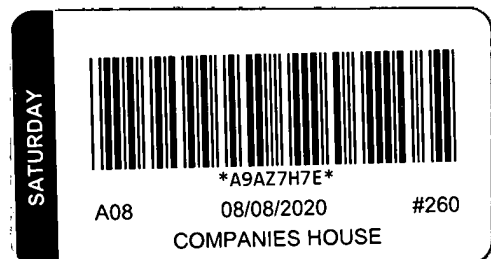


**CRODA EUROPE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



**COMPANY INFORMATION**

<b>Directors</b>	S E Breene S Arnott M W Heijbroek T M Brophy A D Fitzpatrick N I Challoner (appointed 15 July 2019) C J Frankish (appointed 29 July 2019)
<b>Company secretary</b>	T M Brophy
<b>Registered number</b>	167236
<b>Registered office</b>	Cowick Hall Snaith Goole East Yorkshire DN14 9AA
<b>Independent auditor</b>	KPMG LLP Chartered Accountants 1 Sovereign Square Sovereign Street Leeds West Yorkshire LS1 4DA
<b>Country of incorporation</b>	United Kingdom - England
<b>Domiciled</b>	United Kingdom - England
<b>Legal form</b>	Private company limited by shares

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Introduction**

The Directors present their strategic report of the Company for the year ended 31 December 2019.

The principal activities are centred on and will continue to be centred on the manufacture, sales and distribution of speciality chemicals. The ultimate parent company is Croda International Plc, a company registered in England and Wales.

**Business review**

2019 was a subdued year due to weakness in industrial markets, with poor automotive demand developing into a broader market slowdown in the second half of the year.

This impacted the Performance Technologies business within and outside of Europe. After a fairly slow start for Personal Care, particularly in sales to Asia, there were clear signs of upward moment towards the end of the year upon relaxation of trade restrictions. The Life Sciences business performed well, driven by the strength of the Health Care and Crop Protection platforms.

Brexit continued to be a source of prolonged uncertainty during 2019, culminating in the UK general election in December. Following the UK's departure from the EU and entry into the transition period, the level of uncertainty has fallen significantly.

Operating margins (before exceptional items) showed a deterioration as it was not possible to fully offset the impact of sales reduction through reduced costs. The situation was exacerbated by significant currency headwinds, as Sterling fluctuated against the Euro and Dollar in response to political turbulence relating to Brexit. The strengthening of Sterling in the second half of the year represented a drag on the relative values of the Euro and Dollar sales.

A cost reduction program comprising redundancy and other restructuring activities was introduced in the second half of the year, giving rise to the exceptional item of £1.2m. This program will be implemented across two years and will increase efficiency and reduce costs.

As a result of the trading and currency headwinds, and despite an increase in the Company's net investment income, full year after-tax profits were around £22m lower than the previous year. Nevertheless, the Directors have full confidence in the strength of the business and its people, as demonstrated by the continued investment in new technologies and site expansion during the year.

During the year the Company acquired Rewitec in Germany, a business specialising in improving the efficiency and lifespan of wind turbines. This £7m acquisition is a natural fit with the global strategies for the Performance Technologies business and Croda's purpose of Smart Science to improve Lives. The Directors see many opportunities for the acquired technologies within existing and new markets.

Alongside this acquisition activity, £21m was invested in our manufacturing sites to expand the capacity, enhance the efficiency and continuously improve the safety of our operations.

Demand in industrial markets is expected to remain weak but stable in 2020. However continued investment in growth areas and the implementation of the cost reduction program will increase the Company's operating margins. There is now greater political certainty over Brexit. During the current transition period under the UK-EU Withdrawal Agreement, we have continued with our contingency planning for different Brexit scenarios post-2020. With the majority of sales and substantial production capacity outside the UK, the overall impact on the Company is expected to be relatively limited, with our focus on ensuring our ability to offer continuity of service and supply to our customers. This involves preparing changes to our European trading model, customer service and supply chains, and moving to new regulatory frameworks.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Business review continued**

2020 presents uncharted waters arising from the Covid-19 crisis. Our priorities during the Covid-19 crisis have been to protect the health and safety of our employees and balance the needs of all our stakeholders fairly. The response and commitment of all our employees to maintain business continuity and serve our customers has been exceptional. Almost all our employees have been able to work effectively, either on site, with strict social distancing measures in place, or from home. We have not furloughed employees, reduced pay or utilised government liquidity facilities. All our principal manufacturing sites have remained in operation and raw material supply chains have remained secure. The Company continues to respond and adapt to emerging challenges and the Directors are confident in navigating the situation effectively.

**Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the consolidated Croda International Plc Group ('the Group'), of which it is a wholly owned subsidiary. Accordingly, the principal risks and uncertainties of the Company are discussed on pages 38 to 43 of the Group's Annual Report and Accounts, which does not form part of this report.

**Financial key performance indicators**

The key performance indicators used by the Company are Reported Sales Growth % and Return on Sales %, the latter defined as operating profit before exceptional items as a percentage of turnover. These were as follows:

Reported sales growth % -4.1% (2018: -2.7%)

Return on Sales % 10.5% (2018: 15.1%)

The reported sales growth % declined in the year due to slower industrial markets, with poor automotive demand developing into a broader market slowdown in the second half of the year.

Return on sales decreased as the impact of the sales decline could not be fully offset by reduced operating costs, particularly against a backdrop of major currency headwinds.

**Directors' statement of compliance with duty to promote the success of the Company**

Section 172 of the Companies Act 2006 requires the Directors to take into consideration the interests of the stakeholders in their decision making. The Directors have regard to the interests of the Company's employees and other stakeholders, including its impact on the community, the environment and its reputation, when making their decisions. The Directors consider what is likely to promote the success of the Company for its members in the long term in all their decision making.

Further information on our engagement with our stakeholders can be found in the Corporate Governance Report of Croda International Plc on pages 54 and 55 of the Group's Annual Report and Accounts.

This report was approved by the board on 20 July 2020 and signed on its behalf.



**S E Breene**  
Director

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

The Directors present their report and the financial statements for the year ended 31 December 2019.

**Directors' responsibilities statement**

The Directors are responsible for preparing the Strategic Report, the Directors' 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

**Results and dividends**

The profit for the year, after taxation, amounted to £56,452,000 (2018: £78,020,000).

During the year a dividend of £1.75 (2018: £2.77) per share amounting to a total dividend of £55,000,000 (2018: £80,000,000) was paid by the Company. The Directors do not recommend a final dividend (2018: £Nil).

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Directors**

The Directors who served during the year were:

S E Breene  
M C Campbell (resigned 15 July 2019)  
S E Foots (resigned 15 July 2019)  
P A Newton (resigned 15 July 2019)  
S Arnott  
M W Heijbroek  
T M Brophy  
A D Fitzpatrick  
N I Challoner (appointed 15 July 2019)  
C J Frankish (appointed 29 July 2019)

The Director retiring by rotation is M W Heijbroek. None of the Directors have a service agreement with the Company.

Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their positions to the extent permitted by law. These indemnities are qualifying third party indemnities (as defined in section 234 of the Companies Act 2006) and were in force during the financial year and at the date of approval of the financial statements. In addition, the Company maintained Directors' and Officers' liability insurance cover throughout the year.

**Political and charitable contributions**

Charitable donations made by the Company during the year amounted to £Nil (2018: £Nil). No donation was made for political purposes (2018: £Nil).

**Financial risk management**

The Company's operations expose it to a variety of financial risks. Croda Europe Limited's ultimate parent undertaking, has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company. This is disclosed on pages 141 and 142 of the Group's Annual Report and Accounts.

**Future developments**

Future developments are covered in the business review within the Strategic Report on page 1.

**Other disclosures**

The Company does have branch offices outside of the UK in Russia and Korea. Details on these can be found in note 16.

Further disclosures relevant to the Company are included on pages 98 to 101 of the Group's Annual Report and Accounts.

**Research and development activities**

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

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**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 any protected characteristic or is disadvantaged by conditions or requirements that cannot be shown to be justified. Group human resources policies are clearly communicated to all 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 its Occupational Health provision. Efforts are made to continue their employment with reasonable adjustments being made to the workplace and role where feasible. Retraining is provided if necessary.

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

The continuous development of our employees is key to meeting the future demands of our customers, especially in relation to enhanced creativity, innovation and customer service. During 2019, 92% of our employees received training, totalling over 85,000 hours.

**Involvement:** Croda is committed to ensuring that employees share in the success of the Group. Owning shares in the Company is an important way of strengthening involvement in the development of the Business and bringing together employees' and shareholders' interests. In 2019, 84% of our UK employees and 61% 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, Croda Way; quarterly updates; the Company intranet, Connect; team briefings, podcasts, webinars, Yammer 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. In 2019 we held listening groups across all levels of our organisation to gain a deeper understanding of our people's feelings towards our business and use pulse surveys to test the temperature of the global organisation on particular topics.

**Disclosure of information to auditor**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report was approved by the board on 20 July 2020 and signed on its behalf.



S E Breene  
Director



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRODA EUROPE LIMITED**

**Opinion**

We have audited the financial statements of Croda Europe Limited ("the Company") for the year ended 31 December 2019, which comprise the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

**Strategic report and directors' report**

The Directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon. Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRODA EUROPE LIMITED**

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 3, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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

Chris Hearld (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square  
Sovereign Street  
Leeds  
West Yorkshire  
LS1 4DA

24 July 2020

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	3	<b>604,517</b>	630,395
Cost of sales		<b>(472,510)</b>	(473,457)
<b>Gross profit</b>		<b>132,007</b>	156,938
Distribution costs		<b>(20,417)</b>	(21,104)
Administrative expenses		<b>(47,978)</b>	(40,933)
Exceptional item	12	<b>(1,243)</b>	(4,658)
<b>Operating profit</b>	4	<b>62,369</b>	90,243
Income from shares in group undertakings		<b>6,580</b>	4,802
Interest receivable and similar income	8	<b>2,456</b>	2,082
Interest payable and similar expenses	9	<b>(744)</b>	(538)
<b>Profit before taxation</b>		<b>70,661</b>	96,589
Tax on profit	10	<b>(14,209)</b>	(18,569)
<b>Profit for the financial year</b>		<b>56,452</b>	78,020

The notes on pages 13 to 45 form part of these financial statements.

All amounts relate to continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 £000</b>	<b>2018 £000</b>
Profit for the financial year		<b>56,452</b>	78,020
<b>Other comprehensive (expense)/income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Currency translation		<b>(921)</b>	198
Remeasurement of post-employment benefit obligations		<b>(59,278)</b>	13,944
Tax on items that will not be reclassified		<b>10,026</b>	(2,537)
<b>Other comprehensive (expense)/income for the year</b>		<b>(50,173)</b>	11,605
<b>Total comprehensive income for the year</b>		<b>6,279</b>	89,625

The notes on pages 13 to 45 form part of these financial statements.

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
<b>Non-current assets</b>			
Goodwill	13	61,105	61,105
Other intangible assets	14	20,663	20,560
Tangible assets	15	110,293	93,430
Investments	16	112,888	100,003
Retirement benefit assets		-	23,195
		<b>304,949</b>	<b>298,293</b>
<b>Current assets</b>			
Stocks	17	128,735	132,718
Debtors (including £93,191,000 (2018: £97,603,000) due after more than one year	18	156,996	177,382
Cash at bank and in hand		4,692	6,441
		<b>290,423</b>	<b>316,541</b>
Creditors: amounts falling due within one year	19	(250,103)	(252,044)
<b>Net current assets</b>		<b>40,320</b>	<b>64,497</b>
<b>Total assets less current liabilities</b>		<b>345,269</b>	<b>362,790</b>
Creditors: amounts falling due after more than one year	20	(13,301)	(11,824)
		<b>331,968</b>	<b>350,966</b>
<b>Provisions for liabilities</b>			
Deferred tax	21	(1,200)	(10,764)
Retirement benefit liabilities		(39,826)	(1,075)
		<b>(41,026)</b>	<b>(11,839)</b>
<b>Net assets</b>		<b>290,942</b>	<b>339,127</b>
<b>Capital and reserves</b>			
Called up share capital	24	6,297	6,297
Share premium account		155,216	155,216
Revaluation reserve		60	60
Profit and loss account		129,369	177,554
<b>Total shareholders' funds</b>		<b>290,942</b>	<b>339,127</b>

The financial statements on pages 8 to 45 were approved and authorised for issue by the board and were signed on its behalf on 20 July 2020.

**S E Breene**  
 Director 

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Revaluation reserve</b>	<b>Profit and loss account</b>	<b>Total shareholders' funds</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2019	6,297	155,216	60	177,554	339,127
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	56,452	56,452
Currency translation	-	-	-	(921)	(921)
Remeasurement of post- employment benefit obligations	-	-	-	(59,278)	(59,278)
Tax on items that will not be reclassified	-	-	-	10,026	10,026
<b>Other comprehensive expense for the year</b>	-	-	-	(50,173)	(50,173)
<b>Total comprehensive income for the year</b>	-	-	-	6,279	6,279
<b>Contributions by and distributions to owners</b>					
Dividends: Equity capital	-	-	-	(55,000)	(55,000)
Share-based payments	-	-	-	536	536
<b>Total transactions with owners</b>	-	-	-	(54,464)	(54,464)
<b>At 31 December 2019</b>	<b>6,297</b>	<b>155,216</b>	<b>60</b>	<b>129,369</b>	<b>290,942</b>

The notes on pages 13 to 45 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Revaluation reserve</b>	<b>Profit and loss account</b>	<b>Total shareholders' funds</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2018	6,297	150,000	60	166,656	323,013
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	78,020	78,020
Currency translation	-	-	-	198	198
Remeasurement of post- employment benefit obligations	-	-	-	13,944	13,944
Tax on items that will not be reclassified	-	-	-	(2,537)	(2,537)
<b>Other comprehensive income for the year</b>	-	-	-	11,605	11,605
<b>Total comprehensive income for the year</b>	-	-	-	89,625	89,625
<b>Contributions by and distributions to owners</b>					
Dividends: Equity capital	-	-	-	(80,000)	(80,000)
Shares issued during the year	-	5,216	-	-	5,216
Share-based payments	-	-	-	1,273	1,273
<b>Total transactions with owners</b>	-	5,216	-	(78,727)	(73,511)
<b>At 31 December 2018</b>	<b>6,297</b>	<b>155,216</b>	<b>60</b>	<b>177,554</b>	<b>339,127</b>

The notes on pages 13 to 45 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. Accounting policies**

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. Details of new standards, amendments and interpretations can be viewed on page 116 of the Group's Annual Report and Accounts.

The Company is a wholly-owned subsidiary of Croda Investments No 3 Limited and is included in the consolidated financial statements of Croda International Plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

**1.1 Basis of preparation of financial statements**

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015, the Company 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 and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

**1.2 Financial reporting standard 101 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. Accounting policies (continued)**

**1.3 Going concern**

The potential impact of Covid-19 on the Company has been considered in the preparation of the financial statements. The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

The Company has access to committed debt facilities with an initial maturity date of 2024. The Directors have reviewed the liquidity and covenant forecasts for the Company, which have been updated for the expected impact of Covid-19 on trading activities. The Directors have also considered sensitivities in respect of potential downside scenarios, and the mitigating actions available, in concluding that the Company is able to continue in operation for a period of at least twelve months from the date of approving the financial statements. These sensitivities include a severe but plausible downside scenario for the impact of Covid-19, alongside an additional scenario considered to be severe but remote. Relative to a base case scenario, the sensitivities assume increasingly pessimistic outlooks for global demand, coupled with slower economic recoveries. In both downside scenarios, we have assumed that our principal manufacturing sites continue to operate but that demand remains below 2019 levels throughout the remainder of 2020 and all of 2021. Furthermore, the downside scenarios also assume increasing working capital and margin erosion, predicated on a further deterioration in the economic conditions. In considering the suitability of these scenarios, the Directors have considered, among other factors, the potential impact of Brexit and the recent trading experience.

In the downside scenarios, the Company continues to have significant liquidity headroom under its debt facilities. The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the financial statements have been prepared on a going concern basis.

**1.4 Investments in associates**

Associates are held at cost less impairment

**1.5 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

**Sale of goods**

Turnover from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****1. Accounting policies (continued)****1.6 Research and development**

Research expenditure, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is charged to the profit and loss account 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 profit and loss account in the year in which it is incurred unless it meets the recognition criteria of IAS 38 'Intangible Assets'. Development uncertainties typically mean that such criteria are not met, most commonly because the Group can only demonstrate the existence of a market at a late stage in the product development cycle, at which point the material element of project spend has already been incurred and charged to the income statement. 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 profit and loss account.

**1.7 IFRS 16 'Leases'**

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

The Group has amended its accounting policy (see 1.8 below) but the net impact of the new standard on the Group's profit or financial gearing is not material. Accordingly, the Group has adopted the simplified approach permitted under IFRS 16 and has therefore not restated prior year comparators and no adjustment has been recognised in the opening balance of equity at the date of initial application. Right of use asset values were set equal to lease liabilities at the date of transition. The Group has adopted recognition exemptions for short-term and low value leases and has elected to apply the practical expedient available for all leases which end within 12 months of the date of transition (accounting for as short-term leases).

On initial application, the Company recorded right of use assets and lease liabilities with a value of £3.4m. This was slightly less than the £3.5m non-cancellable lease commitments reported as at 31 December 2018 under IAS 17 due to the application of short-term exemptions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2%.

**1.8 Leases**

When entering into a new contract, the Company assesses whether it is, or contains, a lease. A lease conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the interest rate implicit in the lease or, more typically, the Group's incremental borrowing rate (when the implicit rate cannot be readily determined).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****1. Accounting policies (continued)****1.8 Leases (continued)**

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or changes in the Company's assessment of whether a purchase, extension or termination option is reasonably certain to be exercised.

The Company adopts recognition exemptions for short-term (less than 12 months) and low value leases and elects not to separate lease components from any associated fixed non-lease components.

The Company classifies payments of lease liabilities (principal and interest portions) as part of financing activities. Payments of short-term, low value and variable lease components are classified within operating activities.

**1.9 Other intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The asset will be written down on a straightline basis over its useful life, which range from 3 to 7 years for computer software, 7 to 14 years for technology processes, and 6 to 20 years for all other intangibles. Useful lives are regularly reviewed to ensure their continuing relevance.

**1.10 Goodwill**

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****1. Accounting policies (continued)****1.11 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- 15 to 40 years
Plant & machinery	- 3 to 25 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss account.

**1.12 Investments**

Investments held as fixed assets are shown at cost less provision for impairment. Investments are subject to impairment testing at each balance sheet date or earlier upon indication of impairment.

**1.13 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****1. Accounting policies (continued)****1.14 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**1.15 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss account.

**1.16 Pensions**

The Company 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 the plan obligations and assets. A scheme surplus is only recognised as an asset in the balance sheet when the Company 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 1. Accounting policies (continued)

#### 1.17 Share-based payments

The Company operates a number of cash and equity-settled, share-based incentive schemes. These are accounted for in accordance with IFRS2 'Share-based Payments', which requires an expense to be recognised in the profit and loss account 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.

#### 1.18 Financial risk factors

The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 141 and 142 of the Group's Annual Report and Accounts.

#### 1.19 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

### 2. Accounting estimates and judgements

The significant accounting policies of the Croda International Plc Group 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.

These judgements, accounting estimates and assumptions can be viewed on page 115 of the Group's Annual Report and Accounts, however only those relating to post-retirement benefits and goodwill are relevant to the financial statements of Croda Europe Limited.

### 3. Turnover

Analysis of turnover by country of destination:

	2019 £000	2018 £000
Europe	389,590	409,397
Americas	103,506	103,712
Asia	76,535	85,150
Rest of World	34,886	32,136
	<b>604,517</b>	<b>630,395</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****4. Operating profit**

The operating profit is stated after charging/(crediting):

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Research & development	<b>7,818</b>	9,200
Depreciation of tangible fixed assets	<b>8,573</b>	7,765
Amortisation of intangible assets	<b>3,671</b>	1,763
Exchange differences	<b>2,312</b>	(675)
Share based payments	<b>536</b>	1,273
Other pension costs	<b>11,029</b>	10,213
	<b>=====</b>	<b>=====</b>

**5. Auditor's remuneration**

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<b>151</b>	146
	<b>=====</b>	<b>=====</b>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**6. Employees**

Staff costs, including Directors' remuneration, including Directors' remuneration, were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>40,456</b>	41,540
Social security costs	<b>4,247</b>	3,993
Other pension costs(non-exceptional)	<b>11,029</b>	10,213
Other pension (credits)/costs (exceptional)	<b>(661)</b>	4,658
Share based payments	<b>536</b>	1,273
Redundancy costs (non-exceptional)	<b>263</b>	143
Redundancy costs (exceptional)	<b>1,819</b>	-
	<b>57,689</b>	61,820

The average number of employees, including the Directors, during the year was as follows:

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Production	<b>636</b>	616
Administration	<b>174</b>	193
Selling and Distribution	<b>194</b>	162
	<b>1,004</b>	971

**7. Directors' remuneration**

Of the 10 Directors named on page 4, only two (2018: one) were remunerated by Croda Europe Limited during the current and prior year. In the current year, one of these Directors was remunerated until 15 July 2019 when they resigned from their Directorship. The second Director was remunerated from their appointment on 29 July 2019. The remainder were remunerated by the ultimate parent undertaking, Croda International Plc, as their time spent working specifically for Croda Europe Limited was not material to the accounts.

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	<b>165,339</b>	179,327
Company contribution to defined benefit pension scheme	<b>13,389</b>	17,342
	<b>178,728</b>	196,669



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**8. Interest receivable and similar income**

	<b>2019 £000</b>	<b>2018 £000</b>
Interest receivable from group companies	<b>1,775</b>	1,594
Other interest receivable	<b>681</b>	488
	<b><u>2,456</u></b>	<b><u>2,082</u></b>

**9. Interest payable and similar expenses**

	<b>2019 £000</b>	<b>2018 £000</b>
Bank interest payable	<b>686</b>	538
Interest on lease liabilities	<b>58</b>	-
	<b><u>744</u></b>	<b><u>538</u></b>

**10. Tax on profit**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Corporation tax</b>		
UK corporation tax charge on profit for the financial year	<b>12,039</b>	17,584
Foreign tax on income for the year	<b>1,708</b>	1,983
<b>Total current tax</b>	<b><u>13,747</u></b>	<b><u>19,567</u></b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>462</b>	(998)
<b>Taxation on profit</b>	<b><u>14,209</u></b>	<b><u>18,569</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**10. Tax on profit (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	<b>2019 £000</b>	2018 £000
Profit before tax	<b>70,661</b>	96,589
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	<b>13,426</b>	18,352
<b>Effects of:</b>		
Higher rate taxes on overseas earnings	<b>359</b>	252
Adjustments to tax charge in respect of prior periods	-	84
Short term timing differences leading to a decrease in taxation	<b>(496)</b>	(1,503)
Other differences leading to a (decrease)/increase in taxation	<b>(528)</b>	301
Disallowed expenses	<b>198</b>	171
Dividends covered from substantial shareholder exemption	<b>1,250</b>	912
<b>Total tax charge for the year</b>	<b>14,209</b>	18,569

**Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax liability as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

**11. Dividends**

	<b>2019 £000</b>	2018 £000
Dividend paid on ordinary shares of £1.75 per share (2018: £2.77)	<b>55,000</b>	80,000

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. Exceptional item**

	<b>2019</b>	2018
	<b>£000</b>	£000
Exceptional item	<b>1,243</b>	4,658

The exceptional item in the current year relates to the delivering of cost saving actions, comprising redundancy and other restructuring costs (including an associated curtailment gain on defined benefit pension schemes). The exceptional cost in the prior year related to the UK defined benefit pension scheme, being a past service cost to equalise benefits for the effects of unequal Guaranteed Minimum Pensions.

**13. Goodwill**

	<b>£000</b>
<b>Cost</b>	
At 1 January 2019	<b>86,511</b>
Additions	-
<b>At 31 December 2019</b>	<b>86,511</b>
<b>Amortisation</b>	
At 1 January 2019	<b>25,406</b>
Charge for the year	-
<b>At 31 December 2019</b>	<b>25,406</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>61,105</b>
<i>At 31 December 2018</i>	61,105

The goodwill relates predominantly to the value of commercial and other synergies arising from the acquisition of Uniqema in 2006, with Croda's established global sales, marketing and R&D networks. The recoverable amount is based on value in use calculations using discounted cash flow projections. Impairment is considered at a Group level on page 132 and 133 of the Group's Annual Report and Accounts.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**14. Other intangible assets**

	<b>Computer software £000</b>	<b>Technology processes £000</b>	<b>Licenses £000</b>	<b>Other intangibles £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 January 2019	19,683	12,258	2,133	707	34,781
Additions - external	3,774	-	-	-	3,774
At 31 December 2019	<u>23,457</u>	<u>12,258</u>	<u>2,133</u>	<u>707</u>	<u>38,555</u>
<b>Amortisation</b>					
At 1 January 2019	12,700	473	560	488	14,221
Charge for the year on owned assets	1,396	2,082	122	71	3,671
At 31 December 2019	<u>14,096</u>	<u>2,555</u>	<u>682</u>	<u>559</u>	<u>17,892</u>
<b>Net book value</b>					
At 31 December 2019	<u>9,361</u>	<u>9,703</u>	<u>1,451</u>	<u>148</u>	<u>20,663</u>
At 31 December 2018	<u>6,983</u>	<u>11,785</u>	<u>1,573</u>	<u>219</u>	<u>20,560</u>

Other intangible assets relate to customer relationships and other intangibles.

Other intangible asset amortisation is recorded in administrative expenses within the profit and loss account on page 8.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**
**15. Tangible fixed assets**

	Freehold property £000	L/Term Leasehold Property £000	Plant & machinery £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>					
At 1 January 2019	33,325	-	233,358	-	266,683
Impact of change in accounting policy	-	2,943	353	117	3,413
At 1 January 2019 (adjusted balance)	33,325	2,943	233,711	117	270,096
Additions	516	534	21,140	-	22,190
Disposals	-	-	(263)	-	(263)
Revaluations	-	(55)	-	-	(55)
Exchange adjustments	-	(60)	(33)	-	(93)
At 31 December 2019	33,841	3,362	254,555	117	291,875
<b>Depreciation</b>					
At 1 January 2019	18,856	-	154,397	-	173,253
Charge for the year on owned assets	739	-	6,717	-	7,456
Charge for the year on right- of-use assets	-	916	138	63	1,117
Disposals	-	-	(218)	-	(218)
Exchange adjustments	-	(5)	(21)	-	(26)
At 31 December 2019	19,595	911	161,013	63	181,582
<b>Net book value</b>					
At 31 December 2019	14,246	2,451	93,542	54	110,293
At 31 December 2018	14,469	-	78,961	-	93,430

On initial application of IFRS 16 'Leases', the Company recorded right of use assets and lease liabilities with a value of £3,413,000. This was slightly less than the £3,481,000 non-cancellable lease commitments reported at 31 December 2018 due to the application of short term exemptions. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 2%.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**15. Tangible fixed assets (continued)**

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	<b>2019 £000</b>
Tangible fixed assets owned	<b>107,526</b>
Right-of-use tangible fixed assets	<b>2,767</b>
	<b>110,293</b>

Information about right-of-use assets is summarised below:

**Net book value**

	<b>2019 £000</b>
Property	<b>2,451</b>
Plant and machinery	<b>262</b>
Motor vehicles	<b>54</b>
	<b>2,767</b>

**Depreciation charge for the year ended**

	<b>2019 £000</b>
Property	<b>(916)</b>
Plant and machinery	<b>(138)</b>
Motor vehicles	<b>(63)</b>
	<b>(1,117)</b>

Information on lease liabilities and a maturity analysis of contractual undiscounted cash flows relating to these liabilities is presented in note 26 on page 44.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**16. Investments**

	Investments in subsidiary companies £000	Investments in associates £000	Other investments £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2019	97,035	2,650	1,905	101,590
Additions	11,635	1,250	-	12,885
At 31 December 2019	108,670	3,900	1,905	114,475
<b>Impairment</b>				
At 1 January 2019	1,587	-	-	1,587
At 31 December 2019	1,587	-	-	1,587
<b>Net book value</b>				
At 31 December 2019	107,083	3,900	1,905	112,888
At 31 December 2018	95,448	2,650	1,905	100,003

**Investments in subsidiary companies**

On 16 July 2019, the Company acquired 100% of the share capital of Rewitec® GmbH, a technology based business specialising in improving the efficiency and longevity of wind turbines and moving machinery through the application of their patented additives. Based in Germany, Rewitec's innovations offer sustainability benefits by extending the lifetime and improving the performance of gearboxes, bearing and engines within wind turbine, automotive and marine industries worldwide.

During the year the Company also increased its investment in Croda Denmark A/S and Enza Biotech AB.

The additions to investments in subsidiary companies are as follows -

Rewitec GmbH - £6,886k (including £2.8m of contingent consideration)  
Croda Denmark A/S - £4,053k  
Enza Biotech AB - £696k

**Investments in participating interests**

On 14 October 2019, the Company increased its minority shareholding in Cutitronics Limited from 38.6% to 48.0%. This additional investment will enable Cutitronics to develop and test design updates for its innovative CutiTron™ device, which is anticipated to result in the first customisable commercial device. This investment continues to be recognised as an associate on the Company balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**
**16. Investments (continued)**
**Related undertakings**

The following were related undertakings of the Company. Those marked with a \* are directly owned.

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Croda Canada Limited *	1700 Langstaff Road, Suite 1000, Vaughan, Ontario, L4K 3S3	Ordinary	100%
Croda Nordica AB *	Geijersgatan 2B, 216 18 Limhamn	Ordinary	100%
Croda Russia (Branch Office) *	Raketnyi Boulevard 16, BC "Alekseevskaya Tower", Office 1301, 129164 Moscow	Ordinary	100%
Croda GmbH *	Herrenpfad Süd 33, 41334 Nettetal	Ordinary	15%
Croda Kimya Ticaret Limited Sirketi *	Nidakule Göztepe Is, Merkezi, Merdivenköy Mahallesi, Bora Sokak, No: 1 Kat:2/5 Kadiköy 34732, Istanbul	Ordinary	1%
Croda Korea (Branch Office) *	Rm. 1201, 12th Floor, 42, Hwang Sae UI-Ro 360 Beon-Gil, Bun Dang- Gu, Seong Nam-Si, Gyeong Gi-Do, 13591	Ordinary	100%
Croda Middle East FZE *	P. O. BOX 17916, Office 2112, 2113, 21st Floor, Jafza One, Jebel Ali Free Zone, Dubai	Ordinary	100%
Croda RUS LLC *	Raketnyi Boulevard 16, BC "Alekseevskaya Tower", Office 1301, 129164 Moscow	Ordinary	100%
Enza Biotech AB *	Scheelevägen 22, 22363 Lund	Ordinary	88%
Croda Chemicals Limited *	See Company Information page	Ordinary	100%
Croda Application Chemicals Limited *	See Company Information page	Ordinary	100%
Croda Universal Limited *	See Company Information page	Ordinary	100%
Croda (Goole) Limited *	See Company Information page	Ordinary	100%
Croda Leek Limited *	See Company Information page	Ordinary	100%
Croda JDH Limited *	See Company Information page	Ordinary	100%
Croda Limited *	See Company Information page	Ordinary	100%
Croda Colloids Limited *	See Company Information page	Ordinary	100%



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****16. Investments (continued)****Related undertakings (continued)**

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Croda CE Limited *	See Company Information page	Ordinary	100%
Croda Trustees Limited *	See Company Information page	Ordinary	100%
Plant Impact Limited *	See Company Information page	Ordinary	100%
Croda Denmark A/S *	Elsenbakken 23, 3600 Frederikssund, Denmark	Ordinary	100%
MX Adjuvac AB	Box 50121, 202 11, Malmo, Sweden	Ordinary	100%
Croda Pars Trading Co	Apt. 305, 3rd Floor, No 14 Golestan Avenue, Alikhani Avenue, Southern Shiraz Street, Tehran, Iran	Ordinary	100%
P.I. Bioscience Limited	See Company Information page	Ordinary	100%
Bio Futures Limited	See Company Information page	Ordinary	100%
Croda Japan KK	4-3 Hitotsubashi 2- chome, Chiyoda-ku, Tokyo 101-0003, Japan	Ordinary	18%
Cutitronics Ltd	Torus Building, Rankine Avenue, East Kilbride, Scotland, G75 0QF	Ordinary	48%
SiSaf Ltd	3 Huxley Road, Surrey Research Park, Guildford, GU2 7RE	Ordinary	3.89%
Rewitec GmbH *	Dr. Hans-Wilhelmi-Weg 1, 35633 Lahnau, Germany	Ordinary	100%

The Directors have assessed that the carrying value of each investment is supported by their underlying net assets and ongoing trade.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**17. Stocks**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<b>20,927</b>	18,624
Work in progress (goods to be sold)	<b>29,329</b>	35,073
Finished goods and goods for resale	<b>78,479</b>	79,021
	<b>128,735</b>	132,718

The Company consumed £472,577,000 (2018: £482,949,000) of stock during the year.

**18. Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>21,231</b>	27,027
Amounts owed by group undertakings	<b>122,847</b>	136,568
Other debtors	<b>8,156</b>	7,371
Prepayments and accrued income	<b>4,762</b>	6,416
	<b>156,996</b>	177,382

Although the amounts owed by group undertakings have no fixed date of repayment, £93,191,000 (2018: £97,603,000) is expected to be collected after one year. Of the amounts owed by group undertakings, £122,180,000 (2018: £122,180,000) attracts interest of 1.4564% (2018: 1.2169%) per annum, is unsecured and has no fixed repayment terms. The remainder will continue to be interest free.

**19. Creditors: amounts falling due within one year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Bank overdrafts	<b>1,789</b>	11,065
Trade creditors	<b>25,967</b>	23,974
Amounts owed to group undertakings	<b>151,441</b>	155,895
Corporation tax	<b>49,334</b>	37,811
Lease liabilities	<b>1,123</b>	-
Other creditors	<b>1,086</b>	3,732
Accruals and deferred income	<b>19,363</b>	19,567
	<b>250,103</b>	252,044

Amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**20. Creditors: amounts falling due after more than one year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
2014 Club Facility due 2021	-	11,824
2019 Club facility due 2024	<b>11,458</b>	-
Lease liabilities	<b>1,843</b>	-
	<b>13,301</b>	<b>11,824</b>

Analysis of the maturity of loans is given below:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due 2-5 years</b>		
2014 Club facility due 2021	-	11,824
2019 Club facility due 2024	<b>11,458</b>	-

During October 2019, the Company's existing 2014 Club facility was cancelled and replaced with a new Club facility with an initial maturity date of 2024. Interest is charged on this agreement 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 Company pays on its borrowings over and above standard rate is determined by the net debt to EBITDA ratio of the Croda International Plc Group.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**21. Deferred taxation**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
At 1 January	<b>(10,764)</b>	(9,225)
Credited/(charged) to total comprehensive income	<b>9,564</b>	(1,539)
<b>At 31 December</b>	<b>(1,200)</b>	(10,764)

The provision for deferred taxation is made up as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	<b>(7,773)</b>	(6,821)
On net pension position	<b>6,573</b>	(3,943)
	<b>(1,200)</b>	(10,764)

**Comprising:**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Liability - accelerated capital allowances	<b>(7,773)</b>	(6,821)
Asset/(Liability) - retirement benefit obligations	<b>6,573</b>	(3,943)
	<b>(1,200)</b>	(10,764)

**22. Capital commitments**

At 31 December the Company had capital commitments as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Contracted for but not provided in these financial statements	<b>5,895</b>	7,073

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**23. Post-retirement benefits**

The table below summarises the Company's net year end post-retirement benefits and activity for the year.

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Balance sheet</b>		
Retirement benefit assets	-	23,195
Retirement benefit liabilities	<b>(39,826)</b>	<b>(1,075)</b>
<b>Net (liability)/asset</b>	<b>(39,826)</b>	<b>22,120</b>
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Income statement charge included in profit before tax	<b>9,703</b>	14,396
Remeasurements included in other comprehensive income	<b>(59,278)</b>	13,944

The Company participates in the defined benefit pension scheme operated by its ultimate parent undertaking, Croda International Plc. As well as participating in this principal scheme, there is a further local scheme that operates in Korea, which at the balance sheet date had a net retirement benefit liability of £1,161,000 (2018: £1,075,000).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**23. Post-retirement benefits (continued)**

**Principal defined benefit pension scheme**

The Company participates in the defined benefit pension scheme operated by its ultimate parent undertaking, Croda International Plc. The scheme operated on a final salary basis until the 5 April 2016, following which the scheme changed to a Career Average Revalued Earnings (CARE) defined benefit scheme, with annual pensionable earnings capped and pensions in payment indexed 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 scheme.

In accordance with FRS 101, the Company recognises its share of the UK pension fund assets and liabilities.

Plan assets held in trusts are governed by UK regulations and practice. Responsibility for governance of the scheme, including investment decisions and contribution schedules, predominantly lies with the scheme's board of trustees with appropriate input from the Company. The board of trustees is composed of representatives in accordance with the scheme's regulations and any relevant legislation.

The amounts recognised in the balance sheet in respect of this scheme are as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Movement in present value of defined benefit obligations in the year:</b>		
Opening balance	<b>914,092</b>	943,904
Current service cost	<b>10,831</b>	10,076
Past service cost - plan amendments	-	4,658
Past service cost - curtailments	<b>(661)</b>	-
Interest cost	<b>24,320</b>	22,339
Remeasurements - change in demographic assumptions	<b>(5,890)</b>	8,936
Remeasurements - change in financial assumptions	<b>124,643</b>	(55,097)
Remeasurements - experience gains	<b>9,500</b>	5,513
Contributions paid in - employee	<b>2,470</b>	2,376
Benefits paid	<b>(30,305)</b>	(28,613)
	<b>1,049,000</b>	914,092

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Movement in the fair value of scheme's assets in the year:</b>		
Opening balance	<b>937,287</b>	961,515
Interest income	<b>24,985</b>	22,815
Remeasurements - return on scheme assets, excluding amounts included in financial expenses	<b>68,975</b>	(26,704)
Contributions paid in - employee	<b>2,470</b>	2,376
Contributions paid in employer	<b>6,923</b>	5,898
Benefits paid out including settlements	<b>(30,305)</b>	(28,613)
	<b>1,010,335</b>	937,287

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**23. Post-retirement benefits (continued)**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Net (liability)/asset	<b>(38,665)</b>	<b>23,195</b>

As at the balance sheet date, the present value of defined benefit obligations comprised approximately £255m in respect of active employees, £343m in respect of deferred members and £451m in relation to members in retirement.

Total employer contributions to the scheme in 2020 are expected to be £6.9m.

	<b>2019</b>	<b>2018</b>
<b>The actuarial assumptions were as follows:</b>		
Discount rate	<b>1.9%</b>	<b>2.7%</b>
Inflation rate - RPI	<b>3.0%</b>	<b>3.2%</b>
Inflation rate - CPI	<b>2.2%</b>	<b>2.2%</b>
Rate of increase in salaries	<b>4.2%</b>	<b>4.2%</b>
Rate of increase for pensions in payment	<b>2.8%</b>	<b>3.0%</b>
Duration of liabilities (ie life expectancy) (years)	<b>20.5</b>	<b>20.0</b>
Remaining working life	<b>14.7</b>	<b>12.7</b>

Mortality assumptions are based on 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 (Male / Female) currently at age 65 is 21.6 / 24.1 years and members at age 65 in 20 years' time is 23.1 / 25.7 years.

The sensitivity of the defined benefit obligation to changes in the significant assumptions is as follows:

	<b>Sensitivity</b>	<b>Of increase</b>	<b>Of decrease</b>
<b>Impact on defined benefit obligation:</b>			
Discount rate	<b>0.5%</b>	<b>-9.6%</b>	<b>11.0%</b>
Inflation rate	<b>0.5%</b>	<b>6.9%</b>	<b>-6.7%</b>
Mortality (change in life expectancy)	<b>1 year</b>	<b>3.0%</b>	<b>-3.0%</b>

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 defined benefit obligation recognised in the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**23. Post-retirement benefits (continued)**

The weighted average duration of the defined benefit obligation is 20.5 years (2018: 20.0 years).

	<b>2019 £000</b>	<b>2019 %</b>	<b>2018 £000</b>	<b>2018 %</b>
<b>The assets in the scheme comprised:</b>				
Quoted				
- Equities	<b>99,181</b>	<b>10</b>	83,462	9
- Government bonds	<b>461,990</b>	<b>46</b>	422,540	45
- Corporate bonds	-	<b>0</b>	61,599	7
Unquoted				
- Cash and cash equivalents	<b>117,611</b>	<b>12</b>	38,309	4
- Real estate	<b>54,626</b>	<b>5</b>	65,211	7
- Derivatives	<b>1,140</b>	<b>0</b>	4,088	0
- Other	<b>275,788</b>	<b>27</b>	262,079	28
	<b>1,010,336</b>	<b>100</b>	937,288	100

Derivatives presented above represent the scheme's net position on Government bond repurchase agreements and other swap contracts (valued on a mark-to-market basis) which form part of the scheme's liability driven investment (LDI) portfolio. The non-derivative assets in the LDI portfolio have been presented in the relevant asset category.

**24. Called up share capital**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Allotted, called up and fully paid</b>		
31,483,803 (2018: 31,483,803) Ordinary shares of £0.20 each	<b>6,297</b>	6,297



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**
**25. Share-based payments**

The total charge for Croda Europe Limited for the year relating to share based remuneration schemes was £536,000 (2018: £1,273,000). 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 below. The reconciliation of the number of shares is included in the financial statements of the Company's ultimate parent undertaking, Croda International Plc.

**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	12 Sep 2019	27 Sep 2018
Share price at grant date	4948p	5200p
Exercise price	3898p	4144p
Number of employees	700	634
Shares under option	94,433	71,178
Vesting period	Three years	Three years
Expected volatility	20%	20%
Option life	Six months	Six months
Risk free rate	0.5%	1.0%
Dividend yield	1.8%	1.6%
Possibility of forfeiture	7.5% p.a	7.5% p.a.
Fair value per option at grant date	1103.4p	1186.2p
Option pricing model	Black Scholes	Black Scholes

A reconciliation of option movements over the year is as follows:

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the 1 January	3174	263,111	2659	266,481
Granted during the year	3898	94,433	4144	71,178
Forfeited during the year	3421	(11,363)	2785	(7,859)
Exercised during the year	2627	(104,269)	2201	(66,689)
<b>Outstanding at 31 December</b>	<b>3681</b>	<b>241,912</b>	<b>3174</b>	<b>263,111</b>
<b>Exercisable at 31 December</b>	<b>2639</b>	<b>6,067</b>	<b>2232</b>	<b>5,321</b>
For options exercisable in year, weighted average share price at date of exercise	4856	-	4754	-
Weighted average remaining life at 31 December (years)	-	2.4	-	2.2

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**
**25. Share-based payments (continued)**
**Croda International Plc International Sharesave Scheme ('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	12 Sep 2019	27 Sep 2018
Share price at grant date	4948p	5200p
Exercise price	3898p	4144p
Number of employees	2,235	2,082
Shares under option	299,797	225,581
Vesting period	Three years	Three years
Expected volatility	20%	20%
Option life	One month	One month
Risk free rate	0.5%	0.7%
Dividend yield	1.8%	1.8%
Possibility of forfeiture	7.5% p.a	7.5% p.a.
Fair value per option at 31 December	1239.0p	791.8p
Option pricing model	Black Scholes	Black Scholes

A reconciliation of option movements over the year is as follows:

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the 1 January	3197	810,102	2723	782,416
Granted during the year	3898	299,797	4144	225,581
Forfeited during the year	3396	(67,852)	2783	(54,328)
Exercised during the year	2653	(315,106)	2254	(143,567)
<b>Outstanding at 31 December</b>	<b>3704</b>	<b>726,941</b>	<b>3197</b>	<b>810,102</b>
For options exercisable in year, weighted average share price at date of exercise	4841	-	4780	-
Weighted average remaining life at 31 December (years)	-	1.9	-	1.7

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**25. Share-based payments (continued)**

**Croda International Plc Performance Share Plan ('PSP')**

The PSP scheme was established in 2014 and replaced the Company's previous Executive long term incentive plans. 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 71 to 97 of the Group Annual Report and Accounts). 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:

2019	Market condition	Non-market condition
Grant date	12 March 2019	12 March 2019
Share price at grant date	4874p	4874p
Number of employees	63	63
Shares under conditional award	60,239	90,358
Vesting period	Three years	Three years
Expected volatility	20%	20%
Dividend yield	1.7%	1.7%
Possibility of forfeiture	3.45%	3.45%
Fair value per option at grant date	2315p	4623p
Option pricing model	Closed form valuation	Closed form valuation
2018	Market condition	Non-market condition
Grant date	13 March 2018	13 March 2018
Share price at grant date	4580p	4580p
Number of employees	68	68
Shares under conditional award	62,936	94,404
Vesting period	Three years	Three years
Expected volatility	20%	20%
Dividend yield	1.8%	1.8%
Possibility of forfeiture	3.45%	3.45%
Fair value per option at grant date	2794p	4345p
Option pricing model	Closed form valuation	Closed form valuation

A reconciliation of option movements over the year can be seen on the next page:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**
**25. Share-based payments (continued)**
**Croda International Plc Performance Share Plan ('PSP') continued**

	<b>Weighted average exercise price (pence) 2019</b>	<b>Number 2019</b>	<b>Weighted average exercise price (pence) 2018</b>	<b>Number 2018</b>
Outstanding at the 1 January	-	<b>656,684</b>	-	798,825
Granted during the year	-	<b>150,597</b>	-	157,340
Forfeited during the year	-	<b>(36,553)</b>	-	(26,802)
Exercised during the year	-	<b>(256,772)</b>	-	(272,679)
<b>Outstanding at 31 December</b>	-	<b>513,956</b>	-	656,684
For options exercisable in year, weighted average share price at date of exercise	<b>5055</b>	-	4459	-
Weighted average remaining life at 31 December (years)	-	<b>1.0</b>	-	1.0

**Croda International Plc 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**25. Share-based payments (continued)**

**Croda International Plc Deferred Bonus Share Plan ('DBSP')**

The DBSP scheme was established in 2014. Under the DBSP, one third of any annual bonuses due to certain senior executives are deferred. 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 71 to 97 of the Group Annual Report and Accounts).

**2019**

Grant date	12 March 2019
Share price at grant date	4874p
Number of employees	10
Shares under conditional award	8,538
Vesting period	Three years

**2018**

Grant date	13 March 2018
Share price at grant date	4580p
Number of employees	10
Shares under conditional award	18,392
Vesting period	Three years

A reconciliation of option movements over the year is as follows:

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the 1 January	-	196,808	-	175,340
Granted during the year	-	8,538	-	18,392
Forfeited during the year	-	-	-	-
Exercised during the year	-	(79,901)	-	-
Dividend enhancement	-	2,143	-	3,076
<b>Outstanding at 31 December</b>	-	<b>127,588</b>	-	<b>196,808</b>
For options exercisable in year, weighted average share price at date of exercise	5050	-	-	-
Weighted average remaining life at 31 December (years)		0.5	-	0.9

**Croda International Plc Deferred Bonus Discretionary Arrangement**

In addition to the awards under the DBSP, a no cost option over 1,728 shares have been awarded 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 2019, the weighted average remaining life was 1.2 years.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**
**25. Share-based payments (continued)**
**Croda International Plc Restricted Share Plan ('RSP')**

The RSP scheme was established in 2018 and provides for awards of free shares or cash equivalent to a limited number of employees not eligible for the PSP scheme, based on a percentage of salary. The awards vest on the third anniversary of the date of grant, subject to the condition that the employee remains employed by the Group. There are no performance conditions applied to the award. On the vesting date, UK employees will be awarded free shares and non-UK employees will be paid a cash equivalent based on the market price.

**2019**

Grant date	09 Aug 2019	26 Mar 2019
Share price at grant date	4744p	4946p
Number of employees	2	32
Shares under conditional award	582	5,552
Vesting period	Three years	Three years
Expected volatility	20%	20%
Dividend yield	1.8%	1.8%
Possibility of forfeiture	3.45% p.a	3.45%
Fair value per option at grant date	4502p	4694p
Option pricing model	Closed form valuation	Closed form valuation

**2018**

Grant date	20 Mar 2018
Share price at grant date	4590p
Number of employees	31
Shares under conditional award	7,188
Vesting period	Three years
Expected volatility	20%
Dividend yield	1.8%
Possibility of forfeiture	3.45% p.a
Fair value per option at grant date	4356p
Option pricing model	Closed form valuation

A reconciliation of option movements over the year is as follows:

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the 1 January	-	6,751	-	-
Granted during the year	-	6,134	-	7,188
Forfeited during the year	-	(492)	-	(437)
Exercised during the year	-	-	-	-
<b>Outstanding at 31 December</b>	-	<b>12,393</b>	-	<b>6,751</b>
For options exercisable in year, weighted average share price at date of exercise	-	-	-	-
Weighted average remaining life at 31 December (years)	-	<b>1.7</b>	-	<b>2.2</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**26. Leases**

**Company as a lessee**

On initial application of IFRS 16 'Leases', the Company recorded right of use assets and lease liabilities with a value of £3,413,000. This was slightly less than the £3,481,000 non-cancellable lease commitments reported at 31 December 2018 due to the application of short term exemptions. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 2%.

Lease liabilities are due as follows:

	<b>2019 £000</b>
Not later than one year	<b>1,123</b>
After more than one year	<b>1,843</b>
	<hr/> <b>2,966</b> <hr/>

In addition to the lease liabilities recognised at 31 December 2019 the Company has committed to new lease contracts, commencing in 2020, with a total discounted value of £26.9m.

Contractual undiscounted cash flows are due as follows:

	<b>2019 £000</b>
Not later than one year	<b>1,169</b>
Between one year and five years	<b>1,682</b>
Later than five years	<b>213</b>
	<hr/> <b>3,064</b> <hr/>

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	<b>2019 £000</b>
Interest expense on lease liabilities	<b>58</b>
Expenses relating to short-term leases	<b>69</b>
Variable lease payments not included in the measurement of lease liabilities	<b>19</b>
	<hr/> <hr/>

**27. 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****28. Ultimate parent undertaking and controlling party**

The immediate parent undertaking is Croda Investments No 3 Limited, a company registered in England. The ultimate parent undertaking and controlling party is Croda International Plc, a company registered in England. Croda International Plc Group is the largest and smallest group of which the Company is a member and for which consolidated financial statements are prepared. Copies of the Group financial statements can be obtained from the Company Secretary at the registered office of the Company detailed on the Company information page.

**29. Post balance sheet events**

The COVID-19 pandemic has had a significant impact on asset markets and corporate bonds yields, which are key to the IAS 19 assessment of the net pension liability. In particular, global equity markets have seen significant falls in 2020 and corporate bond yields, used to set the IAS 19 discount rate, have also been volatile. At the same time, long term inflation expectations have fallen, used to project future benefit payments. However, this market volatility since the balance sheet date is not expected to have led to a significant deterioration in the Company's net pension liability because the net impact will be mitigated by the scheme's liability driven investment portfolio.