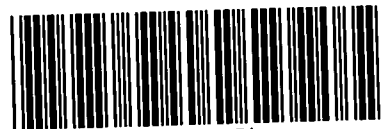


CRODA EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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CRODA EUROPE LIMITED

COMPANY INFORMATION

Directors	S E Breene T M Brophy A D Fitzpatrick N I Challoner J W Hart (resigned 1 February 2022) J W Firth L J Thornton (appointed 20 January 2023)
Company secretary	T M Brophy
Registered number	167236
Registered office	Cowick Hall Snaith Goole East Yorkshire DN14 9AA
Independent auditor	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL
Country of incorporation	United Kingdom - England
Domiciled	United Kingdom - England
Legal form	Private company limited by shares

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022****Introduction**

The Directors present their strategic report of the Company for the year ended 31 December 2022.

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

2022 was a milestone year for the Company as it completed the divestment of the majority of its Performance Technologies and Industrial Chemicals (PTIC) business, a key step in delivering the Group's strategic transition to a pure play Consumer Care and Life Sciences business. On an underlying basis (excluding the impact of the PTIC business disposal), the Company also delivered strong underlying sales and profit growth in a challenging environment, successfully recovering significant input cost inflation and navigating uncertain economic conditions and supply chain disruption.

Following an outstanding 2021, the Life Sciences sector continued to deliver excellent growth, led by a stand-out performance in the Crop Protection business. Sales in the Pharma business were broadly flat against the prior year, with excellent underlying growth driven by an extensive pipeline of non-Covid delivery systems offsetting reduced demand for Covid-19 applications. The Consumer Care sector demonstrated its resilience as a growth platform and achieved record sales in 2022, with strong price/mix performance as rising raw material costs were recovered.

The Company completed its PTIC business disposal to a fellow subsidiary on 31 March 2022 (which was followed by the Group's overall PTIC divestment to Cargill Inc on 30 June 2022). Prior to the disposal of the business, the PTIC sector performed well in 2022, benefitting from the strong commodity pricing environment and recovery of raw material cost inflation. The part of the PTIC business retained by Croda is now known as Industrial Specialities (IS) and will play a key role in supporting the Consumer Care and Life Sciences sectors.

Operating profit of £114.6m (2021: £117.0m) was only slightly down on last year despite the in-year PTIC business disposal and reduced Covid-19 demand for lipid systems, reflecting Croda's powerful operating model together with the benefit of favourable transactional currency in the period, as the weakening of Sterling against the US Dollar (USD) increased the relative value of USD-denominated sales (the average Sterling rate against the Company's other key trading currency, the Euro, was broadly neutral versus 2021).

Total profit for the year included an exceptional gain of £218.0m (inclusive of disposal and separation costs) on the disposal of the PTIC business. The divested business accounted for 11% of the Company's turnover in 2022 (excluding supply agreements for products manufactured at retained sites and supplied to the acquirer) and included the Company's associated PTIC sales operations, one of the Company's manufacturing sites in the UK and an affiliate site in the Netherlands which undertook toll manufacturing for the Company.

Profit before tax increased to £343.6m (2021: £119.0m) primarily due to the gain on business disposal but also included higher income from shares in group undertakings and higher interest income on receivables from group companies and retirement benefit net assets. Interest charges were also lower year-on-year due to provisioning against a non-operating loan in 2021. Profit after tax improved to £322.8m (2021: £89.4m), with the gain on business disposal being tax exempt.

The Company continued to prioritise organic investment in 2022 with £42.6m capital expenditure across our UK manufacturing sites and support operations, targeted towards developing our sustainability leadership in consumer care and crop care markets and increasing our presence in pharmaceutical delivery systems. Investments to expand our UK lipid scale-up facility will be supported by UK government funding grants in 2023, in recognition of the importance of our delivery systems to future drug development and their pandemic preparedness plans.

Looking ahead to 2023, the Company expects turnover to reduce due to the full year impact of the PTIC divestment alongside reduced Covid-19 demand and some customer destocking in the first half of the year, but continued progress is expected in our high-growth markets driven by an exciting innovation pipeline in sustainable ingredients and drug delivery.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 52 to 58 of the Group's Annual Report and Accounts, which does not form part of this report. Whilst the Company holds a dormant branch office in Russia and a 99.9% shareholding in Croda Russia LLC (a Croda sales office based in Moscow which ceased trading during 2022), this is not a material component of the Company's operations and no principal risks or uncertainties have been identified in respect of the branch or investment.

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 % -8.3% (2021: +17.8%)
Return on Sales % 17.0% (2021: 16.2%)

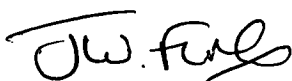
Reported sales declined year-on-year due to the in-year PTIC business disposal but our core business sectors (Consumer Care and Life Sciences) both achieved double-digit sales growth. Return on sales improved 0.8 percentage points over the prior year, reflecting improved business quality and favourable transactional currency partly offset by adverse operating gearing following the PTIC business disposal.

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 Strategic Report of Croda International Plc on pages 18 and 19 of the Group's Annual Report and Accounts.

This report was approved by the board on 8 June 2023 and signed on its behalf.



J W Firth
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors present their report and the financial statements for the year ended 31 December 2022.

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 the 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 £322,752,000 (2021: £89,415,000).

During the year a dividend of £6.84 (2021: £2.86) per share amounting to a total dividend of £215,429,000 (2021: £90,000,000) was paid by the Company. The Directors do not recommend a final dividend (2021: £Nil).

Directors

The Directors who served during the year were:

S E Breene
T M Brophy
A D Fitzpatrick
N I Challoner
J W Hart (resigned 1 February 2022)
J W Firth

The Director retiring by rotation is T M Brophy. 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

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

throughout the year.

Political and charitable contributions

Charitable donations made by the Company during the year amounted to £20,000 (2021: £891). No donation was made for political purposes (2021: £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 193 and 194 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 South Korea. Details on these can be found in note 17.

Further disclosures relevant to the Company are included on pages 141 to 144 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 2022**

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 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: We recognise 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.

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 2022, 84% of our UK employees and 60% of our non-UK employees participated in one of our all-employee share plans, indicating employees' continued desire to be involved in the Company.

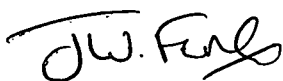
Employees are kept informed of matters of interest to them in a variety of ways, including the Company magazine, Croda Way; quarterly updates; the Company intranet, Connect; team briefings, podcasts, webinars, Yammer and Croda Now email messages. These communications help achieve a common awareness of 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.

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 8 June 2023 and signed on its behalf.



J W Firth
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 2022, which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, 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 2022 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").

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.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of Directors, the Audit Committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee meeting minutes of the parent company.
- Considering remuneration incentive schemes and performance targets for management, including EPS growth target.

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries.

On this audit, we do not believe there is a fraud risk related to revenue recognition because revenue transactions have low individual value with high volume, are routine and process driven and do not involve judgement or estimation. This reduces the opportunities for fraudulent activity.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management or other high-risk users, and those posted to unusual account combinations.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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

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

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

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

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

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

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 these 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 the strategic report and directors' report 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.

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.

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

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.



Ian Griffiths (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

8 June 2023

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Turnover	3	674,331	735,068
Cost of sales		(441,167)	(487,182)
Gross profit		233,164	247,886
Distribution costs		(28,650)	(31,539)
Administrative expenses		(89,946)	(97,387)
Exceptional items	8	-	(1,994)
Operating profit	4	114,568	116,966
Gain on business disposal		218,080	-
Income from shares in group undertakings		7,832	4,605
Interest receivable and similar income	10	5,324	1,068
Interest payable and similar expenses	11	(2,170)	(3,600)
Profit before tax		343,634	119,039
Tax on profit	12	(20,882)	(29,624)
Profit for the financial year		322,752	89,415

The notes on pages 15 to 49 form part of these financial statements.

All amounts relate to continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Profit for the financial year		322,752	89,415
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Currency translation differences		595	(883)
Actuarial gain on defined benefit schemes		91,074	37,856
Tax on items that will not be reclassified		(22,895)	(8,087)
		68,774	28,886
Total comprehensive income for the year		391,526	118,301

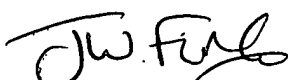
The notes on pages 15 to 49 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Non-current assets			
Goodwill		60,085	61,105
Other Intangible Assets	15	18,354	19,895
Tangible assets	17	157,120	185,887
Investments	17	108,538	114,833
Retirement benefit assets	24	108,339	14,954
		452,436	396,674
Current assets			
Stocks	18	121,334	162,441
Debtors	19	210,874	182,055
Bank & cash balances		16,174	4,721
		348,382	349,217
Creditors: amounts falling due within one year	20	(175,539)	(326,371)
Net current assets		172,843	22,846
Total assets less current liabilities		625,279	419,520
Creditors: amounts falling due after more than one year	21	(45,837)	(37,097)
		579,442	382,423
Provisions for liabilities			
Deferred taxation	22	(38,087)	(20,223)
Other provisions	27	(1,294)	-
Net assets		540,061	362,200
Capital and reserves			
Called up share capital	25	6,297	6,297
Share premium account		155,216	155,216
Revaluation reserve		60	60
Profit and loss account		378,488	200,627
Total shareholders' funds		540,061	362,200

The financial statements on pages 10 to 49 were approved and authorised for issue by the board and were signed on its behalf on 8 June 2023.

J W Firth
Director



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2022	6,297	155,216	60	200,627	362,200
Comprehensive income for the year					
Profit for the year	-	-	-	322,752	322,752
Currency translation	-	-	-	595	595
Remeasurement of post- employment benefit obligations	-	-	-	91,074	91,074
Tax on items that will not be reclassified	-	-	-	(22,895)	(22,895)
Other comprehensive income for the year	-	-	-	68,774	68,774
Total comprehensive income for the year	-	-	-	391,526	391,526
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(215,429)	(215,429)
Share-based payments	-	-	-	1,764	1,764
Total transactions with owners	-	-	-	(213,665)	(213,665)
At 31 December 2022	6,297	155,216	60	378,488	540,061

The notes on pages 15 to 49 form part of these financial statements.

CRODA EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2021	6,297	155,216	60	170,501	332,074
Comprehensive income for the year					
Profit for the year	-	-	-	89,415	89,415
Currency translation	-	-	-	(883)	(883)
Remeasurement of post-employment benefit obligations	-	-	-	37,856	37,856
Tax on items that will not be reclassified	-	-	-	(8,087)	(8,087)
Other comprehensive expenses for the year	-	-	-	28,886	28,886
Total comprehensive income for the year	-	-	-	118,301	118,301
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(90,000)	(90,000)
Share-based payments	-	-	-	1,825	1,825
Total transactions with owners	-	-	-	(88,175)	(88,175)
At 31 December 2021	6,297	155,216	60	200,627	362,200

The notes on pages 15 to 49 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****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 165 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. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. 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.

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 2022**

1. Accounting policies (continued)

1.3 Going concern

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

The Company has generated a profit after tax for the year of £323m, is cash generative, and has net current assets at 31 December 2022 of £173m. The Company is a guarantor to the Group debt facility agreement and is ultimately financed by the Group facility.

At 31 December 2022 the Group had £1,122m of committed debt facilities available from its banking group, USPP bondholders and lease providers, with principal maturities between 2023 and 2030, of which £579.3m (2021: £334.4m) was undrawn, together with cash balances of £320.6m (2021: £112.8m).

The Directors have reviewed the liquidity of both the Company, and the Group, including cashflow and covenant forecasts for the Company's going concern assessment period covering at least 12 months from the date of approval of the financial statements.

The Directors are therefore satisfied that the Company has sufficient resources to continue in operation for a period of not less than 12 months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

1.4 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.

1.5 Research and development

Research expenditure, undertaken with the prospect of gaining new scientific, technical or commercial 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'. Development uncertainties typically mean that such criteria are not met, most commonly because the Company 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 profit and loss account. This includes, for example, substantiating potential product claims for use by our customers. Until the desired outcome of such work can be proven, at an economic production cost, the market for a product cannot be said to exist. Furthermore, the Company does not have the ability to reliably measure the development expenditure attributable to all projects during development.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****1. Accounting policies (continued)****1.6 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 right of use asset is depreciated over the term of the lease.

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).

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.

1.7 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 2022**

1. Accounting policies (continued)

1.8 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 15 years for technology processes, and 6 to 20 years for all other intangibles. Useful lives are regularly reviewed to ensure their continuing relevance.

1.9 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 profit or loss.

1.10 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.

1.11 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 2022**

1. Accounting policies (continued)

1.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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, 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.

1.13 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.

1.14 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 are 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. Remeasurements are recognised in the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****1. Accounting policies (continued)****1.15 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.

1.16 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 193 and 194 of the Group's Annual Report and Accounts.

1.17 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting estimates and judgements

The Company's significant accounting policies under UK-adopted international accounting standards are aligned to the Croda International Plc Group which 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 UK-adopted international accounting standards 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 Company's results are likely to occur from period to period.

The critical accounting judgement required when preparing the Company's accounts is as follows:

Business disposal – as disclosed in note 9, the Group completed the divestment of the majority of its Performance Technologies and Industrial Chemicals ('PTIC') business to a wholly owned subsidiary of Cargill Inc. on 30 June 2022. The Group's assessment that the disposal group does not meet the definition of a separate major line of business or geographical area of operations, and therefore is not a discontinued operation, is a key judgement. The key considerations in forming this conclusion were:

- The Group is not exiting a geographical area of operations; Croda will remain active in all territories in which the divested business operates.
- Whilst the majority of the PTIC business is being divested, a significant proportion remains with Croda via the retained Industrial Specialties product portfolio, supply agreements and retained production capabilities.
- The complex carve-out requirements of the disposal mean that the operations and cash flows of the divested business cannot be distinguished clearly from the remaining Croda Group.

The critical accounting estimate required when preparing the Company's accounts is as follows:

Post-retirement benefits – as disclosed in note 24, the Company'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 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 appropriate and in line with consensus opinion.

3. Turnover

Analysis of turnover by country of destination:

	2022 £000	2021 £000
Europe	452,857	479,858
Americas	117,326	134,602
Asia	78,733	90,261
Rest of World	25,415	30,347
	674,331	735,068

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. Operating profit

The operating profit is stated after charging:

	2022	2021
	£000	£000
Research and development	11,876	12,564
Depreciation of tangible fixed assets	10,182	10,303
Amortisation of intangible assets, including goodwill	2,740	3,310
Exchange differences	(4,184)	1,670
Profit on sales of fixed assets	(41)	(1,926)
Share-based payments	2,394	2,916
Other pension costs	8,693	16,111

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:

	2022	2021
	£000	£000
Fees payable to the Company's auditor for the audit of the Company's financial statements	360	300

There were no payments in either the current or preceding financial year in respect of non-audit services.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Employees

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

	2022 £000	2021 £000
Wages and salaries	49,306	50,805
Social security costs	5,701	5,264
Post-retirement benefit costs	8,693	16,111
Share-based payments	2,394	2,916
Redundancy costs (non-exceptional)	749	638
	66,843	75,734

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

	2022 No.	2021 No.
Production	559	656
Administration	185	195
Selling and Distribution	207	197
	951	1,048

7. Directors' remuneration

Of the 6 Directors named on page 4, only 2 (2021: 3) were remunerated by Croda Europe Limited. In the current year, one of these Directors was remunerated for the full year and one was remunerated until their resignation on 1 February 2022. The remainder were remunerated by the ultimate parent undertaking, Croda International Plc and are not included, as their time working specifically for Croda Europe was not material to the accounts.

	2022 £	2021 £
Directors' emoluments	245,320	419,030
Amounts receivable under long-term incentive schemes	15,868	99,305
Company contributions to defined contribution pension schemes	15,883	24,958
	277,071	543,293

The highest paid Director received remuneration of £224,140 (2021 - £173,392).

The value of the Company's contributions paid to a defined benefit pension scheme in respect of the highest paid Director amounted to £14,439 (2021 - £12,282).

During the year 2 Directors (2021: 2) received shares under the long-term incentive schemes. The value received under these schemes in respect of the Highest paid Director at 31 December 2022 was £6,342 (2021: £97,574).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

8. Exceptional items

	2022 £000	2021 £000
Fair value movement on contingent consideration	-	(1,906)
Redundancy, restructuring and impairments	-	3,900
	<u>-</u>	<u>1,994</u>

9. Business disposal

On 30 June 2022, the Group completed the disposal of the majority of its Performance Technologies and Industrial Chemicals business for cash consideration of £289.6m. The divested business comprised manufacturing facilities, together with associated laboratory facilities and sales operations, and formed part of Croda's integrated operating model prior to disposal. The following table summarises the effect of the disposal on the Company's consolidated financial statements.

	2022 £000	2021 £
Consideration received	289,594	-
Assets and liabilities of divested business		
Investments in subsidiaries	6,953	-
Goodwill	1,020	-
Other intangible assets	245	-
Tangible fixed assets	63,085	-
Stocks	17,295	-
Debtors	187	-
Creditors	(653)	-
Deferred tax	(7,904)	-
	<u>80,228</u>	<u>-</u>
Net assets		
Associated transactions and costs		
Pension curtailment gain	3,895	-
Disposal and separation costs	(2,203)	-
Foreign exchange gains	7,022	-
	<u>8,714</u>	<u>-</u>
	<u>218,080</u>	<u>-</u>
Gain on business disposal before tax		

Disposal and separation costs primarily comprise external consultant support for financial, tax and operational aspects of the transaction as well as related employee bonuses. The gain on business disposal includes foreign exchange gains that resulted from the settlement of proceeds and associated intercompany balances across the Company shortly following completion.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**
10. Interest receivable and similar income

	2022	2021
	£000	£000
Interest receivable from group companies	3,039	1,058
Bank interest receivable	3	10
Interest on post-retirement benefits	2,282	-
	5,324	1,068

11. Interest payable and similar expenses

	2022	2021
	£000	£000
Bank interest payable	1,413	402
Other loan interest payable	-	2,594
Loans from group undertakings	102	14
Interest on lease liabilities	655	590
	2,170	3,600

Included within other interest payable in the prior year was £2,500,000 relating to a provision against a non-operating loan. The balance related to interest payable on post-retirement benefits.

12. Tax on profit

	2022	2021
	£000	£000
Corporation tax		
Current tax on profits for the year	20,653	21,330
Adjustments in respect of previous periods	(4,540)	2,765
Foreign tax on income for the year	1,891	1,533
Total current tax	18,004	25,628
Deferred tax		
Origination and reversal of timing differences	2,651	955
Changes to tax rates	625	3,416
Prior year adjustments	(398)	(375)
Total deferred tax	2,878	3,996
Tax on profit	20,882	29,624

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £000	2021 £000
Profit before taxation	343,634	119,039
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	65,290	22,617
Effects of:		
Changes to tax rate	625	3,416
Non-taxable gain on business disposal	(42,737)	-
Expenses and write-offs not deductible for tax purposes	757	1,479
Higher rate taxes on overseas earnings	2,138	178
Adjustments to tax charge in respect of prior periods	(4,938)	2,390
Adjustment in research and development tax credit leading to a decrease in the tax charge	(253)	(456)
Total tax charge for the year	20,882	29,624

Factors that may affect future tax charges

Legislation to increase the UK standard rate of corporation tax from 19% to 25% was substantively enacted on 24 May 2021, effective from 1 April 2023. This will have a consequential effect on the company's future tax charge.

13. Dividends

	2022 £000	2021 £000
Dividend paid on ordinary shares of £6.84 (2021: £2.86) per share	215,429	90,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Goodwill

	2022 £000
Cost	
At 1 January 2022	86,511
Disposals	(1,133)
At 31 December 2022	<u>85,378</u>
Amortisation	
At 1 January 2022	25,406
On disposals	(113)
At 31 December 2022	<u>25,293</u>
Net book value	
At 31 December 2022	<u><u>60,085</u></u>
At 31 December 2021	<u><u>61,105</u></u>

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 pages 184 and 185 of the Group's Annual Report and Accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Intangible assets

	Computer software £000	Technology processes £000	Licenses £000	Other intangibles £000	Total £000
Cost					
At 1 January 2022	28,225	12,258	2,133	707	43,323
Additions - external	1,535	-	-	-	1,535
Disposals	(5,336)	(267)	-	-	(5,603)
At 31 December 2022	<u>24,424</u>	<u>11,991</u>	<u>2,133</u>	<u>707</u>	<u>39,255</u>
Amortisation					
At 1 January 2022	16,557	4,965	1,219	687	23,428
Charge for the year on owned assets	1,510	1,217	-	13	2,740
Disposals	(5,062)	(205)	-	-	(5,267)
At 31 December 2022	<u>13,005</u>	<u>5,977</u>	<u>1,219</u>	<u>700</u>	<u>20,901</u>
Net book value					
At 31 December 2022	<u>11,419</u>	<u>6,014</u>	<u>914</u>	<u>7</u>	<u>18,354</u>
At 31 December 2021	<u>11,668</u>	<u>7,293</u>	<u>914</u>	<u>20</u>	<u>19,895</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 10.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Tangible fixed assets

	Freehold property £000	L/Term Leasehold Property £000	Plant & machinery £000	Motor vehicles £000	Total £000
Cost or valuation					
At 1 January 2022	41,863	27,393	316,584	242	386,082
Additions	6,046	81	36,481	38	42,646
Disposals and write offs	(6,898)	(1,280)	(129,558)	(109)	(137,845)
Lease remeasurements	-	1,737	27	-	1,764
Exchange adjustments	-	94	41	-	135
At 31 December 2022	41,011	28,025	223,575	171	292,782
Depreciation					
At 1 January 2022	21,494	3,341	175,228	132	200,195
Charge for the year on owned assets	643	-	7,006	-	7,649
Charge for the year on right-of-use assets	-	1,787	696	50	2,533
Disposals and write offs	(4,950)	(1,280)	(68,448)	(89)	(74,767)
Exchange adjustments	-	16	36	-	52
At 31 December 2022	17,187	3,864	114,518	93	135,662
Net book value					
At 31 December 2022	23,824	24,161	109,057	78	157,120
At 31 December 2021	20,369	24,052	141,356	110	185,887

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

	2022 £000	2021 £000
Tangible fixed assets owned	129,256	158,256
Right-of-use tangible fixed assets	27,864	27,631
	157,120	185,887

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Tangible fixed assets (continued)

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

Net book value

	2022	2021
	£000	£000
Property	24,161	24,052
Plant and machinery	3,625	3,469
Motor vehicles	78	110
	27,864	27,631

Depreciation charge for the year ended

	2022	2021
	£000	£000
Property	1,787	1,927
Plant and machinery	696	224
Motor vehicles	50	50
	2,533	2,201

Information on lease liabilities and a maturity analysis of contractual undiscounted cash flows relating to these liabilities is presented in note 28 on page 49.

The value of assets under construction not yet subject to depreciation at 31 December was as follows:

	2022	2021
	£000	£000
Land and buildings	7,845	7,624
Plant and equipment	52,429	73,021
	60,274	80,645

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Investments

	Investments in subsidiary companies £000	Investments in associates £000	Other investments £000	Total £000
Cost or valuation				
At 1 January 2022	114,515	3,900	1,905	120,320
Additions	658	-	-	658
Disposals	(6,953)	-	-	(6,953)
At 31 December 2022	108,220	3,900	1,905	114,025
Impairment				
At 1 January 2022	1,587	3,900	-	5,487
At 31 December 2022	1,587	3,900	-	5,487
Net book value				
At 31 December 2022	106,633	-	1,905	108,538
At 31 December 2021	112,928	-	1,905	114,833

Investments in subsidiary companies

During the year the Company increased its investment in Enza Biotech AB. As part of the divestment of the majority of the Performance Technologies and Industrial Chemicals business the Company disposed of Rewitec GmbH.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**
17. Investments (continued)
Related undertakings

The following were related undertakings of the Company. Those marked with a * are directly owned. The undertaking marked with a † is classified in the above table as other investments.

Name	Registered office	Class of shares	Holding
Croda Canada Limited *	1700 Langstaff Road, Suite 1000, Vaughan, Ontario, L4K 3S3, Canada	Ordinary	100%
Croda Nordica AB *	Geijersgatan 2B, 216 18 Limhamn, Sweden	Ordinary	100%
Croda Russia (Branch Office) *	Raketnyi Boulevard 16, BC "Alekseevskaya Tower", Office 1301, 129164 Moscow, Russia	Ordinary	100%
Croda GmbH *	Herrenpfad Süd 33, 41334 Nettetal, Germany	Ordinary	15%
Croda Kimya Ticaret Limited Sirketi *	Nidakule Göztepe Is, Merkezi, Merdivenköy Mahallesi, Bora Sokak, No: 1 Kat:2/5 Kadiköy 34732, Istanbul, Turkey	Ordinary	1%
Croda Korea (Branch Office) *	Rm. 1201, 12th Floor, 42, Hwang Saë UI-Ro 360 Beon-Gil, Bun Dang- Gu, Seong Nam-Si, Gyeong Gi-Do, 13591, Republic of Korea	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, Russia	Ordinary	99.9%
Enza Biotech AB *	Scheelevägen 22, 22363 Lund, Sweden	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%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Investments (continued)

Related undertakings (continued)

Name	Registered office	Class of shares	Holding
Croda Limited *	See Company Information page	Ordinary	100%
Croda Colloids Limited *	See Company Information page	Ordinary	100%
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 *	Elsensbakken 23, 3600 Frederikssund, Denmark	Ordinary	100%
MX Adjuvac AB	Geijersgatan 2B, 216 18 Limhamn, 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	7-1 Nishi-shinjuku 3- chome, Shinjuku-ku, Tokyo 163-1001, Japan	Ordinary	18%
Croda Magyarorszag Kft *	1117 Budapest XI, Bölcso utca 6. 1. emelet 4, Hungary	Ordinary	3%
SiSaf Ltd †	3 Huxley Road, Surrey Research Park, Guildford, GU2 7RE	Ordinary	3.89%

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 2022**

18. Stocks

	2022	2021
	£000	£000
Raw materials and consumables	31,159	35,449
Work in progress (goods to be sold)	22,740	35,314
Finished goods and goods for resale	67,435	91,678
	121,334	162,441

The Company consumed £441,284,000 (2021: £492,230,000) of stock during the year.

19. Debtors

	2022	2021
	£000	£000
Trade debtors	41,507	20,890
Amounts owed by group undertakings	158,924	146,862
Other debtors	5,107	9,759
Prepayments and accrued income	5,336	4,544
	210,874	182,055

Although the amounts owed by group undertakings have no fixed date of repayment, £110,388,000 (2021: £94,252,000) is expected to be collected after one year. Of the amounts owed by group undertakings, £126,621,000 (2021: £124,140,000) attracts interest of 2.012451% (2021: 0.8359%) per annum, is unsecured and has no fixed repayment terms. The remainder will continue to be interest free.

20. Creditors: amounts falling due within one year

	2022	2021
	£000	£000
Bank overdrafts	30,411	29,209
Trade creditors	21,689	36,514
Amounts owed to group undertakings	75,242	194,494
Corporation tax	18,882	35,201
Other taxation and social security	-	509
Lease liabilities	2,153	2,004
Other creditors	508	1,035
Accruals and deferred income	26,654	27,405
	175,539	326,371

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 2022**

21. Creditors: amounts falling due after more than one year

	2022	2021
	£000	£000
2019 Club facility due 2026	20,738	11,116
Lease liabilities	25,099	25,981
	45,837	37,097

Analysis of the maturity of loans is given below:

	2022	2021
	£000	£000
Amounts falling due 2-5 years		
Other loans	20,738	11,116

The Group's 2019 Club facility falls due for repayment upon expiry of the agreement in October 2026. Interest is charged on this agreement at a floating rate based on SONIA, ICE LIBOR or EURIBOR, depending upon the drawdown currency, plus a variable margin. The margin the Group pays on this borrowing over and above standard rates is determined by the Group's net debt to EBITDA ratio.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**
22. Deferred taxation

	2022 £000	2021 £000
At 1 January	(20,223)	(8,140)
Charged to profit or loss	(2,873)	(3,996)
Charged to other comprehensive income	(22,895)	(8,087)
Disposals	7,904	-
At 31 December	(38,087)	(20,223)

The provision for deferred taxation is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	(9,497)	(16,486)
Pension surplus	(27,080)	(3,737)
Other	(1,510)	-
	(38,087)	(20,223)

Comprising:

	2022 £000	2021 £000
Liability - accelerated capital allowances	(9,497)	(16,486)
Liability - retirement benefit obligations	(27,080)	(3,737)
Liability - other	(1,510)	-
	(38,087)	(20,223)

Deferred tax assets have been recognised in all material cases where such assets arise, as it is probable the assets will be recovered.

Unrelieved tax losses of £15,871k (2021: £15,871k) remain available to offset against future taxable trading profits.

No provision has been made for deferred income tax on losses carried forward as they will only be available for offset when the Company makes sufficient taxable profits arising from the same trade. As the availability of future profits is uncertain, it has been assumed that the losses will not be recoverable in the foreseeable future.

A net unrecognised deferred tax asset of £3,968k (2021: £3,968k) is made up of deferred tax assets on losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

23. Capital commitments

At 31 December the Company had capital commitments as follows:

	2022	2021
	£000	£000
Contracted for but not provided in these financial statements	9,626	6,127

24. Post-retirement benefits

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

	2022	2021
	£000	£000
Profit and loss charge included in profit before tax	6,406	16,204
Remeasurements included in other comprehensive income	91,021	37,841

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 asset of £19,000 (2021: £7,000).

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 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 which is calculated based on the number of scheme members.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**
24. Post retirement benefits (continued)

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:

	2022 £000	2021 £000
Movement in present value of defined benefit obligations in the year:		
Opening balance	1,106,839	1,121,784
Current service cost	12,458	15,899
Past service cost - curtailments	(3,895)	-
Interest cost	24,726	14,471
Remeasurements - change in demographic assumptions	(1,522)	7,521
Remeasurements - change in financial assumptions	(426,589)	(46,267)
Remeasurements - experience gains	15,216	24,372
Contributions paid in - employee	2,568	2,666
Benefits paid	(39,181)	(33,607)
	<u>690,620</u>	<u>1,106,839</u>
	2022 £000	2021 £000
Movement in fair value of scheme's assets in the year:		
Opening balance	1,121,785	1,107,696
Interest income	27,008	14,375
Remeasurements - return on scheme assets, excluding amounts included in financial expenses	(321,873)	23,467
Contributions paid in - employee	2,568	2,666
Contributions paid in - employer	8,633	7,188
Benefits paid out including settlements	(39,181)	(33,607)
	<u>798,940</u>	<u>1,121,785</u>
	2022 £000	2021 £000
Net surplus	<u>108,320</u>	<u>14,947</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

24. Post retirement benefits (continued)

As at the balance sheet date, the present value of defined benefit obligations comprised approximately £135m in respect of active employees, £210m in respect of deferred members and £346m in relation to members in retirement.

Total employer contributions to the scheme in 2023 are expected to be £10.4m.

	2022	2021
The actuarial assumptions were as follows:		
Discount rate	4.8%	1.8%
Inflation rate - RPI	3.2%	3.2%
Inflation rate - CPI	2.6%	2.8%
Rate of increase in salaries	4.6%	4.8%
Rate of increase for pensions in payment	3.0%	3.1%
Duration of liabilities (ie life expectancy) (years)	15.0	18.9
Remaining working life	9.5	9.6

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. The UK mortality improvement scale has been updated to CMI2021, in order to reflect the most recent CMI model with no weighting for 2020 and 2021 experience given uncertainty around the long-term impact of COVID-19 on life expectancy. The mortality experience analysis for the scheme will be carried out in the future as part of the 30 September 2023 funding valuation for the UK Croda Pension Scheme. Applying the mortality tables adopted, the expected future average lifetime of members (Male / Female) currently at age 65 is 20.2 / 23.3 years and members at age 65 in 20 years' time is 21.5 / 24.8 years.

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

	Sensitivity	Of increase	Of decrease
Impact on defined benefit obligation			
Discount rate	0.5%	-6.6%	7.4%
Inflation rate	0.5%	5.4%	-5.1%
Mortality (change in life expectancy)	1 year	3.7%	-3.8%

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.

The weighted average duration of the defined benefit obligation is 15.0 years (2021: 18.9 years).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

24. Post retirement benefits (continued)

	2022	2022	2021	2021
	£000	%	£000	%
The assets in the scheme comprised:				
Quoted				
- Equities	28,911	4	128,811	12
- Government bonds	315,353	39	554,943	49
Unquoted				
- Cash and cash equivalents	89,775	11	67,975	6
- Real estate	57,346	7	58,646	5
- Derivatives	(43,841)	-5	9,520	1
- Other	351,396	44	301,890	27
	798,940	100	1,121,785	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. During September and October 2022 significant volatility in UK interest rates impacted pensions scheme's that use LDI funds. The Scheme's low level of leverage in the LDI portfolio and significant collateral headroom has meant that the Scheme has remained resilient to this volatility. As a result of market movements the Scheme's asset allocation during Q4 2022 was out of line with the target allocation with an overweight position to return seeking assets. The Trustee and investment consultant reviewed the Scheme's investments and instructed various trades to rebalance the Scheme's portfolio towards the target allocation. The increases in interest rates over the year have seen an improvement in the Scheme's overall funding position and the Trustee and its advisors are continuing to review and monitor the situation. Other investments include; a fund of hedge funds, which consists of a fund of multiple investment managers across both traditional markets such as equities and credit and also more specialist diversified strategies; infrastructure type investments that hold assets linked to the value and income from UK and overseas infrastructure.

25. Called up share capital

	2022	2021
	£000	£000
Allotted, called up and fully paid		
31,483,803 (2021: 31,483,803) Ordinary shares of £0.20 each	6,297	6,297

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

26. Share-based payments

The total charge for Croda Europe Limited for the year relating to share based remuneration schemes was £2,394,000 (2021: £2,916,000). 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 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	15 Sep 2022	16 Sep 2021
Share price at grant date	6568p	9144p
Exercise price	5509p	7327p
Number of employees	646	727
Shares under option	69,318	55,474
Vesting period	Three years	Three years
Expected volatility	26%	20%
Option life	Six months	Six months
Risk free rate	3.1%	0.3%
Dividend yield	1.6%	1.0%
Possibility of forfeiture	7.5% p.a	7.5% p.a.
Fair value per option at grant date	1758.1p	2094.0p
Option pricing model	Black Scholes	Black Scholes

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

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the 1 January	5082	212,421	4243	230,705
Granted during the year	5509	69,318	7327	55,474
Forfeited during the year	6340	(35,999)	4524	(11,177)
Exercised during the year	4028	(90,189)	4081	(62,581)
Outstanding at 31 December	5592	155,551	5082	212,421
Exercisable at 31 December	3898	5,561	4144	4,434
For options exercisable in year, weighted average share price at date of exercise	6789		9206	
Weighted average remaining life at 31 December (years)		2.4		2.4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

26. 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	15 Sep 2022	16 Sep 2021
Share price at grant date	6568p	9144p
Exercise price	5509p	7327p
Number of employees	2,660	2,973
Shares under option	243,807	202,071
Vesting period	Three years	Three years
Expected volatility	27%	20%
Option life	One month	One month
Risk free rate	3.4%	0.3%
Dividend yield	1.6%	0.9%
Possibility of forfeiture	7.5% p.a	7.5% p.a.
Fair value per option at 31 December	1814.7p	2934.8p
Option pricing model	Black Scholes	Black Scholes

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

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the 1 January	5227	653,245	4262	681,756
Granted during the year	5509	243,807	7327	202,071
Forfeited during the year	5917	(101,670)	4519	(57,397)
Exercised during the year	3960	(247,676)	4141	(173,185)
Outstanding at 31 December	5778	547,706	5227	653,245
For options exercisable in year, weighted average share price at date of exercise	6664		9378	
Weighted average remaining life at 31 December (years)		2.0		1.8

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

26. 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), sustainability conditions in relation to decarbonisation roadmaps and emissions (non-market conditions) and the Group's total shareholder return (market condition). The PSP is discussed in detail in the Directors' Remuneration Report (pages 102 to 140 of the Group Annual Report and Accounts). Shares (on an after tax basis) are subject to a two year post vesting holding period. 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:

2022	Market condition	Non-market condition
Grant date	22 March 2022	22 March 2022
Share price at grant date	7390p	7390p
Number of employees	67	67
Shares under conditional award	42,676	79,254
Vesting period	Three years	Three years
Expected volatility	24%	24%
Dividend yield	1.4%	1.4%
Possibility of forfeiture	3.45% p.a.	3.45% p.a.
Fair value per option at grant date	3111p	7098p
Option pricing model	Closed form valuation	Closed form valuation
2021	Market condition	Non-market condition
Grant date	24 March 2021	24 March 2021
Share price at grant date	6401p	6401p
Number of employees	68	68
Shares under conditional award	45,546	84,585
Vesting period	Three years	Three years
Expected volatility	20%	20%
Dividend yield	1.4%	1.4%
Possibility of forfeiture	3.45% p.a.	3.45% p.a.
Fair value per option at grant date	2420p	6136p
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 2022**

26. Share-based payments (continued)

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

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the 1 January	-	426,300	-	461,005
Granted during the year	-	121,930	-	130,131
Forfeited during the year	-	(14,536)	-	(108,077)
Exercised during the year	-	(134,579)	-	(56,759)
Outstanding at 31 December	-	399,115	-	426,300
For options exercisable in year, weighted average share price at date of exercise	6870		6205	
Weighted average remaining life at 31 December (years)		1.2		1.3

Croda International Plc Share Incentive Plan ('SIP')

The SIP has similar objectives to the Sharesave Scheme in terms of increasing employee retention and share ownership. Under the 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 2022**

26. 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 was no award granted in 2021. There are no performance conditions applied to the award. The DBSP is also discussed in the Directors' Remuneration Report (pages 102 to 140 of the Group Annual Report and Accounts).

2022

Grant date	22 Mar 2022
Share price at grant date	7390p
Number of employees	11
Shares under conditional award	16,914
Vesting period	Three years

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

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the 1 January	-	8,913	-	28,127
Granted	-	16,914	-	-
Exercised during the year	-	(8,913)	-	(19,315)
Dividend enhancement	-	246	-	101
Outstanding at 31 December	-	17,160	-	8,913
For options exercisable in year, weighted average share price at date of exercise	6904		6205	
Weighted average remaining life at 31 December (years)		2.3		0.2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

26. 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.

2022

Grant date	24 Oct 2022	29 Mar 2022
Share price at grant date	6646p	7795p
Number of employees	1	57
Shares under conditional award	337	6,356
Vesting period	Three years	Three years
Dividend yield	1.5%	1.3%
Possibility of forfeiture	3.45% p.a	3.45% p.a.
Fair value per option at grant date	6349p	7506p
Option pricing model	Closed form valuation	Closed for valuation

2021

Grant date	17 Mar 2021
Share price at grant date	6314p
Number of employees	66
Shares under conditional award	8,621
Vesting period	Three years
Dividend yield	1.4%
Possibility of forfeiture	3.45% p.a
Fair value per option at grant date	6049p
Option pricing model	Closed form valuation

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

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the 1 January	-	20,958	-	19,288
Granted during the year	-	6,693	-	8,621
Forfeited during the year	-	(1,226)	-	(693)
Exercised during the year	-	(6,531)	-	(6,258)
Outstanding at 31 December	-	19,894	-	20,958
For options exercisable in year, weighted average share price at date of exercise	7260		6257	
Weighted average remaining life at 31 December (years)		1.3		1.5

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

26. Share-based payments (continued)

Croda International Plc Free Share Plan ('FSP')

The FSP scheme was established in 2021 and provides for awards of free shares or cash equivalent to eligible employees. The Company has discretion to set the number of shares awarded. The awards will vest provided that the employee remains employed by the Group and that a bonus payment is paid under the terms of the Company's Group Profit Incentive Bonus Scheme in respect of the financial year concerned. Subject to the two conditions being met, on the vesting date, UK employees (and certain other identified jurisdictions) will be awarded free shares and non-UK employees will be paid a cash equivalent based on the market price.

Grant date	6 Sep 2022	3 Nov 2021
Share price at grant date	6648p	9597p
Number of employees	5,038	5,237
Shares under option	50,380	52,370
Vesting period	One year	One year
Dividend yield	1.6%	1.0%
Possibility of forfeiture	7.5% p.a	7.5% p.a.
Fair value per option at grant date	6497p	9503p
Option pricing model	Closed form valuation	Closed form valuation

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

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the 1 January	-	51,580	-	-
Granted during the year	-	50,380	-	52,370
Forfeited during the year	-	(2,470)	-	(790)
Exercised during the year	-	(50,160)	-	-
Outstanding at 31 December	-	49,330	-	51,580
For options exercisable in year, weighted average share price at date of exercise	7606		-	
Weighted average remaining life at 31 December (years)		0.3		0.3

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

27. Other provisions

	Site Restoration £000
At 1 January 2022	-
Remeasurement	1,294
At 31 December 2022	1,294

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.

During the year, site restoration provisions have been made for certain leased sites with an existing obligation to restore the environment or dismantle assets. The provisions are based on currently available facts and prior experience and are recorded at the estimated amount as at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****28. Leases****Company as a lessee**

The weighted average incremental borrowing rate applied to lease liabilities during the year was 2%.

Lease liabilities are due as follows:

	2022	2021
	£000	£000
Not later than one year	2,153	2,004
After more than one year	25,099	25,981
	27,252	27,985

Contractual undiscounted cash flows are due as follows:

	2022	2021
	£000	£000
Not later than one year	2,739	2,638
Between one year and five years	9,980	9,867
Later than five years	19,890	21,330
	32,609	33,835

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

	2022	2021
	£000	£000
Interest expense on lease liabilities	655	590
Expenses relating to short-term leases	-	62
Variable lease payments not included in the measurement of lease liabilities	-	47

29. 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.

30. 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.