:

Incorporated in the UK

Cowick Hall, Snaith, Goole, East Yorkshire, DN14 9AA

Brookstone Chemicals Limited (viii)
Cowick Hall Trustees Limited (xi)
Croda (Goole) Limited (viii)
Croda Application Chemicals Limited (viii)
Croda Bakery Services Limited (viii)
Croda Bowmans Chemicals Limited (v) (viii)
Croda CE Limited (viii)
Croda Chemicals Limited (viii)
Croda Colloids Limited (viii)
Croda Cosmetics & Toiletries Limited (i) (v) (viii)
Croda Cosmetics (Europe) Limited (iii) (viii)
Croda Distillates Limited (i) (x)
Croda Enterprises Limited (viii)
Croda Europe Limited (i) (v) (vii)
Croda Fire Fighting Chemicals Limited (viii)
Croda Food Services Limited (viii)
Croda Hydrocarbons Limited (viii)
Croda Investments Limited (ix)
Croda Investments No 2 Limited (ix)
Croda Investments No 3 Limited (ix)
Croda JDH Limited (viii)
Croda Leek Limited (viii)
Croda Limited (viii)
Croda Overseas Holdings Limited (i) (ix)
Croda Pension Trustees Limited (viii)
Croda Polymers International Limited (i) (ix)
Croda Resins Limited (viii)
Croda Solvents Limited (iii) (iv) (viii)
Croda Trustees Limited (viii)
Croda Universal Limited (viii)
Croda World Traders Limited (i) (v) (viii)
John L Seaton & Co Limited (viii)
Southerton Investments Limited (i) (viii)
Sowerby & Co Limited (viii)
Technical and Analytical Services Limited (i) (viii)
Uniqema Limited (i) (viii)
Uniqema UK Limited (i) (viii)

c/o Thorntons Law LLP, 13 Melville Street Edinburgh, EH3 7PE

Croda (CPI) Limited (ix)

Incorporated in China

Unit BCD, 19 Floor, Urban City Center, No.45, Nanchang Road, Shanghai

Croda China Trading Company Ltd (vii)

Rm207 Xin Xing Building, No.8 Jia Feng Road, Wai Gao Qiao Free Trade Zone, Shanghai

Croda Trading (Shanghai) Co., Ltd (viii)

No. 1 Hongda Road, Xihuan Beikou, Changping Town, Changpin District, Beijing

Incotec (Beijing) Agricultural Technology Co. Ltd (vii)

No. 2 Plant, No. 1 QuanFeng Road, Wuqing Development Zone, Wuqing District, Tianjin

Incotec (Tianjin) Agricultural Technology Co. Ltd (vii)

Incorporated in France

1, rue de Lapugnoy, 62920 Chocques

Croda Chocques SAS (vii)

Route Nationale 10, Immoparc, 78190 Trappes

Croda France SAS (vii)
Croda Holdings France SAS (ix)

Zone artisanale, 48230 Chanac

Crodarom SAS (vii)

4 rue Fernand Forest, 49000 Angers

Incotec France SARL (viii)

29 rue du Chemin Vert, 78610, Le Perray en Yvelines

Sederma SAS (vii)

Incorporated in the Netherlands

Buurtje 1, 2802 BE Gouda

AM Coatings BV (v) (viii
Croda Nederland B.V. (vii)
Unicorn Power BV (viii)
Uniqema BV (ix)

Westeinde 107, 1601 BL Enkhuizen

Incotec Europe B.V. (vii)
Incotec Group B.V. (i) (ix)
Incotec Holding B.V. (ix)

Incorporated in the USA

300-A Columbus Circle, Edison, NJ 08837-3907
Croda Americas LLC [viii]
Croda Finance Inc [viii]
Croda Inc [vii]
Croda Inks Corp [viii]
Croda Investments Inc [ix]
Croda Storage Inc [viii]
Croda Synthetic Chemicals Inc [ix]
Mona Industries Inc [viii]
Sederma Inc [vii]

1293 Harkins Road, Salinas, CA 93901
Incotec Integrated Coating and Seed Technology, Inc. [vii]

Incorporated in other overseas countries

Argentina – Dardo Rocha 2044, 1640, Martinez, Buenos Aires
Croda Argentina SA [vii]

Argentina – Avenida del Libertador 498, Piso 12, Oficina 1220 Buenos Aires
Incotec Argentina S.A [vii]

Australia – Suite 102, 447 Victoria Street, Wetherill Park, NSW 2164
Croda Australia [ii] [vii]

Australia – 18 Doveton Street North, Ballarat, Victoria 3350
Kriset Pty. Ltd [vii]

Belgium – "Corporate Village", Da Vincilaan 9/E6 Elsionor, 1930 Zaventem
Croda Belgium BVBA [vii]

Brazil – Rua Croda, 580, Distrito Industrial, Campinas, São Paulo, CEP 13.074-710
Croda do Brasil Ltda [vii]

Brazil – Rua Pirajú, nº 255, Santa Maria Goretti, CEP 91030-190, Porto Alegre – Rio Grande de Sul
Inventiva Indústria e Inovação em Produtos Cosméticos Ltda. ME [vii]

Canada – 1700 Langstaff Road, Suite 1000, Vaughan, Ontario, L4K 3S3
Croda Canada Ltd [vii]

Chile – Santa Beatriz 100, 12th Floor, Office 1205, Providencia Santiago
Croda Chile Ltda [vi] [vii]

Colombia – Calle 90 # 19-41 Office 601, Bogotá
Croda Colombia [ii] [vii]

Czech Republic – Praha 5, Pekařská 603/12, 150 00
Croda Spol. s.r.o [vii]

Finland - Hepolamminkatu 29, 33720 Tampere
IonPhaseE Oy [vii]

Germany – Herrenpfad Süd 33, 41334 Nettetal
Croda GmbH [vii]
Sederma GmbH [vii]

Guernsey – Maison Trinity, Trinity Square, St Peter Port, GY1 4AT
Cowick Insurance Services Ltd [i] [xii]

Hong Kong – Room 908, East Ocean Centre, No.9 Science Museum Road, Tsim Sha Tsui, East Kowloon
Croda Hong Kong Company Ltd [vii]

Hong Kong - Kreston CAC CPA Ltd, Rooms 2702-3, 27th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai
IonPhaseE (H.K.) Limited [vii]

Hungary – 1117 Budapest XI, Bölcso utca 6. 1. emelet 4.
Croda Magyarorszag Kft [i] [vii]

India – Plot No. 1/1 Part, TTC Industrial Area, Thane Belapur Road, Koparkhairne, Navi Mumbai 400710, Maharashtra
Croda India Company Private Ltd [i] [v] [vii]

India – 47, Mahagujarat Industrial Estate, Opp. Pharma Lab, Sarkhej-Bavla Highway, At. Moraiya, Ta. Sanand, Ahmedabad-382213, Gujarat
Integrated Coating and Seed Technology India Pvt. Ltd [vii]

Indonesia – Kawasan Industri Jababeka, Jl. Jababeka IV Blok V Kav 74-75, Cikarang Bekasi 17530
PT Croda Indonesia [iii] [iv] [vii]

Iran – Apt. 305, 3rd Floor, No 14 Golestan Avenue, Alikhani Avenue, Southern Shiraz Street, Tehran
Croda Pars Trading Co [vii]

Italy – Via P. Grocco 915, 27036 Mortara
Croda Italiana S.p.A. [vii]

Italy – Via Viazzolo Scala 936, 41038 San Felice sul Panaro (MO)
Incotec Mediterranean Srl [viii]

Japan – 4-3 Hitotsubashi 2-chome, Chiyoda-ku, Tokyo 101-0003
Croda Japan KK [i] [vii]

Malaysia – Unit no. 203, 2nd floor, block C, Damansara Intan no. 1, Jalan SS20/27, Petaling Jaya, Selangor
Incotec Malaysia Sdn. Bhd [vii]

Mexico – Hamburgo 213, Piso 10, Colonia Juárez, Delegacion Cuauhtémoc, D.F., C.P. 06600
Croda México SA de CV [vii]

Peru – Avenida La Encalada 1388 Oficina 801, Polo Hunt 1, Surco
Croda Peruana S.A.C [vii]

Poland – 31-131 Kraków, ul. Karmelicka 27/3
Croda Poland Sp. z o.o. [i] [vii]

Republic of Korea – Rm. 1201, 12th Floor, 42, Hwang Sae Ul-Ro 360 Beon-Gil, Bun Dang-Gu, Seong Nam-Si, Gyeong Gi-Do, 13591
Croda Korea [ii] [vii]

Russian Federation – Office 1333, 16 Raketnyi bulvar, Moscow, 129164
Croda RUS LLC [vii]

Singapore – 30 Seraya Avenue, Singapore 627884
Croda Singapore Pte Ltd [i] [v] [vii]

South Africa – Clearwater Estate Office Park, Block G, Corner of Atlas & Park Road, Parkhaven Ext 8, Boksburg 1459
Croda (SA) (Pty) Ltd [vii]

Incorporated in other overseas countries continued

South Africa – 4 Shortts Retreat Road, Mkondeni, Pietermaritzburg, KwaZulu-Natal, 3201
Incotec South Africa (Pty.) Ltd (vii)

Spain – Plaza. Francesc Macià, 7, 7ºB , 08029 Barcelona
Croda Ibérica SA (vii)s

Sweden – Geijersgatan 2B, 216 18 Limhamn
Croda Nordica AB (vii)

Thailand – 319 Chamchuri Square Building, 16th Floor, Unit 13-14, Payathai Road, Patumwan, Bangkok 10330
Croda (Thailand) Co., Ltd (i) (vii)

Turkey – Nidakule Göztepe Iş Merkezi, Merdivenköy Mahallesi, Bora Sokak, No: 1 Kat:2/5 Kadıköy 34732, Istanbul
Croda Kimya Ticaret Limited Şirketi (vii)

United Arab Emirates – P. O. BOX 17916, Office 2112, 2113, 21st Floor, Jafza One, Jebel Ali Free Zone, Dubai
Croda Middle East FZE (vii)

Zimbabwe – 4a Knightsbridge Crescent, Highlands, Harare
Croda Chemicals Zimbabwe Pvt Ltd (viii)
Croda Zimbabwe (Pvt) Ltd (viii)

Classifications Key
(i) Companies owned directly by Croda International Plc
(ii) Branch office
(iii) A Ordinary
(iv) B Ordinary
(v) Preference including cumulative, non-cumulative and redeemable shares
(vi) No share capital, share of profits
(vii) Manufacture, sales or distribution of speciality chemicals, or of seed treatment services and products
(viii) Dormant
(ix) Holding company
(x) Property holding company
(xi) Trustee
(xii) Captive insurance company
(xiii) Research enterprise

Non-wholly owned subsidiaries and associates:

Incorporated in the UK

Torus Building, Rankine Avenue, East Kilbride, Scotland, G75 0QF

Cutitronics Ltd	24.90%

Incorporated in other overseas countries

Brazil – Rua das Sementes nr. 291, Holambra, State of São Paulo

Incotec America do Sul Tecnologia em Sementes Ltda. (vii)	99.90%

Japan – No. 5-23, Nobitome 8-chome, Niiza-shi, Saitama-ken

Incotec Japan Co. Ltd (viii)	97.50%

Malaysia – Unit no. 203, 2nd floor, block C, Damansara Intan no. 1, Jalan SS20/27, Petaling Jaya, Selangor

Incotec Kedah (M) Sdn. Bhd (vii)	51.00%

Sweden - Scheelevägen 22, 22363 Lund

Enza Biotech AB (xiii)	87.99%

Joint venture:

Incorporated in China

China – No 656 East Tangxun Road Economic and Technological Development Zone Miangyang Sichuan

Croda Sipo (Sichuan) Co., Ltd (vii)	65.00%

Shareholder Information

Corporate Calendar

2018 Annual General Meeting	25 April 2018
2017 Final ordinary dividend payment	31 May 2018
2018 Half year results announcement	25 July 2018
2018 Interim ordinary dividend payment	3 October 2018
2018 Preference dividend payments	30 June 2018
	31 December 2018
2018 Full year results announcement	26 February 2019

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 website at **www.croda.com** and clicking on the section called 'Investors'.

Shareholders can receive shareholder communications electronically by registering on the Registrars' website, **www.signalshares.com** and following the instructions. To register, shareholders will require their investor code (IVC): this is an 11 digit number starting with five or six zeros and can be found on your dividend tax voucher or your share certificate. Receiving corporate communications by email has a number of benefits including being more environmentally friendly, reducing unnecessary waste, faster notification of information to shareholders and eventually leading to a reduction in company costs.

Shareholders who register on the above website can also check their shareholding, view their dividend history, elect for the dividend reinvestment plan, register changes of address and dividend mandate instructions.

Share price information

The latest ordinary share price is available on our website at **www.croda.com**.

The middle market values of the listed share capital at 31 December 2017, or last date traded*, were as follows:

Ordinary shares	4413p
5.9% preference shares	105p*
6.6% preference shares	118p*

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 Link Asset Services, a trading name of Link Market Services Trustees Ltd which is authorised and regulated by the Financial Conduct Authority.

For information and an application pack please call 0371 664 0381 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. From outside the UK dial +44 (0)208 639 3402). Alternatively you can email shares@linkgroup.co.uk or log on to **www.signalshares.com.**

Payment of dividends

You can arrange to have your dividends paid direct to your bank account. This means that:

→ your dividend reaches your bank account on the payment date;

→ it is more secure - cheques can sometimes get lost in the post;

→ you don't have the inconvenience of deposting a cheque; and

→ helps reduce cheque fraud.

If you have a UK bank account you can sign up to this service on Signal Shares (**www.signalshares.com** by clicking on 'your dividend options' and following the on-screen instructions) or by contacting the Customer Support Centre.

Overseas shareholders – choose to receive your next dividend in your local currency

If you live outside the UK, Link 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 Signal Shares (**www.signalshares.com** by clicking on 'your dividend options' and following the on-screen instructions) or by contacting the Customer Support Centre. For further information contact Link:

By phone – UK 0871 664 0300, from overseas +44 (0)371 664 0300 (calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate). Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

By email – ips@linkgroup.co.uk

Share dealing

A simple and competitive service to buy and sell shares is provided by Link Asset Services.

There is no need to pre-register and there are no complicated application forms to fill in. Visit **www.linksharedeal.com** to 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.linksharedeal.com** or call 0371 664 0445 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am to 4.30pm, Monday to Friday, excluding public holidays in England and Wales).

Share dealing continued

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. Link Asset Services is a trading name of Link Market Services 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.

Link Asset Services is a trading name of Link Market Services Limited and Link Market Services Trustees Limited. Share registration and associated services are provided by Link Market Services Limited (registered in England and Wales, No. 2605568). Regulated services are provided by Link Market Services Trustees Limited (registered in England and Wales, No. 2729260), which is authorised and regulated by the Financial Conduct Authority.

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:

- Treat all unexpected calls, emails and text messages with caution. Don't assume they're genuine, even if the person seems to know some basic information about you
- Don't be pressured into acting quickly. A genuine bank or financial services firm won't mind waiting if you want time to think
- Get the name of the person and organisation contacting you
- Check the Financial Services Register at **www.fca.org.uk** to ensure they are authorised
- Use the details on the FCA Register to contact the firm
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms and individuals to avoid doing business with. If the firm isn't on the list, don't assume it's legitimate, it may not have been reported yet.

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.

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Registrars

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Principal Solicitors

Freshfields Bruckhaus Deringer LLP

Stockbrokers

Morgan Stanley & Co. International plc
J P Morgan Cazenove

Financial PR Advisers

Teneo Blue Rubicon

Five Year Record

Earnings

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Turnover	**1,373.1**	1,243.6	1,081.7	1,046.6	1,077.0
Adjusted operating profit[1]	**332.2**	298.2	264.2	248.4	264.6
Adjusted profit before tax[1]	**320.3**	288.3	254.7	235.4	251.4
Profit after tax	**236.7**	197.6	181.1	165.2	177.9
Profit attributable to owners of the parent	**237.0**	196.7	180.7	165.3	177.5
	%	%	%	%	%
Adjusted operating profit as a % of turnover[1]	**24.2**	24.0	24.4	23.7	24.6
Adjusted Return on Invested Capital (ROIC)[1]	**19.2**	19.3	20.1	21.2	23.8
Effective tax rate	**26.8**	28.0	28.0	28.0	28.9
	pence	pence	pence	pence	pence
Adjusted earnings per share[1]	**179.0**	155.8	135.0	125.2	132.2
Ordinary dividends per share	**81.0**	74.0	69.0	65.5	64.5
	times	times	times	times	times
Net debt/EBITDA[1]	**1.0**	1.1	0.9	0.6	0.7
EBITDA interest cover[1*]	**28.7**	33.1	43.2	33.2	35.5

1 Before exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon where applicable
* Interest excludes pension scheme net financial expense and capitalised interest

Summarised Balance Sheet

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Intangible assets, property plant and equipment and investments	**1,072.5**	954.4	799.4	633.5	602.9
Inventories	**258.5**	235.7	221.6	201.0	192.8
Trade and other receivables	**202.2**	192.4	156.1	145.0	136.7
Trade and other payables	**(202.5)**	(188.8)	(161.7)	(129.4)	(129.1)
Capital employed	**1,330.7**	1,193.7	1,015.4	850.1	803.3
Tax, provisions and other	**(88.8)**	(74.3)	(70.0)	(54.2)	(45.9)
Retirement benefit liabilities	**(30.5)**	(146.5)	(78.8)	(126.7)	(135.8)
	1,211.4	972.9	866.6	669.2	621.6
Shareholders' funds	**822.3**	600.6	600.8	482.9	413.1
Non-controlling interests	**7.6**	8.2	6.5	6.1	6.3
	829.9	608.8	607.3	489.0	419.4
Net debt	**381.5**	364.1	259.3	180.2	202.2
	1,211.4	972.9	866.6	669.2	621.6
Gearing (%)	**46.0**	59.8	42.7	36.9	48.2

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, amortisation of intangible assets arising on acquisition and the tax thereon where applicable
AGM	Annual General Meeting
AIM	Alternative Investment Market
ALM	Asset-Liability Matching
API	Active Pharmaceutical Ingredient
BCIP	Bonus Co-Investment Plan
Business Areas	Personal Care, Health Care, Crop Protection, Seed Enhancement, Smart Materials, Energy Technologies, Home Care and Water Treatment, Industrial Chemicals
CARE	Career Average Revalued Earnings
CEO	Chief Executive Officer
CGP	Chemical Growth Partnership
CGU	Cash Generating Unit
CIPEBT	Croda International Plc Employee Benefit Trust
CO_2	Carbon Dioxide
Code	Financial Reporting Council's Corporate Code
Constant Currency	Current year results for existing business translated at the prior year's average exchange rates
Core Business	Personal Care, Life Sciences and Performance Technologies
CPI	Consumer Price Index
CPS	Croda Pension Scheme
DRIP	Dividend Reinvestment Plan
DBSP	Deferred Bonus Share Plan
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
EBT	Employee Benefit Trust
EPS	Earnings Per Share
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FSCS	Financial Services Compensation Scheme
FTSE	Financial Times Stock Exchange
GDPR	General Data Protection Regulation
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 Practice
GRI	Global Reporting Initiative
HMRC	HM Revenue & Customs
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRSIC	International Financial Reporting Standards Interpretation Committee
ILO	International Labour Organization
IP	Intellectual Property
ISA	International Standards on Auditing
ISO	International Organization for Standardization
IT	Information Technology
KPI	Key Performance Indicator
LCA	Life Cycle Assessment
LTI	Lost Time Injury
LTIP	Long Term Incentive Plan
M&A	Mergers & Acquisitions
Market sectors	Personal Care, Life Sciences, Performance Technologies, Industrial Chemicals
Material Areas	Our ten most important sustainability areas
Net debt	Borrowings and other financial liabilities less cash and cash equivalents
NPP	New and Protected Products
OHSAS	Occupational Health and Safety Advisory Series
PSP	Performance Share Plan
QUEST	Croda International Plc Qualifying Share Ownership Trust
R&D	Research and Development
RCG	Remuneration Consulting Group
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
RPI	Retail Price Index
RSPO	Roundtable on Sustainable Palm Oil
SAP EHS	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
Te	Tonnes
TSR	Total Shareholder Return
Underlying	Current year results in local currency translated to Sterling at the prior year average foreign exchange rate excluding acquisitions
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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