Annual Report & Accounts 2010

CRODA

The Croda Vision

To remain an independent company and operate as one global team

We will continually improve

We will continue to be an ethical and responsible company

There will be a place for many styles of leadership, but all leaders will have as their primary objective to build other leaders

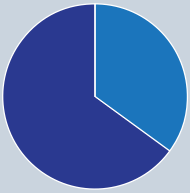
We will remain a 'fun', lively, stimulating and exciting place to work, where all employees have the courage to question, and all functions and individuals are valued

We can only achieve our goals through excellent and constant communication, creativity and setting clear objectives at every level

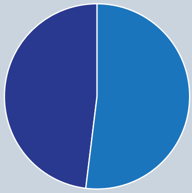
Contents

Financial highlights

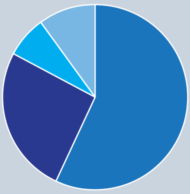
	2010	2009
Revenue - continuing operations	£1,001.9m	£827.5m
Profit before tax - continuing operations before exceptional items	£192.3m	£108.0m
Profit before tax	£192.3m	£90.8m
Earnings per share - continuing operations before exceptional items	95.4p	53.8p
Earnings per share - basic	96.1p	17.6p
Dividends per share	35.0p	21.5p
Gearing	80.3%	182.4%



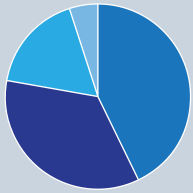
Sales by market 1998
- Consumer Care 35%
- Industrial Specialities 65%



Sales by market 2010 *
- Consumer Care 52%
- Industrial Specialities 48%



Sales by destination 1998
- Europe 57%
- Americas 26%
- Asia 7%
- Rest of World 10%



Sales by destination 2010 *
- Europe 43%
- Americas 35%
- Asia 17%
- Rest of World 5%

* Continuing operations

In order to show underlying business performance, throughout the Chairman's statement, Chief Executive's review and the Financial review, sales and profits are stated for continuing operations. In 2010, there were no exceptional costs for continuing operations. In 2009, operating profit and pre-tax profit are stated for continuing operations before exceptional costs of £17.2m. Further details of discontinued operations and exceptional items are included in note 7 to the financial information.

Products and markets

Croda is a world leader in the sale and manufacture of natural based speciality chemicals. Our extensive range of products is sold to thousands of customers in a wide variety of markets. Our activities can be broadly classified into two sectors, **Consumer Care** and **Industrial Specialities**. The markets served by each of these sectors, along with the key product groups, are outlined below.

Consumer Care		
Personal Care We create products for the skin care, sun care, hair care, baby care, colour cosmetics, male grooming, bath and shower and antiperspirant markets. These include inorganic UV absorbers, lanolins, emollients, polymers, proteins, surfactants and skin care actives.	**Health Care** Our high purity ingredients are used in the pharmaceutical, dermatological, nutraceutical, functional food and animal health markets. These include concentrated omega fatty acids, ultra pure medical grade lanolins, Super Refined™ excipients and a wide range of surfactants, solubilisers, emulsifiers and fatty acid esters.	**Crop Care** We provide inert ingredients and adjuvants for the full spectrum of agrochemical applications. These include polymeric surfactants, dispersants, wetting agents, emulsifiers, stabilisers, adjuvants and seed coating binders.
Industrial Specialities		
Coatings and Polymers We provide environmentally friendly, high performance solutions to paint formulators, resin manufacturers and additive producers. This includes a wide range of naturally derived oleochemicals and speciality surfactants.	**Home Care** We supply ingredients for laundry, household, industrial and institutional cleaning applications, as well as for wipes, tissues, nappies and hygiene articles. These include proteins and their derivatives, softeners, surfactants, solvents, emulsifiers, solubilisers, hydrotropes, tissue lotions, botanical extracts, fatty acids and glycerine.	**Polymer Additives** We provide speciality effects for a wide range of industrial and consumer plastics, packaging and rubber applications. These include slip, anti-block, anti-static, anti-fog, mould and torque release agents as well as UV absorbers, dispersants and concentrates.
Lubricant Additives We supply ingredients based on renewable raw materials to automotive and industrial lubricant markets. These multi-functional esters, polyalkylene glycols and speciality lubricant additive products deliver high performance, energy efficient solutions to meet the challenging demands of the lubricant industry.	**Geo Technologies** We provide innovative, efficient solutions for the oil field, mining and water treatment markets. These include demulsifiers for the oil field industry, emulsifiers for explosives and water soluble polymer components for the formulation of water treatments.	**Process Additives** We supply ingredients and additives for use in a range of market applications including rubber, candles, textiles, leather and surfactants. These include the full range of our products; from base oleochemical fatty acids and glycerine to esters, polymeric surfactants and amides.

Chairman's statement

Martin Flower
Non-executive Chairman

Croda has delivered an unbroken run of continuing sales and profit growth for over ten years. This is a testament to the focus on a clear strategy which is communicated and executed throughout the business. This year has seen record results, with strong demand, tight cost control and the benefits of past restructuring producing the uplift.

Turnover was over £1 billion for the first time

Full Year Results

Record turnover and profits were achieved in 2010.

Turnover was over £1 billion for the first time at £1,001.9m, up 21.1% on 2009's £827.5m. Pre-tax profits increased 78.1% to £192.3m (2009: £108.0m). Continuing earnings per share were up 77.3% at 95.4p (2009: 53.8p).

Demand was strong in all business areas within both sectors and across all major geographies. Latin America, Asia and Africa accounted for 32.4% of Group turnover and that does not include ingredients we sell in Europe and America where our customers export finished products to consumers in those markets.

Consumer Care turnover was up 14.0% to £516.4m (2009: £453.1m). All business areas recorded at least double digit growth, with Personal Care and Crop Care leading the way. Operating profit increased 31.8% to £136.5m (2009: £103.6m).

Industrial Specialities turnover was up 29.7% to £485.5m (2009: £374.4m). Our strategy to focus on lower volume, high specification, high quality ingredients to our five markets was central to our progress. This further benefitted the operating profit where profits rose 246.9% to £62.1m (2009: £17.9m).

The first half of 2009 had been adversely affected by customer destocking as a result of the recession but nevertheless this was a very pleasing result.

Return on sales increased to 12.8% (2009: 4.8%), beating our previous 10% target and making good progress towards the new, more challenging 15% goal.

Cash flow was again very impressive with a £68.2m reduction in net debt. EBITDA drove the result, which was achieved despite a working capital increase as activity levels rose dramatically.

Disposals and Acquisitions

We continue to streamline the business and focus on high value speciality products.

On 10 May 2010 we announced that we had agreed to sell the Emmerich site and associated business in Germany to KLK Emmerich GmbH, a subsidiary of the KLK Group, for €55.0m. As part of the transaction, the purchaser assumed the IAS 19 retirement benefit obligations relating to the business of €38.4 million so that cash payable at completion was €16.6m.There was an exceptional profit before tax on the sale of £0.9m.

In November 2010 we bought out our joint venture partners' 40% share in our Indonesian company for $1.6m. Since the year end we have sold our 60% shareholding in the Korean joint venture to the non-controlling shareholders for £2.2m. Korea remains an important market for Croda and our sales, distribution and technical operations in the country are unaffected by the disposal.

All these businesses were acquired with Uniqema in 2006.

As a business, we seek to provide our customers with products that meet market demands and, wherever possible, with environmentally friendly solutions

Retirement Benefits

Our gross IAS 19 pension deficit reduced from £203.5m to £147.8m. The sale of Emmerich in May 2010 was the biggest element of the reduction as it removed almost all of our pension liabilities in Germany. The deficit was then further reduced in 2010 by additional Company contributions and increased asset values from stronger global equity markets outweighing increased liabilities as a consequence of slightly lower corporate bond rates.

Dividend

Given the strong performance across all our businesses, the Board will propose an increase in the final dividend of 68.3% to 25.25p (2009: 15.0p). This will give a total dividend for the year of 35.0p, up 62.8% on 2009's 21.5p.

Share Buyback

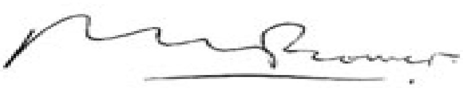
With Croda's performance and prospects being so strong it makes sense to maximise our investment in the business through capital expenditure and acquisitions where appropriate.

We expect to increase capital expenditure in 2011 to a higher level than that seen in recent years in order to increase capacity, but there is a limit to what can be spent in any one year without disrupting operations.

Despite this increase, we expect to generate a significant amount of cash in 2011 and with our net debt to EBITDA ratio already below one times, we believe that returning excess cash to shareholders by resuming our share buyback programme is a logical move. We see the programme as tactical and continue to monitor suitable acquisition opportunities. In the absence of such acquisitions, we would expect to buy shares worth around £50m in the market over the next year.

Outlook

The strong trading performance during the fourth quarter has continued into 2011. We are continuing to see significant raw material inflation and have increased our prices as we entered the year to protect our profitability. Across both Consumer Care and Industrial Specialities, our global markets continue to grow and we are confident of making further progress in the current year.



Martin Flower
Chairman

Croda's Polymer Additives business launched Atmer™ 7510 in 2010. This additive provides several benefits to customers using recycled PET plastics, including increased product quality and energy savings due to more efficient processing.

Chief Executive's review

Mike Humphrey
Group Chief Executive

Sales were very strong in 2010 in both reporting sectors. Industrial Specialities had the highest growth, particularly in the first half, with weak comparatives in 2009 due to the recession.

Performance and Prospects

Consumer Care

There are three main business areas within the Consumer Care segment: Personal Care, Health Care and Crop Care. In 2010, sales increased by 14.0% to £516.4m (2009: £453.1m) and operating profits increased 31.8% to £136.5m (2009: £103.6m) with the underlying margin from the extra sales boosted by the benefits of last year's restructuring and tight cost control. Return on sales increased to 26.4% (2009: 22.9%).

Personal Care is the largest of the business areas and sales grew faster than the Consumer Care average, with the strongest growth in prestige and high end salon products to our largest customers. Sales were particularly strong in North America and Europe. Our innovation and new product pipeline remains very strong and this is fuelling demand.

Health Care saw double digit growth despite capacity constraints in the first half of the year. New high purity Omega 3 capacity will be operational in the first half of 2011.

After a quiet first quarter, Crop Care achieved very strong sales with North American and European markets again seeing the highest growth.

Strong sales and profit growth in both sectors

Industrial Specialities

There are five main business areas in our Industrial Specialities segment: Polymer Additives, Lubricant Additives, Home Care, Coatings & Polymers and Geo Technologies. 2010 sales were up 29.7% to £485.5m (2009: £374.4m) and continuing operating profit increased by 246.9% to £62.1m (2009: £17.9m) for the same reasons as those behind the Consumer Care profit uplift. In addition, the comparatives in the first half of 2009 were very weak as a result of the global recession. Return on sales increased to 12.8% (2009: 4.8%), beating our previous target of 10% and the 2010 result showed good progress towards our new 15% target.

In Polymer Additives, good sales growth was achieved throughout the year despite some capacity issues, with sales doubling in China versus 2009.

Lubricant Additives were also capacity constrained in the early part of the year, following the Wilton closure, with strong demand for "green" high performance products.

In Home Care, sales were again strong. The quality of the portfolio that remains after the sale of Emmerich is high and we have been particularly successful in selling new biodegradable products in North America.

Coatings & Polymers saw strong growth with sales to the electronics industry in Asia performing well.

Geo Technologies saw a windfall in North America as a result of the Gulf of Mexico cleanup. This was, however, again countered by capacity issues early in the year following the closure of Wilton.

We can only achieve our goals through excellent and constant communication, **creativity** and setting clear objectives at every level

MixXIN ME™, Versflex™ and NatraGems™ are Croda's Blue Technology range of ingredients for facial skin, body and hair care formulations. These ingredients allow our customers to process their formulations at ambient temperatures and reduce the energy consumption of the process by up to 80%.

We will remain a **'fun', lively, stimulating and exciting place to work**, where all employees have the **courage to question**, and all functions and individuals are valued

A new office building for Croda's European commercial functions at Cowick Hall, UK, was completed in 2010. Considerations were made to reduce the environmental impact of the building at all stages. The offices are warmed by geothermal heat from water around 100 metres below the ground.

Chief Executive's review

Strategy

This section of the Chief Executive's review is largely unchanged from last year. This is indicative of the robustness of Croda's core principles and of the Group's success in implementing its strategy.

The core principles of Croda's strategy have remained valid since 1999. We test them every year and every year we have found them to be a solid framework for successful growth. Our aim is to be a leading, independent, global speciality chemical company. We will only invest in businesses, current and future, that can:

- be truly global
- create profitable innovation
- operate in end markets that have long term growth well above global GDP
- realistically sustain high operating margins.

Our focus on markets and market drivers means we are well aligned with the mega trends which will shape the future consumer and industrial markets. Trends like an ageing population, health and well-being, sustainability and the correct use of renewable resources present great challenges and even greater opportunities.

We will continually improve

In 2010, four of our manufacturing sites have been accredited to the European Federation for Cosmetic Ingredients (EFfCI) quality standard. The standard is designed to ensure the consistency, quality and purity of cosmetic ingredients above the standards of ISO 9001. A further five of our sites are working towards accreditation in 2011.

Croda's culture of pragmatic innovation in every aspect of the business, not just in product development, means we are well-placed to be a truly leading speciality chemicals company. We have offices and technical facilities in 36 countries and operate 17 state of the art factories across Europe, Asia and the Americas. Through this network we are able to match and, in many instances, exceed our customers' rapid globalisation.

Our operating companies are set sales, profit growth and operating margin targets that form the basis of our budgets and strategic plans. We report annually on our progress against five key financial key performance indicators and these are assessed on page 10:

- Return on sales
- EPS growth
- Post tax ROIC
- Net debt to EBITDA
- EBITDA interest cover.

Summary

Croda is a truly global company with only 5% of its sales in the UK. Our customer focused business model has been the basis of our success for many years. We will continue to increase this focus to create our future success.

In a number of areas we were short of capacity in 2010 following the Wilton closure. We have addressed this issue during 2010 and will install further capacity in the current year.

Our new product pipeline is strong and global demand in our chosen markets remains robust.

2011 has started well and we expect to report further progress in the current year.

Mike Humphrey
Group Chief Executive

Financial review

Sean Christie
Group Finance Director

Pre-tax Profit

Pre-tax profit increased 78.1% to £192.3m (2009: £108.0m) with financing costs falling due to lower borrowings, lower interest rates and a higher pension funding credit.

Exceptional Items

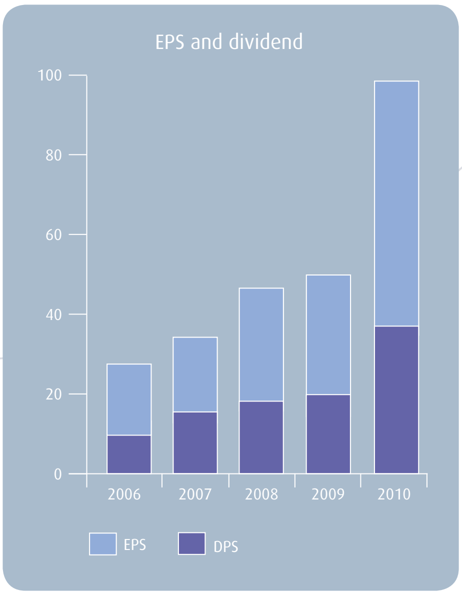
There was a pre-tax exceptional credit on the sale of Emmerich of £0.9m in 2010. We sold the Bromborough site post closure and realised an exceptional pre-tax credit amounting to £3.0m, including unused provision releases.

Earnings per Share

Continuing earnings per share before exceptional items increased 77.3% to 95.4p (2009: 53.8p) driven by the pre-tax profit growth.

Dividend

We propose to increase the final dividend by 68.3% to 25.25p (2009: 15.0p). This will give a total dividend for the year of 35.0p, up 62.8% on 2009's 21.5p. Dividend cover increases to 2.7x (2009: 2.5x).



Debt and Liquidity

We negotiated a ten year $100m fixed rate private placement in January 2010, then in November replaced our committed bank arrangements with new facilities totalling £410m that run to May 2015.

As a result of the strong cash flow, net debt stood at £220.3m (2009: £288.5m). We, therefore, have £253m of headroom on our committed facilities. Our main banking ratio, net debt to EBITDA, fell to below one times for the first time since the acquisition of Uniqema.

We propose to increase the final dividend by 68.3%

To remain an independent company and operate as one global team

Croda's continuing success is shared with our employees via employee share ownership schemes. In 2010 over 65% of our global workforce held investments in the Company through the schemes, taking advantage of discounted share prices and a record high share price.

Retirement Benefits

The gross IAS 19 deficit reduced from £203.5m to £147.8m and, post tax, the deficit at the end of 2010 was £45.1m lower than last year at £104.9m. The sale of Emmerich was the biggest element of the reduction as it removed almost all of our pension liabilities in Germany. In 2010, the Company paid £16.7m (2009: £16.6m) to reduce the deficit as agreed with our trustees around the world. In addition to these moves, global equity markets were stronger, increasing the funds' assets.

We have made some changes to our pension schemes in the UK during 2010 with new employees accruing pension benefits at 1/80th of salary per annum. Existing employees were able to retain their 1/60th accrual rate but their contribution increased to 8% of salary.

Financial KPIs

Performance against our five main KPIs (before exceptional items) is shown in the following table:

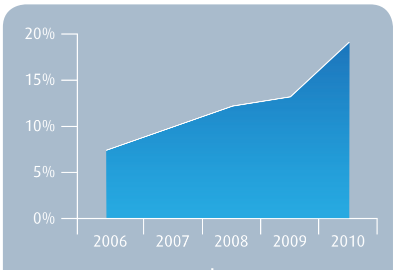
All KPIs were ahead of target in 2010. Consumer Care significantly exceeded the return on sales target with a return of 26.4% and Industrial Specialities return on sales in 2010 was 12.8%. We have made great progress over the last few years in increasing the profitability of Industrial Specialities and are confident that our new goal of 15% is achievable.

	Target	2010	2009 As reported
Return on Sales	>15%	**19.8%**	13.1%
EPS Growth	+5-10%	**+77.3%**	+10.4%
Post tax ROIC	>WACC*	**19.3%**	10.5%
Debt/EBITDA	<3x	**1.0x**	1.8x
EBITDA Interest cover	>4x	**36.7x**	11.3x

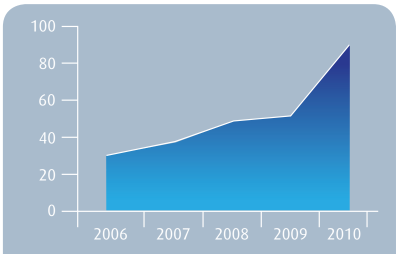
* WACC: Weighted average cost of capital, 2010 average estimated 7.5% (2009: 6.8%).

Financial review

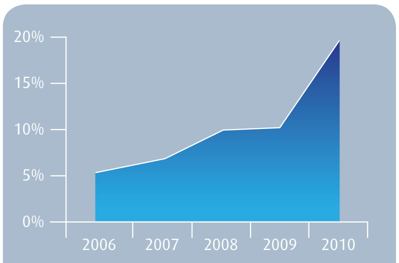
Financial KPIs



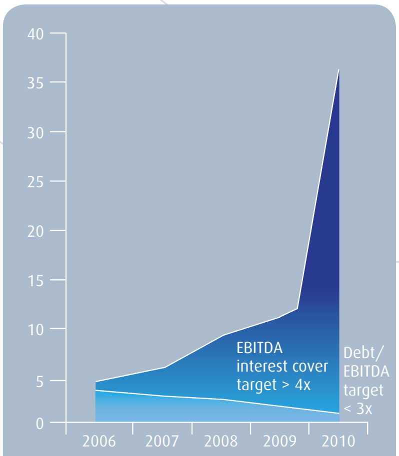
Return on sales - target 15%



EPS - target growth 5-10% pa



ROIC - target > WACC (7.5%)



Debt ratios

Risk Management

Croda's approach to risk management is unchanged from last year. The Group co-ordinates its approach to risk management globally through its Risk Management Committee. This committee is chaired by the Group Finance Director and comprises the heads of each business unit, the Group Financial Controller and the Company Secretary. It meets quarterly and reports directly to the Board.

Risks facing the Group are regularly reviewed and the Committee evaluates the controls and procedures we have in place to mitigate these risks.

The key risks facing Croda are ranked in order of a combination of economic consequence and likelihood of occurrence as follows:

People and Process

Major site event involving the loss of a site

Significant operational problems could have an adverse effect on Croda's financial position. We are reliant on the continued operation of various manufacturing sites.

Loss of key personnel

We rely on employees such as divisional board members and technical experts whose vision and knowledge is critical to maintaining the Group's success. We have procedures in place to identify and retain key employees and to develop succession plans for key positions.

Interruption of raw material supply

Interruption in the supply of key raw materials would significantly impact operations and our financial position. Interruption of supply could arise from implementation of new, more rigorous legislation, or from market shortage. We purchase key raw materials under medium to long term contracts and manage our raw material stock levels taking these considerations into account.

Major environmental incident

Violations of safety, health and environmental regulations could limit operations and expose the Group to liability, cost and reputational impact. In addition to maintaining compliance with national and international standards, we maintain strictly audited internal safety and health programmes.

External Environment

Product liability

Croda sells into a number of highly regulated markets. Non-compliance with quality regulations could expose the Group to liability. Quality management procedures are in place for each site and all manufacturing sites hold ISO 9001 standards. Major sites have also been audited against Good Manufacturing Practice (GMP) standards.

Regulatory compliance

As a chemical producer, Croda is subject to a number of national chemical legislations and violation of these could limit markets into which we can sell. The most significant legislation currently facing the Group is the implementation of REACh (Registration, Evaluation and Authorisation and restriction of Chemicals) in Europe. We have introduced a range of procedures which will ensure that we maintain compliance with this regulation and successfully completed our first phase of registrations in 2010.

Business Systems

IT systems failure

Croda relies on IT systems to operate effectively and efficiently, and to facilitate communication globally. Failure of these systems for a prolonged period of time will have an impact on operations and ultimately our financial position.

Following the acquisition of Uniqema, Croda inherited a number of diverse IT systems. Failure to integrate these systems quickly (or failure of the systems themselves) will hinder effective communication throughout the Group and distract focus. We have a global IT group who are experienced in IT implementation and back up processes and we have hot standby systems in place.

Financial

Management of pension fund assets

Croda has legal commitments relating to the provision of pensions and the operation of our pension schemes. Pension fund assets are managed by independent investment managers but, in current market conditions, increased future funding requirements may have an adverse effect on Croda's financial position.

Working capital management

Cash flow generation from the effective management of working capital is required to support the cash outflows arising from servicing of debt, capital programmes and pension fund requirements.

A nominated member of the Risk Management Committee is responsible for ensuring best practice is followed in tackling each risk area and that continuous progress is made in reducing the risks faced by the Group.

All divisions, sites and certain functions have risk registers relevant to their area which are reviewed by internal audit to assure they are appropriate and the necessary controls are in place.

Sean Christie
Group Finance Director

Corporate Social Responsibility

Introduction

2010 has been another successful year for Croda and we have sustained year on year growth in both market capitalisation and profit. Our long term strategy has been both informed by, and enabled further investment in, all aspects of our Corporate Social Responsibility (CSR) programme which is central to our business.

In previous years we have used this section of our Annual Report to describe our approach to Safety, Health and the Environment (SHE) and the targets we set ourselves to measure our progress in these areas. However, we recognise that being an ethical and responsible business encompasses a wider range of issues. Accordingly, we are including this expanded CSR section in our Annual Report for the first time in addition to publishing our fourth full CSR Report. By including CSR in our Annual Report we hope to meet the growing demand for transparency and social reporting from a wider range of stakeholders than ever before.

CSR in Croda is organised around the four Pillars of Corporate Social Responsibility -Our Partners, Our People, Our Neighbours and Our World. Our approach to the four Pillars is managed by a cross-functional Steering Committee, comprising of senior managers from a range of functions across all of the regions in which we operate.

Our corporate mission statement, the Croda Vision, describes our culture and underpins our approach to CSR. In 2010, we have continued our **commitment to excellent and constant communication** with Our Partners in supplier, NGO and customer collaborations that secure the sustainability and safety of our products. We have continued to **be an ethical and responsible company** by reducing the impact of our operations on Our World with a focus on energy efficiency and a new emphasis on the use of non-fossil energy. We have continued to improve our commitment to Our Neighbours by rolling out our community investment programme, the "1% Club", to cover each of our 17 manufacturing sites worldwide. We have also shown that **all functions and individuals are valued**, investing in Our People by developing a university accredited new manager training programme and a global HR system that will ensure all of our global team have access to an annual appraisal.

Throughout this section you will read more about our progress against the CSR targets we set ourselves for 2010 and details of the targets we have set for 2011, along with case studies highlighting how CSR and our Vision are embedded in our business. For more information on the issues discussed, please read our 2010 CSR Report or visit www.croda.com/csr.

Group Chief Executive Statement

Croda was founded 86 years ago and a responsible and ethical approach to business has always been part of its ethos.

We develop, manufacture and sell speciality chemicals and it is essential that our customers, investors, employees and neighbours are confident that we operate responsibly.

Croda's business strategy is to develop speciality chemical products to supply market sectors which need innovation, show strong long term growth and are global in nature. This strategy has consistently delivered strong financial results.

The challenge for Croda is to achieve this growth while operating responsibly with regard to the environment and our many stakeholders. One element of our CSR policy states that 'we will minimise any negative impact on the environment that might be associated with our operations or our products, searching out new ways to conserve natural resources and innovating to improve our products and processes'. A number of specific challenges have emerged over recent years.

Safety – personal, product and process – has always been Croda's highest priority. We are an established leader in process safety and are fully compliant with the European Union's Registration, Evaluation, Authorisation & restriction of Chemicals (REACh) legislation, which ensures product safety. However, I am disappointed in our personal safety performance in 2010, which will be an area for focus in 2011.

We seek to develop products that are as natural as possible but need to balance this with product efficacy. In 2010, 68% of Croda's raw materials came from renewable resources.

However, today a broader assessment needs to be made of the overall sustainability of our products. This includes the incorporation of intelligent design, water usage and carbon footprint.

Energy usage is another challenging area as the Company continues to grow. 2010 saw the continuing trend for Croda to move away from large volume, high energy consumption businesses. This has reduced our overall energy consumption. However, our Vision states that 'we will continually improve' and in response to this challenge Croda is developing new chemistries to achieve the effects our customers seek with reduced environmental impact.

These improvements have been achieved by Croda's skilled and dedicated global team working in collaboration with our customers and suppliers. In 2010 we have also continued to develop close relationships with 'Our Neighbours' and I am particularly pleased with the science outreach programme, involving educational institutions close to our manufacturing sites around the world, that will hopefully create the next generation of Croda employees.

Meeting the challenges of Corporate Social Responsibility is fundamental to Croda achieving its business objectives. I am confident Croda is heading in the right direction.

Mike Humphrey
Group Chief Executive

Corporate Social Responsibility

In 2010, 68% of the raw materials we purchased came from renewable sources

Our Partners

Every day, consumers benefit from the thousands of day-to-day products in which Croda ingredients are used. We achieve this through interaction with many partners. Our suppliers help to ensure that we source renewable raw materials in a responsible way. Our customers work with us to develop products that consumers want. Official bodies provide guidance on the regulations that allow our business to operate. NGOs help us to understand and continually improve the environmental performance and inherent safety of our products.

In 2010, we set two objectives that encapsulated the key issues addressed in working with Our Partners. These were Responsible Sourcing and Climate Change.

Responsible Sourcing

Being able to responsibly and securely source the raw materials we require to make our products is key to the long term sustainability of our business. In 2010, we have continued to work with the Roundtable on Sustainable Palm Oil (RSPO) in developing guidelines for quantifying palm oil derivative usage in order to support sustainable palm oil. We have also worked towards the certification of our Incromega™ and Omelife™ fish oil derivatives to the International Fishmeal and Fish Oil Organisation's (IFFO) Responsible Sourcing audit standard, which is the first to cover the entire supply chain. We expect to receive full accreditation in 2011.

As consumers become ever more environmentally aware, the demand for responsibly sourced products increases. We help our customers satisfy this demand by constantly innovating new products with proven efficacy and with a strong basis in renewable raw materials.

Climate Change

Concern for climate change is part of Croda being an ethical and responsible company in the modern world. We are constantly seeking ways to minimise the negative impact of our operations by investing in improvements to our manufacturing facilities. We are also a continuing member of the Carbon Disclosure Project.

In 2010, we have worked with partners from the School of Analytical Chemistry at the University of Manchester, UK, in developing a Product Carbon Footprinting (PCF) tool, C-CaLC. The tool is free to UK industry and will enable cradle-to-gate PCF assessment at more than half of our global manufacturing sites by 2012. Fully understanding the carbon footprint of our processes and our contribution to the life cycle of individual products will help us to address the analysis needs of our customers and support our own process optimisation and energy reduction plans.

In 2011, we will implement Product Carbon Footprinting of key technologies in the majority of our manufacturing sites

...all leaders will have as their primary objective to build other leaders

In 2010, Croda provided over 93,000 hours of training to our global workforce

Our People

Our business success depends on our ability to attract and retain individuals who are passionate about personal and business growth and want to make a significant contribution to the future of Croda. We recognise our employees want to make a difference and through open and honest dialogue we are able to design reward strategies and development opportunities that meet the individual needs of our global workforce.

We have continued to monitor our commitment to Our People with a number of objectives, two of which are discussed below. You can read more about these and our other Our People objectives in our full 2010 CSR Report.

Employee Development

We value all the individuals that make up our global team and in 2010 extensive work was undertaken in the area of performance appraisals. 'Croda Aspire', a Company wide performance appraisal system which has personal and career development at its core, was launched this year and it is envisaged that by 2013 all employees will be appraised through the new process.

In 2010, we also had a target of delivering an average of 21 hours training per employee. Through a combination of internal and external training courses, webinars, one-to-one coaching, sponsored further education and distance learning we have exceeded this target. We have increased this target to 22 hours per employee for 2011.

Openness of Communication

The objectives we set with Our People could not be achieved without excellent and constant communication with our employees. We utilise many forms of communication in engaging with our employees and in 2010, all of our manufacturing sites and large commercial offices have held communication sessions with more than six sessions on average. These sessions have enabled senior leaders to keep employees informed, engaged and focused on business goals, whilst also providing a forum for employee feedback.

In 2011, we will continue to monitor engagement, targeting to hold at least two employee communications sessions at each of our manufacturing sites and sales offices. Our intention is to focus on sharing best practice around the Group before extending our targets further.

...all functions and individuals are valued

Croda's operation in Thane, India, is an example of Group best practice in occupational health checks, having provided checks for over 95% of employees and 154 contractors in 2010. The company also provided first aid training to 100 employees, members of their families and teachers at a local school.

We will continue to be an **ethical and responsible company**

After refurbishment of Croda's sales office in South Africa and the closure of the offices at the Wilton Centre, UK, some of the sites' furniture was no longer required. Employees at each of the sites identified charities – Waste to Wonder, Little Eden and Abraham Kriel – and donated the furniture to them.

Employees at Croda's offices in Argentina have worked with customers and a local recycling company in 2010 to start a programme of packaging recycling. Through the initiative, over US $6,000 has been raised and used to fund a number of projects with a neighbouring charity, Fundación Nordelta.

Corporate Social Responsibility

Our Neighbours

Community engagement is recognised as an important activity and one that is valued at all levels of our Company. Not only does the business see the value that formal community engagement plans can deliver, but our global team also takes pride in the communities in which Croda operates and looks for the business to support them in community activities. It is this balance between the satisfaction of community and business needs that ensures our approach is both relevant for our local communities and a sustainable part of our business now and in the future.

Our commitment to the community is focused around three objectives.

Openness of Communication

Formal and informal communication with Our Neighbours has always been an important activity for Croda. It is not always easy to undertake but it does allow for the identification of issues and opportunities on which both the business and the local community can act.

In 2010, we carried out a survey at our manufacturing sites and sales offices to identify the stakeholders that matter to our business in the communities with whom we interact. In 2011, using the results of the survey, we will continue to engage with Our Neighbours, focusing our efforts on the stakeholder groups common to our sites and offices around the world.

In 2010, Croda employees gave more than 4,150 hours of their working time to help good causes in their local area

Community Involvement

Community involvement provides value to our employees, our business and to the local communities in which we operate.

Our involvement in the community not only highlights the commitment we make to Our Neighbours but also acts to generate significant goodwill that can be advantageous to our business. This commitment is most clearly illustrated through the employee volunteering initiative that we started in 2003, the 1% Club.

During 2010 we completed the implementation of the 1% Club at all of our global manufacturing sites, enabling every one of our 3,200 employees around the world to spend time actively involved in their communities. We completed 4,157 hours of community activity, a nine-fold increase on 2009. This impressive first year saw 295 individuals, or over 9% of our global workforce, accessing the scheme.

Community Education

As a business with established expertise in the areas of science, engineering and technology, our activities with local schools, colleges and universities have always been an important element of our engagement with local communities.

In 2011, we will further our commitment to community education by developing regional science-led programmes where we have significant R&D activity, namely the UK, Holland, USA, France, Brazil, Singapore, India and Japan. The aim of this project will be to deliver enhanced and coordinated training to junior managers and graduate trainees who will implement regional STEM projects with local educational facilities.

Corporate Social Responsibility

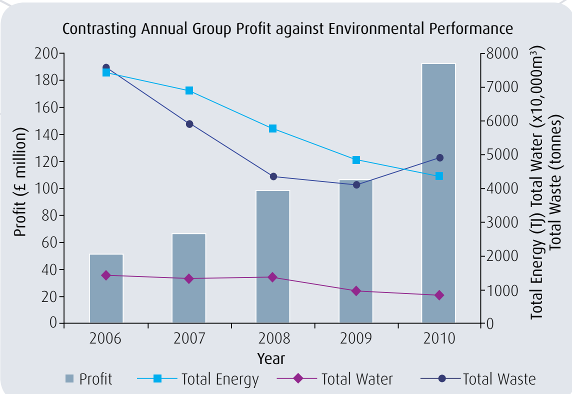
By 2015 we aim to source at least 25% of the Group's energy requirements from non-fossil fuel sources

Our World

The challenge that any business faces in addressing environmental issues is balancing the changing needs of the business as it grows with the efficient use of resources and minimising its impact on the environment.

Following the acquisition of Uniqema in 2006, we set a number of targets to measure our Safety, Health and Environmental (SHE) performance. 2010 marks the end of the post acquisition target period. As such, this year is a pertinent time to reflect on our performance in SHE areas and contrast them against our financial results.

Consumption of energy, water and disposal of waste to landfill are issues that are of material significance to our business and the wider environment. By contrasting the yearly progress in these metrics (from operations at the end of each respective year) against our annual profits over the target period, it can clearly be seen that as our business has become significantly more profitable, we have also successfully reduced our environmental impact.



Our numerous Our World objectives are discussed in detail in our 2010 CSR report. The following examples illustrate the efforts Croda is making to minimise its environmental impact.

Energy Consumption

Energy consumption is a crucial issue for businesses as the cost of energy continues to rise and concerns for climate change remain in the public eye. We cannot power our business without energy and so it is important that we remain committed to reducing the energy consumption of our operations, a goal that will be achieved by setting clear objectives for energy efficiency.

Our manufacturing sites have made considerable reductions in their total energy usage, with a 7.5% decrease against 2006 levels. However, the total product output volumes at the end of 2010 were 16.6% lower than the 2006 baseline. As a result, we did not meet the four year target we set for energy reduction per tonne of product manufactured, largely due to the changing nature of our product mix as we integrated the Uniqema business.

In the future we intend to maintain our focus on energy consumption and in 2011 we will begin to measure total energy consumption as well as energy consumption per tonne output. We believe that these metrics, taken together, will better reflect our energy usage and will target a further 5% reduction of total energy consumption by 2015.

We aim to reduce our total CO_2 emissions by over 20,000 tonnes and our water consumption by over 800,000 m^3 by 2015

Since 2006 we have reduced our waste to landfill by 22.7%. In 2010, five of our manufacturing sites generated zero waste to landfill

Water

Water scarcity is an important issue to address when considering the environmental impact of our operations. By continually developing our processes and investing in new technologies that minimise the amount of water we use, we play our part in ensuring that water is available for agricultural and domestic purposes.

Despite reducing our consumption of potable water by 12.6% based on 2006 levels, we have not achieved our four year target for consumption of potable water per manufactured tonne. Again, the changing nature of our product mix and the reduction in tonnage output has had a significant impact on our ability to do so. Although we are disappointed to have missed our target, we are pleased to have decreased the total volume of water we use. Overall, our consumption of water has reduced by 2.9% since 2006 and we intend to continue this trend through further recycling and process modifications at our manufacturing sites, with a target of a further 10% reduction by 2015.

Personal Safety

Our commitment in 2010 was to achieve a reduction in the frequency of injuries at our manufacturing sites and commercial offices.

At the end of 2010 we did not manage to achieve the reduction in accident rates that we targeted and actually saw a slight increase to 0.32 (2009: 0.25) accidents per 100,000 hours. Although we have missed our target, it is worth noting that very few of the accidents sustained in 2010 were of a serious nature or related to chemical handling. Most injuries recorded in the last year were due to manual handling, slips, trips, falls or collisions with objects. However, we believe that all accidents are preventable and are encouraged that accidents continue to be properly reported so that their causes may be identified and appropriately addressed.

Our personal safety performance in 2010 was disappointing and as a starting point we would like to reduce the injury rate to be at least better than the average for the countries and industry in which we operate. We believe that a target injury rate of 0.2 accidents per 100,000 hours worked can be achieved by our employees and is a level we have performed at in the past. We recognise that this target will not be easy to achieve and considerable effort will be required on the part of management and the workforce to improve safety awareness and culture.

Waste Disposal

In 2006, we committed to reduce the quantities of waste we disposed to landfill. We recognised that landfill is an unsustainable form of waste management and so set a target to reduce waste to landfill (kg/tonne manufactured) by 5% per year (20% overall by the end of 2010).

At the end of the 2006 to 2010 improvement period, our manufacturing sites had surpassed the target we set, having reduced waste to landfill per tonne by 22.7%. We were also particularly pleased that over this period five of our manufacturing sites sent absolutely no waste to landfill.

From 2011, we have set a Group target of a further 20% reduction over the next five years, based on the performance in 2010. We will also begin to measure absolute waste in addition to 'waste per tonne' in order to give a more comprehensive picture of our performance.

Board of directors

Martin Flower
Non-executive Chairman

Martin Flower was appointed to the Croda Board in May 2005 and became Chairman at the end of September 2005. He is chairman of the Nomination Committee and a member of the Remuneration Committee. He formerly held various senior executive positions over 36 years with Coats plc, culminating in a period as Chairman before his retirement in 2004, and he was Deputy Chairman and Senior Independent Director of Severn Trent Plc until June 2006. In 2010 he retired as Chairman of Autogrill Holdings UK Plc (formerly Alpha Group Plc). He is currently a non-executive director of The Morgan Crucible Company plc and is Chairman of Low & Bonar PLC.

Sean Christie BSc, FCMA, FCT
Group Finance Director

Sean Christie was appointed to the Croda Board as Group Finance Director in April 2006. He previously held a number of senior finance positions in Northern Foods Plc and was Group Finance Director from 1996 to 2004. He was a non-executive director of KCOM Group plc for eight years until 2007 and a non-executive director of Cherry Valley Farms Ltd from 2006 until the company was sold in 2010.

Michael Buzzacott* BA, FCCA
Senior independent non-executive director

Michael Buzzacott joined the Croda Board in August 2004 and was appointed Chairman of the Audit Committee in April 2007. Prior to his retirement in 2004 he spent over 34 years with BP where he held a number of senior international roles including Regional Finance and Control Director of Asia, Chief Executive Polymers and Olefins Division and finally Group Vice President Petrochemicals. He retired as a non-executive director of Rexam PLC in 2009 and is currently a non-executive director of Scapa Group plc and Genus plc.

Stanley Musesengwa*
Independent non-executive director

Stanley Musesengwa joined the Tate & Lyle Group in 1979 as a refinery manager and subsequently performed a number of different roles in Africa, before becoming Regional Director, Tate & Lyle Africa in 1995. In December 1999 he was appointed Chief Executive Officer of Tate & Lyle Europe. He was appointed to the Tate & Lyle Board in April 2003 and took up the position of Chief Operating Officer in May 2003 until his retirement in 2008. He joined the Croda Board in May 2007 and was appointed Chairman of the Remuneration Committee in 2009.

Mike Humphrey
Group Chief Executive

Mike Humphrey was appointed to the Croda Board in 1995 and became Group Chief Executive at the beginning of 1999. He joined Croda in 1969 as a management trainee and was appointed Managing Director of Croda Singapore in 1988, Croda Application Chemicals in 1990 and Croda Chemicals in 1991. He is a member of the Nomination Committee.

Steve Foots
President, Europe

Steve Foots was appointed to the Croda Board in July 2010 as an Executive Director. Steve joined Croda as a graduate trainee in 1990 and was appointed Managing Director of Croda Europe Industrial Specialities in 2000 and Croda Europe Consumer Care in 2004. Steve is President of Croda Europe and has been a member of the Group Executive Committee since January 2007.

Nigel Turner*
Independent non-executive director

Nigel Turner joined the Croda Board in June 2009. He has over 35 years experience in corporate finance and was the Chairman of Numis Securities Ltd and Deputy Chairman of Numis Corporation plc from December 2005 until his retirement in November 2007. From 2000 until 2005 he was with ABN AMRO following fifteen years with Lazard Brothers in London where he was Managing Director and a member of the Supervisory Board. Nigel has been the Senior Independent Director of Genus plc since 2008.

Steve Williams*
Independent non-executive director

Steve Williams joined the Croda Board in July 2010 as a non-executive director. Steve retired as General Counsel and Chief Legal Officer of Unilever plc and Unilever NV during 2010. Prior to joining Unilever in 1986, Steve spent 11 years at Imperial Chemical Industries PLC in the legal and company secretarial departments. From 1995 until 2004 he was a non-executive director of Bunzl plc. From 2004 until 2010 he was Senior Independent Director of Arriva plc. Since 2008 he has been a non-executive director of Whitbread PLC and he is also the Senior Independent Director. Steve is Chairman of the De La Warr Pavilion Charitable Trust and Chairman of Arts & Business Limited.

* Member of Audit, Remuneration and Nomination committees

Corporate governance

At the date of this report, the Company is subject to the Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council ("FRC") which is publicly available at www.frc.org.uk (the "Code"). The Board is committed to high standards of corporate governance and to complying with the provisions of the Code where practicable. This report, together with the directors' remuneration report, set out on pages 28 to 39, describes how the relevant principles of governance set out in the Code are applied to the Company. In May 2010, the FRC published a new code, the UK Corporate Governance Code (the "Governance Code") which will replace the Code for financial years beginning on or after 29 June 2010. The Company has already adopted principles from the Governance Code and will modify its practices where appropriate.

Compliance

The information contained in this report demonstrates that the Company has complied fully with the provisions set out in Section 1 of the Code throughout 2010.

The Board

The Board has ultimate responsibility for the overall leadership of the Company and in this role it assists in the development of a clear strategy for the Group, monitors operational and financial performance against agreed goals and objectives and ensures that appropriate controls and systems are in place to manage risk. It has a formal schedule of matters specifically reserved to it and this is posted on the Company's website (www.croda.com). The Board comprises the Chairman, the Group Chief Executive, the Group Finance Director, the President of Croda Europe and four independent non-executive directors, who have a range of business, financial and international skills and experience. This provides an appropriate balance within the Board. Biographical notes appear on pages 21 and 22. The Chairman and the Group Chief Executive have written accountabilities that have been approved by the Board.

The Chairman and non-executive directors meet together without the executive directors present on an ad hoc basis and the non-executive directors meet at least annually in the absence of the Chairman in order to appraise his performance. In addition to formal Board meetings, the Chairman and the Group Chief Executive meet on a regular basis.

All members of the Board have full access to the advice and services of the Company Secretary. Where necessary the directors may take independent professional advice at the Company's expense. 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. In addition the Company maintained directors' and officers' liability insurance cover throughout the year.

Training and briefings are available to all directors on appointment and subsequently, as appropriate, taking into account their existing experience, qualifications and skills. In order to build and increase the non-executive directors' familiarity with, and understanding of, the Group's people and businesses and the markets in which it operates, presentations from senior managers are made at Board meetings on a regular basis. The Board also usually holds at least one Board meeting a year at a Croda operating site. This year the Board held one meeting at Leek in the UK and also one in France during a visit to our manufacturing site at Chocques and the headquarters of Sederma. These visits allow the non-executives to tour the sites and observe the operations at first hand, as well as providing the opportunity to meet the local management and employees and gain their insight into the business. Non-executive directors also undertake site visits on an individual basis.

Attendance at meetings

Details of the attendance by directors at meetings of the Board and the Board committees on which they are eligible to sit are set out below:

	Board		*Nomination Committee*		*Remuneration Committee*		*Audit Committee*	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
M C Flower	8	8	4	4	3	3	-	3†
M C Buzzacott	8	8	4	4	3	3	3	3
S Musesengwa	8	7	4	3	3	3	3	3
P N N Turner	8	8	4	4	3	3	3	3
S G Williams (appointed 1 July 2010)	4	4	1	1	1	1	2	2
M Humphrey	8	8	4	4	-	3†	-	3†
M S Christie	8	8	-	-	-	-	-	3†
S E Foots (appointed 1 July 2010)	4	4	-	-	-	-	-	2†

† Attended by invitation

In addition to the formal Board meetings, all the directors attended a half day meeting to review the Group's strategy. They also met with the Company's financial and public relations advisers to discuss the feedback from investors and analysts on the Group's 2009 annual results.

Re-election of directors

The Company's Articles of Association require the directors to offer themselves for re-election at least once every three years and for newly appointed directors to offer themselves for election at the first Annual General Meeting ("AGM") after the date of their appointment. Ordinarily this means that, at this year's AGM, Mike Buzzacott and Stanley Musesengwa would be standing for re-election and Steve Williams and Steve Foots would be standing for election for the first time following their appointments on 1 July 2010. However, the Board has taken note of the new provision in the Governance Code requiring directors of FTSE 350 companies to be subject to annual election and so all the directors will be standing for election. Following individual performance assessments, the Board is satisfied that each director continues to perform effectively and demonstrates commitment to the role. Further details about the directors are given in the notice of the AGM which is in a separate document issued to shareholders with the annual report.

Conflicts of interest

The Board has an established process for declaring and monitoring actual and potential conflicts. The Articles of Association of the Company allow the non-conflicted members of the Board to authorise a conflict or potential conflict situation. No conflicts were identified or authorised during the year.

Non-executive directors

Croda complies with the Code in having experienced non-executive directors who represent a source of strong independent advice and judgement. At present there are five such directors, including the Chairman and the senior independent director, Mike Buzzacott, each of whom has significant commercial experience. Their understanding of the Group's operations is enhanced by regular business presentations and by site visits.

The independence of the non-executive directors is kept under review. The non-executive Chairman was independent on his appointment in 2005 but, as Chairman, is not classified as independent. In relation to the other non-executive directors, Nigel Turner and Mike Buzzacott both serve as non-executive directors of Genus Plc, a company which has no other connection with Croda's business, and Steve Williams retains a consultancy role with Unilever plc, a customer of the Company. The Board does not consider that these roles would affect their judgement in relation to Croda and its business and therefore, it is the Board's opinion that all the non-executive directors who have served during the year are independent in character and judgement with no relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

During 2010 no non-executive director or the Chairman had served on the Board for more than nine years from the date of their first election.

Details of the professional commitments of the Chairman and the non-executive directors are included in their biographies on pages 21 and 22. The Board is satisfied that these do not interfere with the performance of their respective duties to the Company.

The terms and conditions of appointment of non-executive directors can be inspected during normal business hours at the Company's registered office by contacting the Company Secretary and are available at the AGM.

Board committees

The Board has three main committees which are established by Board resolution and each has written terms of reference which can be found on the Company's website (www.croda.com).

Report of the Audit Committee

Mike Buzzacott (Chairman)
Stanley Musesengwa
Nigel Turner
Steve Williams

The Audit Committee, which consists of all the non-executive directors other than the Chairman, meets at least three times a year to coincide with key dates in the Company's financial reporting cycle. The Board is satisfied that each of the Committee members has the recent and relevant financial and accounting experience to enable them to contribute to the Committee's work. The Group Chief Executive, the Group Finance Director, the President of Croda Europe, the Group Financial Controller and the Group Risk and Control Manager and representatives from the external and internal auditors attend meetings by invitation. The Chairman of the Audit Committee holds independent meetings with the Group Risk and Control Manager and also with the external auditors, without the executives being present.

The Committee's remit is to assist the Board to fulfil its responsibility for ensuring that the Group's financial systems provide accurate and up to date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position. As part of its normal responsibilities the Committee monitors the integrity of the financial statements of the Company. This includes reviewing significant financial reporting issues and judgements contained in the statements and the consistency of, and any changes to, accounting policies. In addition it is responsible for monitoring the effectiveness of the Company's internal controls and risk management systems, including that of the Company's internal audit function in the context of the Company's overall risk management system. It reviews and assesses the annual internal audit plan and all reports on the Company from the internal auditors. It also agrees the annual audit plan with the external auditors and reviews the findings of the audit and the interim review with the external auditors.

Corporate governance

During the year the Committee members also:

- received reports and presentations concerning key specific risks identified by the Risk Management Committee;
- monitored compliance with the Group risk management programme;
- reviewed the Group's disaster recovery procedure in relation to IT and a report on the audit of certain IT outsourcing arrangements by the internal auditors; and
- commissioned and oversaw a tender process for the role of internal auditors leading to the appointment of new internal auditors.

Audit independence

The Committee and the Board place great emphasis on the objectivity of the Group's external auditors, PricewaterhouseCoopers LLP ("PwC"), in their reporting to shareholders. The PwC audit partner is present at all Audit Committee meetings to ensure full communication of matters relating to the audit.

The overall performance of the auditors is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided to senior members of PwC unrelated to the audit. This activity also forms part of PwC's own system of quality control.

The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are reviewed by the Committee and then referred to the Board for approval. The rotation of audit partners' responsibilities within PwC is required by their profession's ethical standards, is actively encouraged and has taken place.

Assignments awarded to PwC have been, and are, subject to controls by management that have been agreed by the Committee so that audit independence is not compromised. The chairman of the Audit Committee is required to give prior approval of work carried out by PwC and its associates in excess of predetermined thresholds. Part of this review is to determine that other potential providers of the services have been adequately considered.

These controls provide the Committee with adequate confidence in the independence of PwC in their reporting on the audit of the Group.

Report of the Nomination Committee

Martin Flower (Chairman)
Mike Buzzacott
Mike Humphrey
Stanley Musesengwa
Nigel Turner
Steve Williams

The Nomination Committee consists of the non-executive directors and the Group Chief Executive. It meets on an ad hoc basis and is responsible for nominating, for approval by the Board, candidates for appointment to the Board and succession planning.

As part of its remit to keep the structure and composition of the Board under review, the Committee nominated Steve Williams and Steve Foots for appointment by the Board in 2010. Steve Williams was recommended as a potential Board member by Spencer Stuart, an external search consultant, which maintains contact with the Company on an ad hoc basis. Each member of the Committee and the Group Finance Director met with Mr Williams prior to making the nomination and the Committee as a whole considered that his experience and skills would be a valuable complement to those present on the Board. In the case of Steve Foots, he was put in charge of Croda Europe, which represents the major part of the Group's business, following a reorganisation of the Group's business in 2010. His nomination to the Board recognised the high level of responsibility he carries within the business and his ability to contribute to the wider understanding and leadership of the Group's operations. Steve Foots has been with Croda since 1990 and so is well known to the Committee members.

The Committee continued its emphasis on the creation of a robust succession planning and development programme for senior employees below Board and Group Executive/Finance Committee level. As part of this it reviewed and endorsed new Group wide leadership development programmes aimed at providing a consistent and long term approach to leadership development from graduate to senior executive level.

The Committee carried out its customary corporate governance review and was satisfied that the size, structure and composition of the Board and the required time commitment from non-executive directors remained appropriate and that all the non-executive directors continued to fulfil the criteria of independence and were able to commit the required time for the proper performance of their duties.

Remuneration Committee

Stanley Musesengwa (Chairman)
Mike Buzzacott
Martin Flower
Nigel Turner
Steve Williams

The Remuneration Committee, which consists of the non-executive directors, is responsible for advising on remuneration policy for senior executives and for determining the remuneration packages of the executive directors and the Chairman. The Group Chief Executive is normally invited to attend all its meetings.

Further details of the Committee's activities during the year can be found in the directors' remuneration report set out on pages 28 to 39. A resolution will be proposed at the AGM to approve the report.

Board and Committee evaluation

The annual self evaluation exercise was carried out under the supervision of the Chairman to arrive at an assessment of the effectiveness of the Board, the Chairman and each of the committees. The exercise employed a questionnaire completed by each Board member. A summary of the results was then presented to the Board for discussion. The Chairman also discussed the comments separately with individual directors as part of their own appraisals. The senior independent director discussed the Chairman's performance with the other non-executive directors before feeding back comments to the Chairman. Bearing in mind the Governance Code provision requiring external facilitation of the Board evaluations of FTSE 350 companies at least every three years, the Committee intends to take some preliminary external advice during the course of 2011 on matters such as desired attributes and skills of directors, planning for Board succession and evaluation techniques.

Other Committees

The management of the business is delegated by the Board to the Group Chief Executive. He utilises a series of committees to assist him in this task.

Group Executive Committee

Mike Humphrey (Chairman) - Group Chief Executive
Sean Christie - Group Finance Director
David Barraclough - President – Asia Pacific
Miguel De Bellis - President – Latin America
Steve Foots - President – Europe
Kevin Gallagher - President – North America
Keith Layden - President – Actives & Enterprise Technology
Kevin Nutbrown - President – Global Operations
Louise Scott - Company Secretary & Legal Counsel

The Group Executive Committee comprises the Group Chief Executive, the Group Finance Director and the heads of regional business and operational functions. It meets quarterly and is responsible for the development and implementation of strategy, operational plans, policies, procedures and budgets, the monitoring of operating and financial performance, the assessment and control of risk and the prioritisation and allocation of resources.

Finance Committee

Mike Humphrey (Chairman) - Group Chief Executive
Sean Christie - Group Finance Director
Graham Myers - Group Financial Controller/Treasurer
Kevin Nutbrown - President – Global Operations

The Finance Committee meets monthly to review operating results, identify operational and risk issues and examine capital expenditure proposals.

Risk Management Committee

Sean Christie (Chairman) - Group Finance Director
David Barraclough - President – Asia Pacific
Miguel De Bellis - President – Latin America
Steve Foots - President – Europe
Kevin Gallagher - President – North America
Keith Layden - President – Actives & Enterprise Technology
Graham Myers - Group Financial Controller/Treasurer
Kevin Nutbrown - President – Global Operations
Louise Scott - Company Secretary & Legal Counsel

The Risk Management Committee includes all members of the Group Executive Committee and the Finance Committee other than the Group Chief Executive. Its role is to evaluate, propose policies and monitor processes to control the business, operational and compliance risks faced by the Group. It normally meets four times a year.

Group SHE Steering Committee

The Group also operates a Safety, Health and Environment ("SHE") Steering Committee which is chaired by Kevin Nutbrown, President – Global Operations, and comprises the heads of regional businesses, operational functions and the VP Group SHE. It meets quarterly and monitors progress against the Group SHE objectives and targets, reviews safety performance and determines the requirement for new or revised SHE policies, procedures and objectives.

Routine Business Committee

The Routine Business Committee comprises the Group Chief Executive and the Group Finance Director with the Company Secretary and Group Financial Controller acting as alternates. The Committee may make decisions with one executive director and the alternate for the other executive director being present. It attends to business of a routine nature and to the administration of matters, the principles of which have been agreed previously by the Board or the Group Executive Committee.

Corporate governance

Investor relations

The Company recognises the importance of communicating with its shareholders. The Group Chief Executive and the Group Finance Director maintain regular contact with major shareholders and ensure that their views are communicated to the Board as a whole through the reporting of feedback from shareholder meetings and the provision of brokers' reports. The Board invites the Company's brokers and financial public relations advisers to attend at least one meeting each year at which the economic and investment environment, Croda's performance, both generally and in comparison with its sector peers, and investor reaction are discussed. The senior independent director and other non-executive directors are available to attend meetings with major shareholders if requested, however, no such meetings were requested during the year.

The AGM provides an opportunity for private shareholders to raise questions with the members of the Board. The directors are also available to answer questions after the meeting in a more informal setting. The annual report, including notice of AGM, is sent to shareholders at least twenty working days before the meeting. There is a separate investor relations section on the Company's website (www.croda.com) which includes, amongst other items, presentations made to analysts.

Internal control

The Code principle C.2.1 on internal control requires the directors to conduct, at least annually, a review of the effectiveness of the Group's system of internal control, including financial, operational, compliance and risk management controls, and report to the shareholders that they have done so. In accordance with the Turnbull guidance (2005) and in order to discharge this responsibility, the directors have utilised an organisational structure with clear operating procedures, lines of responsibility, and delegated authority.

In particular there are clear procedures and defined authorities to act for:

- capital investment, with detailed appraisal, authorisation and post-investment review processes;
- financial reporting and the preparation of consolidated accounts, within a comprehensive financial planning and accounting framework. This framework is enshrined in the Group's "Cowick Ordinance" policy document which sets out the core business processes and accounting principles to be employed at all Group companies. Compliance with the Ordinance is ensured by regular internal reviews supplemented by focused auditor effort; and
- comprehensive monitoring and quantification of business risks, under the direction of the Risk Management Committee. The Group co-ordinates its approach to risk management globally through its Risk Management Committee. This Committee is chaired by the Group Finance Director and comprises the heads of each business unit, the Group Financial Controller and the Company Secretary. Each operating site and function within the Group compiles its own risk register, highlighting the key risks it faces along with the mitigating controls in place to offset the risk. These registers are reviewed and consolidated to ensure there is a comprehensive view of the material risks facing the Group along with the controls in place to mitigate these risks.

The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness, and has reviewed its operational effectiveness throughout the financial year and up to the date of approval of the annual report using a process which involved:

- written confirmations from relevant senior executives and divisional directors concerning the operation of those elements of the system for which they are responsible;
- internal audit work carried out by Deloitte & Touche LLP who report to the Audit Committee; and
- reports from the external auditors.

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

Going concern

The Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's review and the financial position of the Company, its cashflows and liquidity are described in the Financial review.

The financial statements, which appear on pages 45 to 94, have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, strategic plans and banking facilities, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Remuneration report

Dear Shareholder,

As described in the Business review, 2010 was an outstanding year for Croda, particularly in light of the continuing tough global economic conditions.

The results demonstrate the ability of our business to deliver growth in difficult market conditions and, in particular, the effective leadership of our highly regarded management team.

The Remuneration Committee (the "Committee") consider the remuneration paid to our management team to fairly reflect their performance during the year. The annual bonus paid out in full (arising from the 2010 income, as calculated for the purpose of the bonus scheme, significantly exceeding the maximum targeted income) and the 2008 LTIP and BCIP awards' performance targets were also met in full which reflected a growth in earnings per share of 155% over the three year period ended 31 December 2010 and a total shareholder return created of over 170% (which resulted in Croda being amongst the top five performing FTSE 250 companies over the three year performance period).

As we look to the future, we are making a number of amendments to our remuneration policy for 2011 with a view to ensuring that the Committee is satisfied that it has a remuneration policy in place that enables recruitment, retention and motivation of the quality of executive talent required to continue to successfully deliver sustainable growth in our business and further create returns for our shareholders.

In summary, for 2011, changes to our remuneration policy are to include:

- adjustments to base salary levels to reflect appropriate comparative benchmarks, the strong performance of our management team and the promotion of the President of Croda Europe to the Board;
- Bonus Co-Investment Plan ("BCIP") matching awards are to take place based on the gross equivalent investment in Croda shares as opposed to the net investment which is reflective of wider market practice (this change does not require an increase in the BCIP plan limit); and
- seeking shareholder approval at the AGM to increase the normal Long Term Incentive Plan ("LTIP") limit to 200% of salary (from 100% of salary) to provide flexibility from 2012 to grant awards at above 100% of salary if this is considered appropriate. Awards in 2011 will continue to be restricted to 100% of salary. The Committee has agreed to inform major shareholders in advance of the quantum and targets that will apply to future years' LTIP awards should it be considered appropriate to grant at above 100% of salary.

In line with investors' best practice expectations, the above proposals were the subject of a pre-consultation with our major shareholders and shareholder representative bodies, of whom the overwhelming majority were supportive.

The Committee believes that the revised policy will provide it with sufficient flexibility to meet its objective of retaining and motivating the Company's management team. In addition, given that a substantial proportion of the total package is weighted towards long-term performance and the deferral requirement that forms part of the annual bonus arrangements, the Committee is comfortable that the current arrangements do not inadvertently encourage undue risk taking.

As a result, the Committee looks forward to your support of our remuneration policy at the 2011 AGM.

S Musesengwa
Chairman of the Remuneration Committee

Remuneration report

The directors present their remuneration report which covers the remuneration of both executive and non-executive directors and certain senior executives. This report sets out the policy for the financial year just ended, for the forthcoming year and, subject to ongoing review, for subsequent years. The report has been approved by the Board and signed on its behalf by the Chairman of the Remuneration Committee. The first section of the report contains unaudited information and the second section audited information. The report will be subject to approval by shareholders at the Annual General Meeting in April 2011.

Section 1: Unaudited information

The role of the Remuneration Committee

The Committee reviews and approves the annual salaries, bonus arrangements, service agreements and other employment conditions of the executive directors and certain members of the senior executive management team designated by the Board. In so doing it takes due account of pay and conditions in the Group as a whole and receives information on pay proposals for other employees throughout the Group. It also approves the design of, and determines targets for, any performance related/bonus pay schemes operated by the Group, approves the total annual payments made under such schemes, reviews the design of all share incentive plans for approval by the Board and shareholders and approves the award of long-term incentives. The Committee has delegated responsibility for setting the remuneration of the Chairman. The full terms of reference of the Committee are published on the Company's website (www.croda.com).

Membership and operation

The Committee comprises all non-executive directors including the Chairman and is chaired by Stanley Musesengwa. The Group Chief Executive is usually invited to attend all meetings but neither he nor the Chairman attends when their individual remuneration is being discussed. The Committee met three times during the year. Other directors and employees of the Company who attended some, or all, of the meetings during the year and provided advice and services to the Committee were Samantha Brook (VP Human Resources), Graham Myers (Group Financial Controller/Treasurer) and Louise Scott (Company Secretary & Legal Counsel). All have the appropriate qualifications and experience to advise the Committee on aspects of the Group's policies and practices.

Hewitt New Bridge Street (HNBS) have been appointed by the Committee to provide independent advice on remuneration policy and practice. During the year, HNBS attended one meeting of the Committee in connection with the remuneration review, details of which appear later in this report.

Policy on directors' and senior executives' remuneration

The key objectives of Croda's executive remuneration policy are:

- to ensure that individual rewards and incentives are comparable with those provided by similar companies having regard to the Group's turnover, business sector and market worth and the need for skills to manage international businesses;
- to enable the Group to attract and retain high calibre people;
- to give full consideration to the relevant principles on directors' remuneration set out in the 2010 UK Corporate Governance Code; and
- to ensure a balance between fixed and performance related remuneration, the latter being related to objective measurement of the financial performance of the Company.

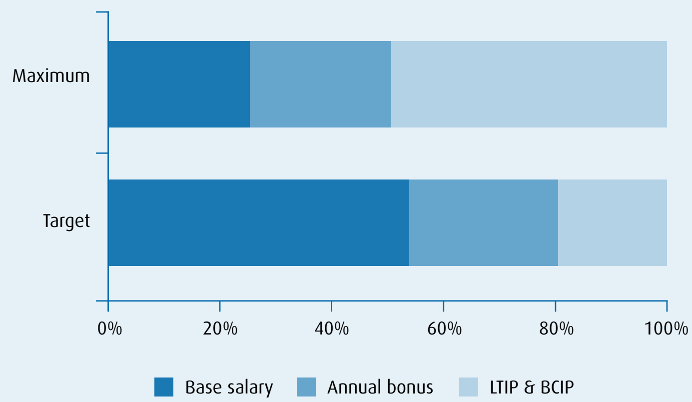
The Committee believes that the interests of shareholders and directors are more closely aligned by the operation of short-term incentives which encourage the achievement of stretching profit targets and under which rewards may be delivered in the form of cash and shares, combined with share-based long-term incentives that reward performance against three year earnings per share and relative total shareholder return targets. In designing an appropriate incentive structure for the executive directors and senior executive management team, the Committee endeavours to set challenging performance criteria that are aligned with the Group's strategy for the business and the enhancement of shareholder value. In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee ensures that the incentive structure for executive directors and senior executive management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account corporate governance on ESG matters and it takes due account of issues of general operational risk when structuring incentives.

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

Balance between fixed and variable pay

As described previously, a substantial proportion of the executive directors' pay is performance related. The charts below illustrate the balance between fixed and performance related pay at target and maximum performance levels based on the remuneration policy that is to operate in the current financial year (the full policy is described in detail below).

Fixed and Variable Pay: Average Executive Director at Target and Maximum Performance Levels



Assumptions

Target: annual bonus award of 50% of salary plus threshold vesting under the LTIP and BCIP (the BCIP assumes 50% of target bonus invested in the plan).

Maximum: maximum bonus award plus full vesting under LTIP and BCIP (the BCIP assumes a maximum bonus award which is invested in the BCIP in full).

Benefits: (including pension) have been excluded from the analysis for simplicity.

As can be seen from the charts, a substantial proportion of the total package is weighted towards long-term performance through the Long Term Incentive Plan ("LTIP") and Bonus Co-Investment Plan ("BCIP") long-term incentive arrangements. In addition, there is a deferral requirement that forms part of the annual bonus arrangements (which requires bonus awards in excess of 50% of salary to be deferred into Croda shares for a period of three years). After taking due account of these factors, allied to the rigorous process that is undertaken in setting incentive plan targets and determining payouts (including regular liaison between the Audit and Remuneration Committees as appropriate) the Committee is comfortable that the current arrangements do not inadvertently encourage undue risk taking. In testing the LTIP and BCIP performance targets, independent third party advisors provide information in respect of the extent to which targets are met, with audited results used to determine vesting in respect of EPS targets.

The Committee reviews the remuneration of the executive directors on an annual basis and, as has been the practice in each of the last two years, in 2010 it commissioned HNBS to provide up to date benchmark data to assist in this process. The 2009 remuneration review had identified that the remuneration of the executive directors was beginning to fall behind comparable market practice and so this needed to be re-examined in the light of the Company's strong financial performance. Accordingly, the remuneration packages were benchmarked, as had been done previously, against a group of international general manufacturing companies, similar in terms of size (including six month average market capitalisation and turnover) and scope of international operations, and a separate group of pan sector companies with comparable market capitalisations and international scope to those of Croda. In general, total remuneration was found to be below market median levels and so increases in base salary have been introduced from 1 January 2011 to redress this position. In arriving at its decisions on these increases the Committee took account of the salary increases for 2011 proposed for employees throughout the Group and the outstanding performance of the individual executive directors delivered during 2010. In addition, the revised salary of the President of Croda Europe took into account his promotion to the main Board in July 2010. It is also proposed to increase the level of awards made under the LTIP to the Group Finance Director and the President of Croda Europe subject to the present maximum of 100% of salary.

No amendments will be made in 2011 to the performance measures, or the range of targets, for the long-term incentive schemes as the Committee considered them to remain suitably challenging. The Committee recognised that the base year from which future performance will be measured is at a higher point than in previous years and so the targets will be very demanding in the opinion of the Committee. However, the award structure under the BCIP is to be aligned with market practice so that awards made to executive directors and members of the Group Executive and Finance Committees will in future be made on a gross of tax rather than a net of tax basis (this change does not result in an increase in quantum beyond the limits previously approved by shareholders at the time of the BCIP's introduction in 2005). In addition, the opportunity is being taken to put forward a resolution at this year's AGM to increase the maximum award levels under the LTIP from 100% of salary to 200% of salary. There is no current intention to increase actual award levels in 2011 beyond 100% of salary, but flexibility is required from 2012 to grant at higher levels, particularly given the fact that the Company competes for talent in the international market, where long-term incentive awards are often higher than in the UK.

Major investors and the main shareholder protection bodies were informed of these changes and proposals early in 2011 with the overwhelming majority supportive of the revised policy. In response to the feedback received, the Committee resolved to notify major investors and the main shareholder protection bodies in advance, in relation to both quantum and targets for LTIP awards, if awards are to be granted above 100% of salary in 2012.

Remuneration report

Components of executive directors' remuneration

Basic salary

The salaries are paid monthly in cash and are reviewed annually with effect from 1 January. Following the remuneration review described previously, and having taken account of another year of outstanding performance by the Company and the executives and the results of the HNBS benchmarking exercise, the Committee has increased the annual base salaries of executive directors with effect from 1 January 2011. In setting the revised salary of the President of Croda Europe, the Committee recognised his promotion to the main Board in July 2010. Current salary levels are set out below:

Executive director	Basic salary at 31 December 2010	Basic salary at 1 January 2011	% increase
M Humphrey	£560,000	£577,000	3.0
M S Christie	£309,500	£340,000	9.9
S E Foots	£260,000	£300,000	15.4

Performance-related annual bonus

The Company operates bonus schemes for its directors and senior executives. Bonus payments are not pensionable. The 2010 bonuses for executive directors were calculated by reference to the amount by which the income for the year, which is defined as the Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS2 'Share based payments' less a notional interest charge on working capital employed during the year (the "2010 Income"), exceeded the income for 2009 calculated on the same basis (the "base income"). Bonuses for 2010 are payable on a graduated scale once the 2010 Income exceeds the base income by inflation (defined as the consumer prices index (CPI)), with maximum bonuses due at CPI plus 11.35%. Income is measured after providing for the cost of any bonuses. The target range set for 2011 is considered at least as challenging to that set in prior years given the high base income that was delivered in 2010 and continuing uncertain economic conditions. The maximum bonuses in 2011 have been set as due at CPI plus 10%. The Committee has the discretion to take safety, health and environmental performance into consideration in determining the overall level of individual bonus payments and can reduce the bonus award if it considers it appropriate to do so.

The maximum amount of bonus payable to the executive directors is 100% of salary with the net element of any bonus in excess of 50% of salary being compulsorily invested in the BCIP. Bonuses earned by each director in respect of 2010 are included in the table of directors' remuneration on page 35 and represent 100% of basic salary, based on achievement in excess of the maximum bonus targets set at the start of the year. The Committee was satisfied that a maximum bonus award should be payable in respect of the 2010 financial year in view of actual performance significantly exceeding the maximum target and following a review of the safety, health and environmental performance of the Group. The maximum bonus opportunities have been set at these same levels for 2011. The performance targets will require out-performance of the 2010 Income before bonuses become eligible for payment. The Committee remains comfortable that the structure of the annual bonus does not encourage the pursuit of strategies that may involve inappropriate risk-taking and that the mandatory reinvestment of net bonuses in excess of 50% of salary into shares in any year is considered to strengthen further alignment with shareholders and foster a longer-term link between annual performance and reward.

Long-term incentives

Long-term incentives are provided to executive directors through two long-term incentive plans, the BCIP and the LTIP, which were both adopted in 2005. These replaced the Senior Executive Share Option Schemes. It is the Committee's policy, subject to unforeseen circumstances, that these will comprise the sole long-term elements of the total remuneration package of executive directors for the foreseeable future. It is also the Committee's policy to continue exercising its right to decide the number of LTIP awards to be granted to each executive director subject to plan limits.

BCIP

The BCIP operates in conjunction with the annual bonus schemes and allows participants to invest a proportion of their net annual cash bonus in Company shares. Participants have to agree to hold the invested shares for three years in return for which they receive a conditional award entitling them to additional shares subject to the achievement of the BCIP's performance condition. The maximum number of shares over which an award can be granted to an employee in a single year is limited to shares having a market value not exceeding 100% of the employee's salary. The levels of awards differ between participants. Prior to 2011 executive directors and members of the Group Executive and Finance Committees received one matching share for each share invested whilst other participants received two matching shares. As described in the paragraph headed "Balance between fixed and variable pay" on the previous page, executive directors and members of the Group Executive and Finance Committees will now receive matching shares based on the pre tax equivalent number of shares invested in the BCIP by participants from their net of tax annual bonus proceeds. It is compulsory for members of this group, whose gross bonus could exceed 50% of their annual salary, to invest the excess over 50%, net of tax, in shares unless they are within three years of anticipated retirement date.

The awards are subject to a performance condition adopted in 2007 which is structured to require the achievement of a challenging sliding scale of adjusted earnings per share growth ("EPS") targets in excess of retail price inflation ("RPI"):

Adjusted EPS growth over the three year period	Proportion of award vesting
Less than RPI + 12%	No vesting
RPI + 12%	30%
RPI + 24%	100%
Straight-line vesting occurs between these points	

If the performance target is met the shares will be transferred to the employee. If the employee does not retain their invested shares until the release date their award lapses. It is intended that the same performance target will be applied to any BCIP awards made in 2011.

LTIP

Participation in the LTIP is limited to executive directors and senior executives. Annual awards of shares are made based on varying percentages of salary with the maximum entitlement being shares having a market value of 100% of the employee's salary. As described in the paragraph headed "Balance between fixed and variable pay" earlier in this report, the Company is seeking shareholder approval at its AGM to increase the maximum entitlement to 200% of salary (although, as noted earlier, it is not intended that awards will be granted above 100% of salary in 2011). Awards are subject to performance conditions measured over a period of not less than three years.

The awards are subject to a performance condition which is split into two separate parts, each with a separate performance condition. Half of any LTIP award will vest based on a condition measuring the Company's relative total shareholder return (TSR) against the constituents of the FTSE 250 Index (excluding investment trusts). There are a limited number of direct competitors to Croda and the Committee was mindful of the dangers inherent in operating a relative TSR-based performance condition with a comparator group comprised of only a small number of companies. The FTSE 250 (excluding investment trusts) was, therefore, considered an appropriate comparator group by the Committee. Vesting will take place on the following sliding scale:

Rank of the Company's TSR against the FTSE 250 (excluding Investment Trusts)	Vesting % (TSR part)
Below median	0%
Median	30%
Upper quartile	100%
Between median and upper quartile	30% - 100% pro rata

The remaining half of the awards vest based on the same EPS growth condition that is set for the BCIP, with vesting thus taking place on the following sliding scale:

Adjusted EPS growth over the three year period	Vesting % (EPS part)
Less than RPI + 12%	No vesting
RPI + 12%	30%
RPI + 24%	100%
Straight-line vesting occurs between these points	

If the performance target is met, the shares will be transferred to the employee. Awards made in 2011 will remain in line with awards made in 2010 for executive directors in terms of the performance targets. As described previously, the quantum of awards (expressed as a multiple of salary) for the Group Finance Director and the President of Croda Europe are being increased to 100% and 87.5% of salary respectively for the awards to be granted in 2011. The Committee believes that this is necessary in order to create competitive remuneration packages which will incentivise these two executives and bring their remuneration more into line with comparable market practice. The Chief Executive will continue to receive an award at 100% of salary in 2011 which is consistent with the policy operated in prior years.

The gains arising from LTIP and BCIP awards vesting in 2010 are set out on page 39 with the awards vesting in full due to the performance targets applying to the awards granted in 2007 being achieved in full.

Senior Executive Share Option Schemes

Following the adoption of the BCIP and the LTIP, the operation of the Senior Executive Share Option Schemes has been discontinued except in relation to options already granted. The only options now outstanding were granted in 2002 and 2003. The options were granted subject to performance conditions which required basic EPS before exceptional items to grow at RPI plus 7% per annum over the performance period for 100% of the options granted to be exercisable. The performance conditions have been satisfied in full. Mike Humphrey is the only director who holds these options and details of his options are shown in the table on page 37.

It is the Company's current intention to satisfy awards under the BCIP and the LTIP and the exercise of share options primarily from shares held in the Employee Share Ownership Trust, treasury shares and shares purchased in the market and not by the issue of new shares. Details of shares held for this purpose are given in note 25 on page 81.

Remuneration report

Pension and other benefits

Croda has a number of different pension plans in the countries in which it operates. Pension entitlements for Croda's executives are tailored to local market practice, the length of service and age of the participants. The principal pension plans in the UK are defined benefit schemes which provide a pension based on a proportion of final salary. The Company is flexible in the manner in which pension provision is made for executive directors with the aim of balancing the needs of the director against the liability of the Company. Hence, it makes contributions either by direct contribution to the Croda defined benefit pension scheme or by way of a cash supplement in lieu of pension benefits to enable the funding of personal pension arrangements.

Other customary benefits such as company cars or car allowances, health benefits, the UK SAYE Scheme and the Croda Share Incentive Plan (which are available to all eligible UK employees), are made available to executive directors. Benefits in kind are not pensionable. The Committee reviews the individual components and the balance of these components from time to time.

Components of senior executives' remuneration

The Group Executive Committee and the Group Finance Committee are made up from seven senior executives in addition to the three executive directors. The reward structure for these senior executives is broadly similar to that of the executive directors although there are some differences in LTIP participation.

Service contracts and external appointments

Policy

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

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

Specific contracts

Mike Humphrey entered into a new service contract on 21 December 2005 which is terminable by the Company on one year's notice and by Mike Humphrey on six months' notice. The Company may also terminate the contract at any time with immediate effect and Mike Humphrey would be entitled to receive compensation equivalent to twelve months' salary plus the value of his pension benefits (valued at 20% of basic salary), bonus entitlement (50% based on the assumption that performance targets are deemed to have been achieved) and the value of other benefits, payable in equal monthly instalments for twelve months or, if less, the remaining period of any notice period not yet completed. Such payments would discontinue or reduce to the extent that he obtained alternative employment (i.e. any such payments would be phased and subject to mitigation to the extent that any alternative employment was commenced).

As explained in last year's report, the Committee has engaged with its major institutional investors (and shareholder protection bodies) on the issue of the Chief Executive's legacy contract but has not felt it appropriate to seek to renegotiate the terms of this contract at a time when the Chief Executive has presided over a sustained period of very strong performance, over a matter which is a legacy issue.

Sean Christie and Steve Foots have service contracts dated 15 December 2006 and 16 September 2010 respectively with substantially the same terms as those of Mike Humphrey's contract except that there is no entitlement to bonus on termination by the Company with immediate effect.

External appointments

Executive directors are permitted to accept external non-executive appointments with the prior approval of the Board. It is normal practice for executive directors to retain fees provided for non-executive appointments. Sean Christie was a non-executive director of Cherry Valley Farms Limited until its sale in April 2010. During the year he received total payments of £1,506,250 consisting of fees and a bonus connected with completion of the sale.

Apart from service agreements and share schemes, no director has had any material interest in any contract with the Company or its subsidiaries requiring disclosure under the Companies Act 2006.

Policy on non-executive directors' remuneration

The Board is responsible for determining the policy on, and level of, the remuneration of non-executive directors. The aim is to attract non-executive directors who through their experience can further the interests of the Company through their stewardship and contribution to strategic development. The Board's policy is to provide cash fees at a level commensurate with companies of Croda's size, set fees to reflect the anticipated time commitment of fulfilling the relevant non-executive's duties, not to grant share options to non-executive directors, and to encourage non-executive directors to establish a holding of Croda shares.

Components of non-executive directors' remuneration

Non-executives' pay comprises cash fees, paid monthly. All non-executive directors are reimbursed for travel and related business expenses reasonably incurred in performing their duties. Non-executive directors' fees are determined on the basis of current fee levels in similar businesses and are reviewed by the Board at least every two years.

The Chairman's fees are determined by the Remuneration Committee and since 1 January 2009 these have been £153,000. The fees of the remaining non-executive directors are determined by the Chairman and the executive directors. Since 1 January 2009 the basic annual fee for a non-executive director has been £41,000, with an additional £6,000 for chairing a committee and the Senior Independent Director receiving an additional £3,000.

Terms of appointment

The Chairman and non-executive directors have letters of appointment for an initial fixed term of three years subject to earlier termination by either party on written notice. In each case this term can be extended by mutual agreement. They have no entitlement to contractual termination payments. The dates of their initial appointments and current term expiry dates are set out below.

	Original appointment date	Expiry date of current term
M C Flower	16 May 2005	28 September 2011
M C Buzzacott	2 August 2004	1 August 2011
S Musesengwa	7 May 2007	6 May 2013
P N N Turner	1 June 2009	31 May 2012
S G Williams	1 July 2010	30 June 2013

Directors' interests

The beneficial interests at 31 December 2010 of the directors of the Company and their connected persons in the shares of the Company are shown below. Further information regarding employee share option schemes is given in note 23 to the financial statements on pages 77 to 80 of the annual report.

	At 31 December 2010						At 1 January 2010					
	Ordinary shares	BCIP† Ordinary shares	Executive options	SAYE options	SIP†† ordinary shares	LTIP	Ordinary shares	BCIP† Ordinary shares	Executive options	SAYE options	SIP†† ordinary shares	LTIP
M Humphrey	298,162	141,046	150,000	1,491	5,050	281,846	262,075	110,620	150,000	2,681	4,776	290,487
M S Christie	39,140	140,510	–	1,702	1,614	115,909	–	120,014	–	1,702	1,340	115,703
S E Foots (appointed 1 July 2010)	37,332	50,918	–	340	5,050	50,880	29,810	39,026	–	1,710	4,776	51,288
M C Flower	22,925	–	–	–	–	–	22,925	–	–	–	–	–
M C Buzzacott	10,000	–	–	–	–	–	10,000	–	–	–	–	–
S Musesengwa	15,000	–	–	–	–	–	15,000	–	–	–	–	–
P N N Turner	15,000	–	–	–	–	–	15,000	–	–	–	–	–
S G Williams (appointed 1 July 2010)	10,000	–	–	–	–	–	–	–	–	–	–	–

Mike Humphrey has an interest in 100 7.5% preference shares but no other director had any interest in the 5.9%, 6.6% or 7.5% preference shares of the Company.

† The BCIP shares comprise 166,237 shares invested by the directors (2009: 134,830) and 166,237 shares which are the subject of conditional awards (2009: 134,830).

†† The SIP shares comprise 5,857 Partnership shares (2009: 5,446) and 5,857 Matching shares (2009: 5,446).

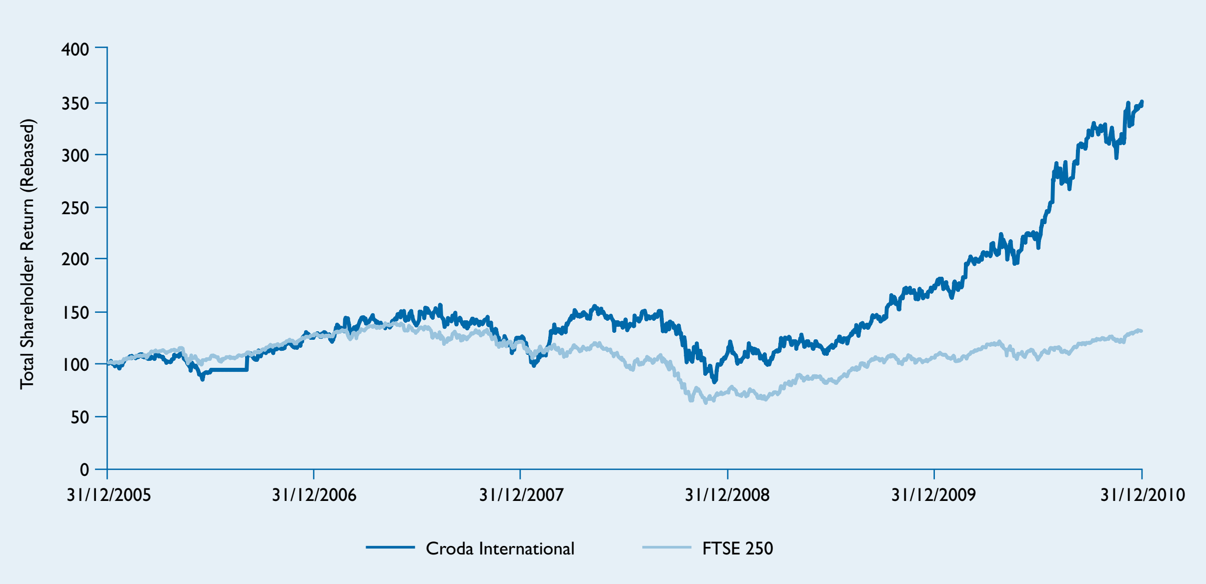
Remuneration report

Share ownership policy

The Company has adopted share ownership guidelines which apply to all executive directors and members of the Group Executive Committee and the Finance Committee. Executives are required to build up a target shareholding of shares with a market value equivalent to 100% of salary from time to time through a combination of share purchases and the retention of incentive shares. On the exercise of SAYE and executive share options or the vesting of LTIP and/or BCIP awards, executives are required to retain shares from the shares awarded representing 50% of the net of tax gain until the target is met or exceeded. The target is expected to be reached within five years. All the executive directors have holdings well in excess of the target shareholdings.

Total shareholder return: Croda International vs FTSE 250

The graph below looks at the value by the end of 2010 of £100 invested in Croda on 31 December 2005 compared with £100 invested in the FTSE 250 Index.



In the opinion of the directors the FTSE 250 is the most appropriate index against which the total shareholder return of the Company should be measured, as it is an index of similar sized companies to Croda International Plc.

Section 2: Audited information

Directors' remuneration

	Basic salary £	Pension supplement £	Bonus £	Benefits £	Fees £	2010 Total £	2009 Total £
M Humphrey†	560,000	112,000	560,000	30,400	–	**1,262,400**	1,231,203
M S Christie	309,500	–	309,500	16,341	–	**635,341**	624,033
S E Foots†† (appointed 1 July 2010)	235,000	–	235,000	15,640	–	**485,640**	413,561
M C Flower	–	–	–	–	153,504	**153,504**	153,504
M C Buzzacott	–	–	–	–	50,000	**50,000**	49,000
S Musesengwa	–	–	–	–	47,000	**47,000**	45,000
P N N Turner	–	–	–	–	41,000	**41,000**	23,919
S G Williams (appointed 1 July 2010)	–	–	–	–	20,500	**20,500**	-
	1,104,500	112,000	1,104,500	62,381	312,004	**2,695,385**	2,540,220

Notes

1 † Highest paid director.

2 †† Although only appointed to the Board on 1 July 2010, Mr Foots was an existing employee and so his remuneration for the whole of 2009 and 2010 is shown.

3 Benefits incorporate all assessable tax benefits arising from employment by the Company and relate in the main to the provision of a Company car or car allowance, fuel allowances and private medical insurance.

4 The bonuses shown relate to the year ended 31 December 2010.

Pension rights

Prior to 6 April 2006, Mike Humphrey accrued pension benefits under the Croda International Supplemental Scheme ("CISS"). The CISS was merged with the Croda Group Pension Scheme on 30 September 2010 to form the Croda Pension Scheme ("CPS"). Mike Humphrey will be entitled at age 60 to a pension equal to his accrued pension at 5 April 2006 (accrued at a rate of two-thirds of his annual pensionable remuneration as at 5 April 2006, pro-rated by the ratio of his actual service accrued prior to 5 April 2006 and prospective service to age 60), increased to age 60 at the rate which applies to all preserved pensions in the CISS section of the CPS. If Mike Humphrey retires before age 60 a reduced pension is payable unless retiring at the Company's request. In the event of death, a pension equal to two-thirds of his pension would become payable to his surviving spouse. Mike Humphrey's pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 10% per annum. During 2010, Mike Humphrey was paid £112,000 (2009: £109,200) in addition to his basic salary to enable him to make independent provision for his retirement. This is the same level of contribution (expressed as a percentage of salary) in respect of salary in lieu of pension that has been provided since 2006.

Sean Christie accrues pension benefits under the CPS with an accrual rate of 1/60th and a normal retirement age of 65. If Sean Christie retires before age 65 a reduced pension is payable unless retiring at the Company's request. In the event of death a pension equal to 50% of his pension would become payable to his surviving spouse. His pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 2.5% per annum.

Steve Foots accrues pension benefits under the CPS with an accrual rate of 1/60th and an entitlement to retire at age 60. If Steve Foots retires before age 61, a reduction will be applied to the element of his pension accrued after 5 April 2006, and if he retires before age 60 a reduction will also be applied to the element of his pension accrued before 6 April 2006, unless in either instance he is retiring at the Company's request. Steve Foots' pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 10% per annum for benefits accrued prior to 6 April 2006, and in line with inflation up to a maximum of 2.5% per annum for benefits accrued from 6 April 2006 onwards.

All three executive directors are entitled to death in service benefits from the CPS.

Defined benefit schemes

	Accrued pension at 31.12.10[1] £000	Increase in accrued pension during the year[2] £000	Increase in accrued pension during the year (excluding inflation)[3] £000	Transfer value of accrued pension at 31.12.09[4] £000	Transfer value of accrued pension at 31.12.10[4] £000	Increase in transfer value over the year[5] £000	Transfer value of the increase in the accrued pension[6] £000
M Humphrey[7]	311	30	16	7,443	8,440	997	442
M S Christie	21	5	5	180	253	52	39
S E Foots[8]	79	15	12	862	1,082	204	135

Notes

1 The figures shown represent: the amount of annual pension benefits based on service to, and pensionable earnings at, 5 April 2006 for Mike Humphrey (with standard preserved increases to 31 December 2010); and the amount of annual pension benefits which would have been preserved for Sean Christie and Steve Foots had they left service on 31 December 2010, based on service to, and pensionable earnings at, that date.

2 The figure represents the difference between the total accrued pension at 31 December 2010 and the corresponding pension at the beginning of the year.

3 The figure represents the difference between the total accrued pension at 31 December 2010 and the corresponding pension at the beginning of the year after an adjustment to exclude inflation is provided as required under paragraph 9.8.8 (12) (a) of the Listing Rules.

4 Transfer values are quoted on the basis recommended by the scheme actuary for valuation of accrued benefits if the member had transferred benefits to another approved scheme on the relevant date. The increase in transfer value between 31 December 2009 and 31 December 2010 takes account of changes in market conditions over the period.

5 The figure represents the difference between transfer values of the accrued benefits at 31 December 2010 and 31 December 2009, less contributions paid by the director or on his behalf under the Company's salary sacrifice scheme.

6 The figure represents the transfer value of the increase in accrued benefits over the period, adjusted for inflation, less contributions paid by the director or on his behalf under the Company's salary sacrifice scheme.

7 Following a recent review of the administration procedures of the CPS, Mike Humphrey's pension as at 6 April 2006 has been recalculated to be £252,725 per annum (it had previously been stated as £237,597 per annum). The figures in the table above relating to the position as at 31 December 2009 are based on an accrued pension of £237,597 per annum as at 6 April 2006, as was disclosed last year. The figures relating to the position as at 31 December 2010 are based on the revised pension figure of £252,725 per annum as at 6 April 2006. Consequently, part of the increase in his accrued pension and transfer value during the year is in relation to this amendment to his accrued pension entitlement at 6 April 2006.

8 Steve Foots became a director on 1 July 2010. The accrued pension disclosed above has been calculated taking into account his entire pensionable service (including the period prior to his becoming a director).

Members of the CPS have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in this table.

Remuneration report

Share options

Options are granted over ordinary shares of 10p each under the Senior Executive Share Option Schemes and the Savings-Related Share Option Scheme.

Senior executive share options

Mike Humphrey is the only director who holds options under the Senior Executive Share Option Schemes and details of his options are set out below:

Date of grant	Earliest exercise date	Exercise price	Number at 1 January 2010 (10p shares)	Exercised in year	Number at 31 December 2010 (10p shares)
M Humphrey					
5 March 2003	5 March 2006	230p	150,000	–	150,000
			150,000	–	150,000

No price was paid for the award of the options and none of the terms and conditions of the share options was varied during the year. All performance conditions attaching to the share options have been satisfied.

SAYE share options

Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1 January 2010 (10p shares)	Exercised in year	Granted in year	Number at 31 December 2010 (10p shares)
M Humphrey							
22 September 2005	1 November 2010	30 April 2011	328p	1,410	1,410	–	–
16 September 2008	1 November 2011	30 April 2012	509p	590	–	–	590
15 September 2009	1 November 2012	30 April 2013	533p	681	–	–	681
15 September 2010	1 November 2013	30 April 2014	1144p	–	–	220	220
				2,681	1,410	220	1,491
M S Christie							
15 September 2009	1 November 2012	30 April 2013	533p	1,702	–	–	1,702
				1,702	–	–	1,702
S E Foots							
22 September 2005	1 November 2010	30 April 2011	328p	1,007	1,007	–	–
17 September 2007	1 November 2010	30 April 2011	520p	363	363	–	–
15 September 2009	1 November 2012	30 April 2013	533p	340	–	–	340
				1,710	1,370	–	340

Employees are customarily invited to participate in a Save As You Earn Share Option Scheme once a year. Prior to 2006, the savings contract was traditionally for five years but since that time a three year savings contract has been offered. The option price is the value of ordinary shares at date of grant discounted by 20%. Options are normally exercisable for a six month period following completion of the savings contract.

LTIP

Details of awards made under the Croda LTIP are set out below:

Date of award	Award price* (£)	Earliest vesting date	Market price at date of award	Number at 1 January 2010 (10p shares)	Exercised in year	Granted in year	Number at 31 December 2010 (10p shares)
M Humphrey							
22 February 2007	5.9273	22 February 2010	663p	78,451	78,451	–	–
20 February 2008	5.0285	20 February 2011	604p	103,410	–	–	103,410
18 February 2009	5.0264	18 February 2012	509p	108,626	–	–	108,626
24 February 2010	8.0217	24 February 2013	900p	–	–	69,810	69,810
				290,487	78,451	69,810	281,846
M S Christie							
22 February 2007	5.9273	22 February 2010	663p	28,731	28,731	–	–
20 February 2008	5.0285	20 February 2011	604p	41,761	–	–	41,761
18 February 2009	5.0264	18 February 2012	509p	45,211	–	–	45,211
24 February 2010	8.0217	24 February 2013	900p	–	–	28,937	28,937
				115,703	28,731	28,937	115,909
S E Foots							
22 February 2007	5.9273	22 February 2010	663p	13,497	13,497	–	–
20 February 2008	5.0285	20 February 2011	604p	17,897	–	–	17,897
18 February 2009	5.0264	18 February 2012	509p	19,894	–	–	19,894
24 February 2010	8.0217	24 February 2013	900p	–	–	13,089	13,089
				51,288	13,497	13,089	50,880

* Award price is based on the average mid-market price of a Croda ordinary share for the first 30 dealing days of the financial year in which the award is made.

BCIP

Details of the awards made under the Croda BCIP are set out below:

Date of award	Earliest vesting date	Market price at date of award	Number at 1 January 2010 (10p shares)	Granted during the year	Released during the year	Number at 31 December 2010 (10p shares)
M Humphrey						
26 April 2007	26 April 2010	633p	4,857	–	4,857	–
1 May 2008	1 May 2011	696.5p	21,886	–	–	21,886
30 April 2009	30 April 2012	544p	28,567	–	–	28,567
29 April 2010	29 April 2013	990p	–	20,070	–	20,070
			55,310	20,070	4,857	70,523
M S Christie						
26 April 2007	26 April 2010	633p	7,692	–	7,692	–
1 May 2008	1 May 2011	696.5p	21,550	–	–	21,550
30 April 2009	30 April 2012	544p	30,765	–	–	30,765
29 April 2010	29 April 2013	990p	–	17,940	–	17,940
			60,007	17,940	7,692	70,255
S E Foots						
26 April 2007	26 April 2010	633p	3,076	–	3,076	–
1 May 2008	1 May 2011	696.5p	6,559	–	–	6,559
30 April 2009	30 April 2012	544p	9,878	–	–	9,878
29 April 2010	29 April 2013	990p	–	9,022	–	9,022
			19,513	9,022	3,076	25,459

Remuneration Report

Share Incentive Plan

Mike Humphrey, Sean Christie and Steve Foots participate in the plan which, as a HMRC approved arrangement, is offered to all employees on the same terms. They each save the maximum of £125 per month permitted under the regulations. Matching shares are allocated on a one for one basis for each Partnership share purchased by the employee. Shares are purchased on a monthly basis. During the year they each purchased 137 Partnership shares and were allocated 137 Matching shares. The average purchase price was 1155.5p.

Since 31 December 2010, Mike Humphrey and Steve Foots have each purchased 16 Partnership shares and Sean Christie has purchased 17 Partnership shares and they have been awarded a corresponding number of Matching shares under the SIP at an average price of 1495p per share. Otherwise there has been no change in the directors' interests in shares or options granted by the Company between the end of the financial year and 8 March 2011.

Gains made on exercise of share options and LTIPs

	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain (before tax) £
M Humphrey	16 March 2010	78,451	LTIP	Nil	911p	714,689
	16 March 2010	4,857	BCIP	Nil	911p	44,247
	1 November 2010	1,410	SAYE	328p	1439p	15,665
						774,601
M S Christie	9 March 2010	28,731	LTIP	Nil	908.5p	261,021
	16 March 2010	7,692	BCIP	Nil	911p	70,074
						331,095
S E Foots	24 February 2010	13,497	LTIP	Nil	900p	121,473
	16 March 2010	3,076	BCIP	Nil	911p	28,022
	7 December 2010	1,007	SAYE	328p	1610p	12,910
	20 December 2010	363	SAYE	520p	1577p	3,837
						166,242

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

The market price of the Company's shares at 31 December 2010 was 1616p and the range of market prices during the year was between 751p and 1616p.

On behalf of the Board

S Musesengwa
Chairman of the Remuneration Committee
8 March 2011

Other disclosures

Principal activities and Business review

Croda International Plc is a holding company operating from headquarters at Cowick Hall, Snaith, Goole, East Yorkshire, and providing central direction for a speciality chemicals group with operations across the globe. The Group carries out research and development activities in the main markets it serves, further details of which can be found in the Chief Executive's review on pages 5 to 8.

The Companies Act 2006 requires the Company to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2010 including an analysis of the development and performance of the Group during the year and the position of the Group at the end of the financial year, and a description of the principal risks and uncertainties facing the Group (known as a "Business review").

The information which makes up the Business review can be found in the following sections of the annual report:

- Chairman's statement on pages 3 and 4
- Chief Executive's review on pages 5 to 8
- Financial review on pages 9 to 12
- Corporate Social Responsibility report on pages 13 to 20
- Principal risks and uncertainties as discussed in the Financial review section on pages 11 and 12.

Further information on Corporate Social Responsibility (CSR) can be found in our full CSR report on our website at www.croda.com

Pages 1 to 43 inclusive (together with the sections of the Annual Report incorporated by reference) constitute a Directors' report that has been drawn up and presented in accordance with applicable English company law and the liabilities of the directors in connection with that report are subject to the limitations and restrictions provided by that law.

Research and development

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

Profit and dividends

The results for the year are set out on page 45. The directors are recommending a final dividend of 25.25p per share (2009: 15.0p). If approved by shareholders, total dividends for the year will amount to 35.0p per share (2009: 21.5p per share). Details of dividends are shown in note 9 on page 63 and details of the Company's Dividend Reinvestment Plan can be found on page 97.

Disposals

During the year the Group sold its former oleochemical site at Bromborough on the Wirral which had been closed at the end of 2009. It also ceased production at its manufacturing site at Wilton on Teesside and subsequently sold the site. At the end of June the sale of its Emmerich oleochemical site and associated business in Germany was completed. Since the year end, Croda's 60% shareholding in its Korean joint venture has been sold to the non-controlling shareholders. Further details appear in note 7 on page 61.

Directors

The Company's Articles of Association ("the Articles") give the directors power to appoint and replace directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the board of directors. The Articles also require directors to retire and submit themselves for election at the first annual general meeting (AGM) following appointment and all directors who held office at the time of the two preceding AGMs and who did not retire at either of them, to submit themselves for re-election. Ordinarily this would mean that, at this year's AGM, Mike Buzzacott and Stanley Musesengwa would be standing for re-election and Steve Williams and Steve Foots would be standing for election for the first time following their appointments on 1 July 2010. However, the Board has taken note of the new provision in the UK Corporate Governance Code requiring directors of FTSE 350 companies to be subject to annual election and each director will be standing for election at the AGM. The present directors of the Company are shown on pages 21 and 22. Details of the directors' service contracts are given in the directors' remuneration report on pages 28 to 39.

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

A statement indicating the beneficial and non-beneficial interests of the directors in the share capital of the Company, including share options, is shown in the directors' remuneration report on page 34.

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

Corporate Governance

The directors' corporate governance statement is set out on pages 23 to 27.

Other disclosures

Directors' indemnities

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

Share capital

At the date of this report, 139,949,969 ordinary shares of 10 pence each have been issued and are fully paid up and quoted on the London Stock Exchange. The rights and obligations attaching to the Company's ordinary shares are set out in the Articles, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary. There are no restrictions on the voting rights attaching to the Company's ordinary shares or on the transfer of securities in the Company. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Further information which fulfils the requirements of Section 992 of the Companies Act 2006 and which should be treated as forming part of this report by reference is included in the following sections of the annual report:

- details of the structure of the Company's share capital and the rights attached to the Company's shares are set out on pages 76 and 81; and
- details of the employee share schemes are set out on pages 77 to 80.

Power to issue or buy back shares

At the 2010 AGM, authority was given to the directors to allot unissued shares in the Company up to a maximum amount equivalent to approximately one third of the issued share capital (excluding shares held in treasury) for general purposes, plus up to a further one third of the Company's issued share capital (excluding shares held in treasury), but only in the case of a rights issue. No such shares have been issued. A further special resolution passed at that meeting granted authority to the directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the then Companies Act 1985. Both these authorities expire on the date of the 2011 AGM to be held on 28 April 2011 and so the directors propose to renew them for a further year.

Last year the members also renewed the Company's authority to purchase up to 10% of its ordinary shares. No purchases were made during the year. On 22 February 2011, the Company announced that it intends to purchase shares worth around £50m in the market in the following year and so the Company will be seeking to renew its authority to purchase its own shares at the 2011 AGM. Shares will only be purchased if the Board believes that such purchases will improve earnings per share and be in the best interests of the shareholders generally. It is the Company's intention that any shares purchased will be held as treasury shares.

Substantial shareholders

As at 18 February 2011, the Company had been notified under DTR5 of the Financial Services Authority's Disclosure and Transparency Rules of the following significant holdings of voting rights in its shares:

	Ordinary shares	% of share capital	Nature of holding
Legal & General Group Plc	6,889,195	5.01%	Direct
Massachusetts Financial Services Company	6,722,481	4.89%	Direct
AEGON UK Group of Companies	4,322,054	3.15%	Direct 3.14%, Indirect 0.01%

Deadlines for exercising voting rights

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

Articles of Association

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

Significant contracts and change of control

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

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

Employees

Diversity

Croda is committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, marital status, race, ethnic origin, religion, disability, sexuality, or age, or is disadvantaged by conditions or requirements which cannot be shown to be justified. Group HR Policies are clearly communicated to all 3,200 employees and are available through the Company intranet.

Recruitment & progression

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

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

Development & learning

Croda recognises that the key to future success lies in the skills and abilities of its dedicated global workforce. It is only through the continuous development of our employees that we will be able to meet the future demands of our customers in relation to enhanced creativity, innovation and customer service. During 2010 our employees had an average of 30 hours of training.

Involvement

Croda is committed to ensuring that employees share in the success of the Group. Owning shares in the Company is an important way of strengthening involvement in the development of the business and bringing together employee and shareholder interests. In 2010, 40% of our employees joined one of our SAYE schemes.

Employees are kept informed of matters of concern to them in a variety of ways, including Crodaway (the Company magazine), quarterly updates, Croda Connect (the Company intranet), team briefings and E-Lists (email messages). These communications help achieve a common awareness among employees of the financial and economic factors affecting the performance of Croda and of changes happening within the business. Croda is also committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. Employee surveys have been conducted in two of our three regions during 2010.

Corporate Social Responsibility

Croda continue to believe that good corporate responsibility is essential to the long term success of the business. Details of our corporate responsibility initiatives and activities are set out in the CSR section of this report and our full CSR report which is available online at www.croda.com/csr. Under the supervision of the CSR Steering Committee, responsibility is now completely embedded within the regional business units, which are fully accountable for delivering business objectives.

Croda's CSR Steering Committee is comprised of representatives from all regional business units and is responsible for collating and reporting CSR data globally. It is also responsible for identifying material issues relevant to the whole Group.

Community involvement

Community involvement is an important undertaking that provides value to our employees, our business and to the local communities in which we live and operate. Our involvement in the community highlights our commitment to our neighbours and also generates significant goodwill. This commitment is most clearly illustrated through the '1% Club', an employee volunteering initiative that we started in 2003. During 2010, we completed the implementation of the 1% Club at all of our global manufacturing sites, enabling every one of our 3,200 employees around the world to spend time actively involved in their communities.

Supplier payment policy

Group policy concerning the payment of suppliers is that each operating unit agrees terms of payment at the beginning of business or makes the supplier aware of the standard payment terms, and pays in accordance with those terms or other legal obligations. At 31 December 2010, the Group had an average of 35.8 days (2009: 38.8 days) purchases outstanding in trade creditors. The Company's trade creditors are not material.

Market value of properties

The Group's property, plant and equipment are included in the financial statements at depreciated historic cost where the assets were acquired in the normal course of business or depreciated fair value if the assets were acquired as part of a business combination. The properties are in continuing use and many of them were acquired when market values were substantially lower than at present. The directors consider that a surplus over book value exists, but have not quantified the excess.

Charitable and political donations

Charitable donations made by the Group in the year amounted to £13,000 (2009: £38,000). No donations were made for political purposes (2009: £Nil).

Annual General Meeting

The AGM will be held at Carlton Towers, Carlton, Goole, East Yorkshire DN14 9LZ on Thursday, 28 April 2011 at 12 noon. The notice of meeting and explanation of the business to be considered at the AGM are contained in a separate document issued to shareholders with this annual report.

Other disclosures

Independent auditors

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

Directors' responsibilities

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

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

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

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

Each of the directors, whose details are set out on pages 21 to 22 confirms that, to the best of their knowledge:

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

Audit information

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

Approved by the Board

Louise Scott
Secretary
8 March 2011

Group independent auditors' report

Group independent auditors' report to the members of Croda International Plc

We have audited the Group financial statements of Croda International Plc for the year ended 31 December 2010 which comprise the Group income statement, Group statement of comprehensive income and expense, Group balance sheet, Group statement of changes in equity, Group statement of cash flows, Group cash flow notes, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the lAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the corporate governance statement set out on page 27 with respect to internal control and risk management systems is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 43, in relation to going concern;
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Croda International Plc for the year ended 31 December 2010 and on the information in the directors' remuneration report that is described as having been audited.

Richard Bunter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
8 March 2011

Group income statement
for the year ended 31 December 2010

	Note	2010 £m Before exceptional items	2010 £m Exceptional items	2010 £m Total	2009 £m Before exceptional items	2009 £m Exceptional items	2009 £m Total
Revenue	1	1,001.9	–	1,001.9	827.5	-	827.5
Cost of sales		(684.4)	–	(684.4)	(594.3)	(17.2)	(611.5)
Gross profit		317.5	–	317.5	233.2	(17.2)	216.0
Net operating expenses	2	(118.9)	–	(118.9)	(111.7)	-	(111.7)
Operating profit	1	198.6	–	198.6	121.5	(17.2)	104.3
Financial expenses	4	(10.7)	–	(10.7)	(15.7)	-	(15.7)
Financial income	4	4.4	–	4.4	2.2	-	2.2
Profit before tax		192.3	–	192.3	108.0	(17.2)	90.8
Tax	5	(62.5)	–	(62.5)	(35.3)	2.1	(33.2)
Profit after tax from continuing operations		129.8	–	129.8	72.7	(15.1)	57.6
Profit after tax from discontinued operations	7	(0.9)	2.1	1.2	(4.6)	(29.0)	(33.6)
Profit for the year	3	128.9	2.1	131.0	68.1	(44.1)	24.0
Attributable to:							
Non-controlling interests				0.2			0.2
Equity shareholders				130.8			23.8
				131.0			24.0

Earnings per 10p share		2010 Pence per share	2009 Pence per share
Basic			
Total	8	96.1	17.6
Continuing operations	8	95.4	42.6
Diluted			
Total	8	94.1	17.3
Continuing operations	8	93.4	41.9

Group statement of comprehensive income and expense
for the year ended 31 December 2010

	2010 £m	2009 £m
Profit for the year	131.0	24.0
Other comprehensive income/(expense):		
Currency translation differences	9.1	(7.1)
Movement in fair value of cash flow hedges	0.3	2.1
Actuarial movement on retirement benefit liabilities (note 12)	3.7	(141.8)
Deferred tax on actuarial movement on retirement benefit liabilities (note 5)	(1.2)	38.5
	11.9	(108.3)
Total comprehensive income/(expense) for the year	142.9	(84.3)
Attributable to:		
Non-controlling interests	0.3	-
Equity shareholders	142.6	(84.3)
	142.9	(84.3)

Group balance sheet
at 31 December 2010

	Note	2010 £m	2009 £m
Assets			
Non-current assets			
Intangible assets	13	**203.5**	202.0
Property, plant and equipment	14	**319.4**	341.8
Investments	16	**14.0**	12.5
Deferred tax assets	6	**68.1**	73.9
		605.0	630.2
Current assets			
Inventories	17	**164.6**	148.9
Trade and other receivables	18	**146.2**	159.0
Cash and cash equivalents		**64.8**	45.0
Assets classified as held for sale	7	**0.6**	-
		376.2	352.9
Liabilities			
Current liabilities			
Trade and other payables	19	**(178.5)**	(179.0)
Borrowings and other financial liabilities	20	**(3.3)**	(48.8)
Provisions	21	**(17.9)**	(30.6)
Current tax liabilities		**(16.6)**	(14.7)
		(216.3)	(273.1)
Net current assets		**159.9**	79.8
Non-current liabilities			
Borrowings and other financial liabilities	20	**(281.8)**	(285.0)
Other payables		**(4.8)**	(3.6)
Retirement benefit liabilities	12	**(147.8)**	(203.5)
Provisions	21	**(13.3)**	(24.5)
Deferred tax liabilities	6	**(43.0)**	(35.2)
		(490.7)	(551.8)
Net assets		**274.2**	158.2
Shareholders' equity			
Preference share capital	24	**1.1**	1.1
Ordinary share capital	22	**14.0**	14.0
Called up share capital		**15.1**	15.1
Share premium account		**93.3**	93.3
Reserves		**164.7**	48.1
Total shareholders' equity		**273.1**	156.5
Non-controlling interests in equity	26	**1.1**	1.7
Total equity		**274.2**	158.2

Signed on behalf of the Board who approved the accounts on 8 March 2011

Martin Flower
Chairman

Sean Christie
Group Finance Director

Group statement of changes in equity
for the year ended 31 December 2010

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 January 2009		15.1	93.3	34.0	120.9	2.0	265.3
Profit for the year attributable to equity shareholders		–	–	–	23.8	–	23.8
Other comprehensive expense		–	–	(6.9)	(101.2)	–	(108.1)
Transactions with owners:							
Dividends on equity shares	9	–	–	–	(27.1)	–	(27.1)
Share based payments		–	–	–	3.0	–	3.0
Consideration received for sale of own shares held in trust		–	–	–	1.6	–	1.6
Total transactions with owners		–	–	–	(22.5)	–	(22.5)
Transactions with non-controlling interests:							
Share of profit after tax		–	–	–	–	0.2	0.2
Currency translation differences		–	–	–	–	(0.2)	(0.2)
Dividends paid to non-controlling interests	9	–	–	–	–	(0.3)	(0.3)
Total transactions with non-controlling interests		–	–	–	–	(0.3)	(0.3)
Total equity at 31 December 2009		**15.1**	**93.3**	**27.1**	**21.0**	**1.7**	**158.2**
At 1 January 2010		15.1	93.3	27.1	21.0	1.7	158.2
Profit for the year attributable to equity shareholders		–	–	–	130.8	–	130.8
Other comprehensive income		–	–	9.0	2.8	–	11.8
Transactions with owners:							
Dividends on equity shares	9	–	–	–	(33.8)	–	(33.8)
Share based payments		–	–	–	6.0	–	6.0
Consideration received for sale of own shares held in trust		–	–	–	2.1	–	2.1
Total transactions with owners		–	–	–	(25.7)	–	(25.7)
Transactions with non-controlling interests:							
Share of profit after tax		–	–	–	–	0.2	0.2
Currency translation differences		–	–	–	–	0.1	0.1
Dividends paid to non-controlling interests	9	–	–	–	–	(0.2)	(0.2)
Purchase of shares from non-controlling interests		–	–	–	(0.3)	(0.7)	(1.0)
Total transactions with non-controlling interests		–	–	–	(0.3)	(0.6)	(0.9)
Total equity at 31 December 2010		**15.1**	**93.3**	**36.1**	**128.6**	**1.1**	**274.2**

Other reserves comprise the Capital Redemption Reserve of £0.9m (2009: £0.9m) and the Translation Reserve of £35.2m (2009: £26.2m).

Group statement of cash flows

for the year ended 31 December 2010

	Note	2010 £m	2009 £m
Cash flows from operating activities			
Cash generated by operations	ii	188.4	196.9
Interest paid		(10.7)	(20.5)
Tax paid		(45.9)	(21.5)
Net cash generated by operating activities		131.8	154.9
Cash flows from investing activities			
Acquisition of non-controlling interest	26	(1.0)	–
Purchase of property, plant and equipment	14	(40.8)	(39.8)
Purchase of computer software	13	(0.5)	–
Proceeds from sale of property, plant and equipment		0.5	0.7
Proceeds from sale of businesses (net of costs)	7	14.1	2.7
Cash paid against non-operating provisions	21	(8.5)	(5.1)
Interest received		0.8	0.6
Net cash absorbed by investing activities		(35.4)	(40.9)
Cash flows from financing activities			
New borrowings		284.0	–
Repayment of borrowings		(324.7)	(66.9)
Capital element of finance lease repayments	iii	(0.5)	(0.4)
Net transactions in own shares	22,25	2.1	1.6
Dividends paid to equity shareholders	9	(33.8)	(27.1)
Dividends paid to non-controlling interests	9	(0.2)	(0.3)
Net cash absorbed by financing activities		(73.1)	(93.1)
Net movement in cash and cash equivalents	i,iii	23.3	20.9
Cash and cash equivalents brought forward		37.2	17.3
Exchange differences		2.0	(1.0)
Cash and cash equivalents carried forward		62.5	37.2
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		64.8	45.0
Bank overdrafts		(2.3)	(7.8)
		62.5	37.2

Group cash flow notes
for the year ended 31 December 2010

(i) Reconciliation to net debt	Note	2010 £m	2009 £m
Movement in cash and cash equivalents	iii	23.3	20.9
Movement in debt and lease financing	iii	41.2	67.3
Change in net debt from cash flows		64.5	88.2
New finance lease contracts		(0.4)	(0.3)
Exchange differences		4.1	21.7
		68.2	109.6
Net debt brought forward		(288.5)	(398.1)
Net debt carried forward	iii	(220.3)	(288.5)

(ii) Cash generated by operations	2010 £m	2009 £m
Continuing operations		
Operating profit	198.6	104.3
Adjustments for:		
Depreciation and amortisation	33.2	32.6
Loss/(profit) on disposal of property, plant and equipment	0.9	(0.2)
Exceptional items	–	17.2
Other provisions charged (note 21)	1.5	0.7
Share based payments	8.2	4.3
Cash paid against operating provisions (note 21)	(15.2)	(10.4)
Pension fund contributions in excess of service cost	(16.7)	(16.6)
Movement in inventories	(26.2)	30.7
Movement in receivables	15.6	18.8
Movement in payables	(5.5)	9.2
Cash generated by continuing operations	194.4	190.6
Discontinued operations	(6.0)	6.3
	188.4	196.9

(iii) Analysis of net debt	2010 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2009 £m
Cash and cash equivalents	64.8	17.7	2.1	–	45.0
Bank overdrafts	(2.3)	5.6	(0.1)	–	(7.8)
Movement in cash and cash equivalents		23.3	2.0		
Borrowings repayable within one year	(0.6)	40.0	–	(0.2)	(40.4)
Borrowings repayable after more than one year	(281.4)	0.7	2.2	0.2	(284.5)
Finance leases	(0.8)	0.5	(0.1)	(0.4)	(0.8)
Movement in borrowings and other financial liabilities		41.2	2.1		
Total net debt	(220.3)	64.5	4.1	(0.4)	(288.5)

Group accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial instruments, share based payments and pension asset valuations at fair value through profit or loss or through other comprehensive income in accordance with International Financial Reporting Standards (IFRSs), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements (March 2011). A summary of the more important Group accounting policies is set out below.

Accounting estimates and judgements

The Group's critical accounting policies under IFRS have been set by management with the approval of the Audit Committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period. The critical judgements required when preparing the Group's accounts are as follows:

(i) Provisions – as disclosed in note 21, the Group has made significant provisions for potential environmental liabilities and for the costs of the restructuring exercise following the acquisition of Uniqema. The rationale behind these and other provisions is discussed in note 21. The directors believe that these provisions are appropriate based on information currently available.

(ii) Goodwill and fair value of assets acquired (note 13) – the Group's goodwill carrying value increased significantly in 2006 following the acquisition of Uniqema. The Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying cash generating units. These calculations require the use of estimates. However, as recoverable amounts significantly exceed carrying values, including goodwill, there is no impairment within a reasonable range of assumptions.

(iii) Retirement benefit liabilities – as disclosed in note 12, the Group's principal retirement benefit schemes are of the defined benefit type. Year end recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Group in conjunction with the schemes' actuaries and the directors are of the view that any estimation should be prudent and in line with consensus opinion.

New IFRS standards, amendments and interpretations effective in 2010

The IASB and IFRIC have issued additional standards which are effective for this accounting period. The following standards and interpretations have been adopted by the Group:

(i) IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28,'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared to IFRS 3. The standard has been applied in respect of transactions with non-controlling interests in the year.

(ii) IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. This amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty). These financial statements have been prepared under the revised disclosure requirements.

(iii) IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The Group has applied the amendment from 1 January 2010, however, it has not had a material impact on the Group's financial statements.

The Group has also adopted the following standards and interpretations, which have had no material impact on the Group's financial statements:

(i) IFRIC 17, 'Distribution of non-cash assets to owners';
(ii) IFRIC 18, 'Transfers of assets from customers';
(iii) IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement';
(iv) IFRIC 16, 'Hedges of a net investment in a foreign operation';
(v) IAS 38 (amendment), 'Intangible assets';
(vi) IAS 1 (amendment), 'Presentation of financial statements'; and
(vii) IFRS 2 (amendments), 'Group cash-settled share based payment transactions'.

Group accounting policies

New IFRS standards and interpretations not applied

The IASB and IFRIC have issued additional standards and interpretations which are effective for periods starting after the date of these financial statements. The following standards and interpretations have yet to be adopted by the Group but are not expected to have a material impact on the Group's financial statements:

(i) IFRS 9, 'Financial instruments', issued in November 2009 and applicable from 1 January 2013 (subject to endorsement by the EU);

(ii) Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009 and mandatory for periods beginning on or after 1 January 2011 (subject to endorsement by the EU);

(iii) 'Classification of rights issues' (amendment to IAS 32), issued in October 2009 and applicable to annual periods beginning on or after 1 February 2010;

(iv) IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010 (subject to endorsement by the EU); and

(v) 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14), effective for annual periods beginning 1 January 2011.

Group accounts

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the Group's share of identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Intangible assets

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. Goodwill arising on acquisitions is capitalised and carried at cost less accumulated impairment losses. Goodwill is subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Goodwill is allocated to cash generating units for the purpose of this impairment testing.

Research and development

Research expenditure, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is charged to income 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 income in the year in which it is incurred unless it meets the recognition criteria of IAS 38 'Intangible Assets'. Measurement and other uncertainties generally mean that such criteria are not met. Where, however, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch. Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off immediately to income.

Computer software

Acquired computer software licenses covering a period of greater than one year are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Revenue recognition

Sales of goods

Revenue comprises the fair value for the sale of goods, excludes inter-company sales and value-added taxes and represents net invoice value less estimated rebates, returns and settlement discounts.

The Group supplies products to customers from its various manufacturing sites and warehouses and in some limited instances from consignment inventory held on customer sites, under a variety of standard terms and conditions. In each case revenue is recognised when the transfer of legal title, which is defined and generally accepted in the standard terms and conditions, arises between the Group and the customer. This will nearly always be on dispatch or delivery, but never before dispatch. Provisions for sales discounts and rebates to customers are based upon the terms of sales contracts and are recorded in the same period as the related sales as a deduction from revenue. The Group estimates the provision for sales discounts and rebates based on the terms of each agreement at the time the revenue is recognised.

Interest and dividend income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks or returns that are different from those of other segments. Operating segments presented in the financial statements are consistent with the internal reporting provided to the Group's Chief Operating Decision Makers, which have been identified as the Group Finance Committee and the Group Executive Committee.

Employee benefits

Pension obligations

The Group accounts for pensions and similar benefits under IAS 19 'Employee Benefits'. In respect of defined benefit plans (pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation), obligations are measured at discounted present value whilst plan assets are recorded at fair value. The liability recognised in the balance sheet in respect of defined benefit pension plans is the net of the plan obligations and assets. No allowance is made in the past service liability in respect of either the future expenses of running the schemes or for non-service related death in service benefits which may arise in the future. The operating costs of such plans are charged to operating profit and the finance costs are recognised as financial income or expense as appropriate. Service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately directly within equity. Payments to defined contribution schemes (pension plans under which the Group pays fixed contributions into a separate entity) are charged as an expense as they fall due.

Other post-retirement benefits

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses are recognised immediately directly within equity. These obligations are valued annually by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Share based payments

The Group operates a number of equity-settled, share-based incentive schemes. These are accounted for in accordance with IFRS2 'Share-based Payments', which requires an expense to be recognised in the income statement over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black-Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting.

Currency translations

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Group accounting policies

Transactions and balances

Monetary assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the Group income statement except when deferred within equity as qualifying cash flow hedges and qualifying net investment hedges, which, along with other exchange differences arising from non-trading items are dealt with through reserves.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Temporary differences arise from the inclusion of profits and losses in the accounts in different periods from which they are recognised in tax assessments and primarily arise as a result of the difference between tax allowances on tangible fixed assets and the corresponding depreciation charge, and upon the pension fund deficit. Full provision is made for the tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings. Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised, using the liability method, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

All taxation is calculated on the basis of the tax rates and laws enacted or substantively enacted at the balance sheet date.

Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities, such as liabilities and costs arising from a fundamental restructuring of the Group's operations. Such items are disclosed separately within the financial statements.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation, with the exception of assets acquired as part of a business combination which are initially recorded at fair value. The Group's policy is to write off the difference between the cost of all property, plant and equipment, except freehold land, and their residual value on a straight line basis over their estimated useful lives. Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear, and adjustments are made where appropriate. Under this policy it becomes impractical to calculate average asset lives exactly. However, the total lives range from approximately 15 to 40 years for buildings and 3 to 15 years for plant and equipment. All individual assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. By far the bulk of the Group's 'plant and equipment' asset class relates to the value of plant and equipment at the Group's manufacturing facilities. Consequently, the Group does not seek to analyse out of this class other items such as motor vehicles and office equipment.

Impairment of non-financial assets

The Group assesses at each year end whether an asset may be impaired. If any evidence exists of impairment, the estimated recoverable amount is compared to the carrying value of the asset and an impairment loss is recognised where appropriate. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell. In addition to this, goodwill is tested for impairment at least annually.

Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale.

Leases

Assets acquired under finance leases are included in the balance sheet under property, plant and equipment at an amount reflecting the fair value of the asset and are depreciated over the shorter of the lease term and their estimated useful life. The capital element of future lease rentals is included in creditors. Finance charges are allocated to the income statement each year in proportion to the capital element outstanding. The cost of operating leases is charged to the income statement as incurred.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rates and short-term currency rate fluctuations.

Derivative financial instruments are recorded initially at cost. Subsequent measurement depends on the designation of the instrument as either: (i) a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (ii) a hedge of highly probable forecast transactions (cash flow hedge);

(i) Fair value hedge

Changes in the fair value of derivatives, for example interest rate swaps and foreign exchange contracts, that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Inventories

Inventories are stated at the lower of cost and net realisable amount on a first in first out basis. Cost comprises all expenditure, including related production overheads, incurred in the normal course of business in bringing the inventory to its location and condition at the balance sheet date. Net realisable amount is the estimated selling price in the ordinary course of business less any applicable variable selling costs. Provision is made for obsolete, slow moving and defective inventory where appropriate. Profits arising on inter Group sales are eliminated in so far as the product remains in Group inventory at the year end.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses. A provision for impairment is made when there is objective evidence that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Environmental, restructuring and other provisions

The Group is exposed to environmental liabilities relating to its operations and liabilities arising from the restructuring of its operations following the acquisition of Uniqema. Provisions are made immediately where a constructive or legal obligation is identified, can be quantified and it is regarded as more likely than not that an outflow of resources will be required to settle the obligation. The Group does consider the impact of discounting when establishing provisions and provisions are discounted when the impact is material and the timing of cash flows can be estimated with reasonable certainty.

Group accounting policies

Share capital

(a) Investment in own shares

(i) Employee Share Ownership Trusts

Shares acquired by the trustees, funded by the Company and held for the continuing benefit of the Company are shown as a reduction in equity attributable to owners of the parent. Movements in the year arising from additional purchases by the trustees of shares or the receipt of funds due to the exercise of options by employees are accounted for within reserves and shown as a movement in equity attributable to owners of the parent in the year. Administration expenses of the trusts are charged to the Company's income statement as incurred.

(ii) Treasury shares

Where any Group company purchases the Company's equity share capital as treasury shares, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(b) Preference share capital

Preference share capital is classified as equity as the Group has full discretion over the transfer of benefits associated with the shares.

(c) Dividends

Dividends on preference shares are recognised as a liability on an accruals basis. Other dividends are recognised as a liability when the liability is irrevocable. Accordingly, final dividends are recognised when approved by shareholders and interim dividends are recognised when paid.

Investments

Investments in quoted securities are treated as 'available for sale' and stated at fair value, being the appropriate quoted market value, with movements in the fair value being recognised within equity. Investments in unquoted securities are carried at fair value unless such value cannot be reliably measured, in which case the investments are carried at cost. Investments are subject to impairment testing at each balance sheet date or earlier upon indication of impairment.

Held to maturity investments are measured at amortised cost using the effective interest rate method.

Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, interest-rate risk, liquidity risk, and credit risk. The Group's overall risk management strategy is approved by the Board and implemented and reviewed by the Risk Management Committee. Detailed financial risk management is then delegated to the Group Finance department which has a specific policy manual that sets out guidelines to manage financial risk. Regular reports are received from all operating companies to enable prompt identification of financial risks so that appropriate action may be taken.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Entities in the Group use forward contracts and foreign currency bank balances to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. The Group's risk management policy is to hedge transactional risk up to three months forward. The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is not specifically hedged but is reduced primarily through borrowings denominated in the relevant foreign currencies where it is efficient to do so.

For 2010, had the Group's basket of reporting currencies been 10% weaker/stronger than the actual rates experienced, post-tax profit for the year would have been £17m (2009: £8m) lower/higher than reported, primarily as a result of the translation of the profits of the Group's overseas entities, and equity would have been £19m (2009: £11m) lower/higher.

Interest rate risk

The Group has both interest bearing assets and liabilities. The Group has a policy of maintaining at least 50% of its gross borrowings at floating interest rates and at 31 December 2010 over 75% of Group borrowings were at floating rates. At the time of the Uniqema acquisition, the Group was required to fix a proportion of its debt and had a £100m swap at a fixed interest rate for a period of 3 years. This swap expired on 31 January 2010. During 2010, in order to provide a hedge against its floating rate debt, the Group issued a ten year fixed rate $100m loan note.

Based on the above, had interest rates moved by 10 basis points in the territories where the Group has substantial borrowings, post tax profits would have moved by £0.2m (2009: £0.2m) due to increased interest expense on the Group's floating rate borrowings.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term committed facilities designed to ensure the Group has sufficient funds available for operations and planned investments. The Group also has a share buyback programme which is managed to ensure the efficiency of the Group's funding structure.

On a regular basis, management monitors forecasts of the Group's cash flows against both internal targets and those targets imposed by external lenders. As shown in note 20, the Group has substantial committed, unused facilities and the directors are confident this situation will remain the case for the foreseeable future.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as maintaining an optimal capital structure to reduce overall cost of capital.

In order to maintain this optimal structure, the Group may adjust the amount of dividends paid, issue new shares, return capital to shareholders or dispose of assets to reduce net debt.

Underlying growth coupled to Return on Invested Capital (ROIC) is the key perceived driver of shareholder value within the Group. The acquisition of Uniqema reduced the ROIC, but also reduced Weighted Average Cost of Capital (WACC) since the deal was predominantly financed through debt. The Group's target is to maintain the ROIC at a higher level than the WACC, a target achieved in 2010. In addition, the Group employs two widely used ratios to measure our ability to service our debt. Both net debt/EBITDA and EBITDA interest cover were ahead of target in 2010.

The Group was in compliance with its covenant requirements throughout the year.

Additional information on performance against key performance indicators can be found in the Financial review on page 10.

Notes to the Group accounts

1. Segmental analysis

At 31 December 2010 the Group continued to be organised on a worldwide basis into two main business segments, relating to the manufacture and sale of the Group's products which are destined for either the Consumer Care market or the market for Industrial Specialities. These are the segments for which summary management information is presented to the Group's Finance and Executive Committees, which are deemed to be the Group's Chief Operating Decision Makers. There is no material trade between segments. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and trade and other receivables.

	2010 £m	2009 £m
Income statement		
Revenue - continuing operations		
Consumer Care	516.4	453.1
Industrial Specialities	485.5	374.4
Total Group revenue	1,001.9	827.5
Operating profit - continuing operations before exceptional items		
Consumer Care	136.5	103.6
Industrial Specialities	62.1	17.9
Total Group operating profit before exceptional items	198.6	121.5
Balance sheet		
Total assets		
Segment total assets:		
Consumer Care	517.0	481.7
Industrial Specialities	316.7	370.0
Total segment assets	833.7	851.7
Assets classified as held for sale	0.6	–
Tax assets	68.1	73.9
Cash, other financial assets and other investments	78.8	57.5
Total Group assets	981.2	983.1

The Group manages its business segments on a global basis. The operations are based mainly in the following geographical areas; Europe, with manufacturing sites in the UK, France, Holland, Italy and Spain; the Americas, with manufacturing sites in the USA and Brazil; and Asia, with manufacturing sites in Singapore, Japan, India and Indonesia. The Group is domiciled in the UK.

Of the exceptional items in operating profit in 2009, £11.9m relates to the Consumer Care segment, whilst £5.3m relates to the Industrial Specialities segment.

The Group's revenue from external customers in the UK is £53.3m (2009: £48.8m), in Germany is £106.5m (2009: £95.8m), in the US is £221.8m (2009: £182.3m) and the total revenue from external customers in other countries is £620.3m (2009: £500.6m).

The total of non-current assets, other than financial instruments and deferred tax assets, located in the UK is £74.2m (2009: £52.6m) and the total of the non-current assets located in other countries is £262.9m (2009: £303.6m). Goodwill has not been split by geography as this asset is not attributable to a geographical area.

No single external customer represents more than 5% of the total revenue of the Group.

2. Net operating expenses

	2010 £m	2009 £m
Analysis of net operating expenses by function:		
Distribution costs	42.3	40.3
Administrative expenses	76.6	71.4
	118.9	111.7

Additional information on the nature of operating expenses, including depreciation and employee costs, is provided in note 3.

3. Profit for the year

	2010 £m	2009 £m
The Group profit for the year is stated after charging:		
Depreciation and amortisation (note 13 & 14)	34.2	35.6
Staff costs (note 10)	182.2	172.5
Redundancy costs		
Non-exceptional	0.6	0.2
Exceptional	–	15.2
Inventories		
Cost recognised as expense in cost of sales	659.4	667.5
Provision release in year	(5.6)	(4.9)
Loss/(profit) on disposal and write off of fixed assets	0.9	(0.2)
Research and development	21.0	21.1
Hire of plant and machinery	1.8	1.8
Other operating lease rentals	4.8	5.1
Bad debt expense (note 18)	1.6	2.7

	2010 £m	2009 £m
Services provided by the Group's auditors		
Audit services		
Fees payable to Company auditor for the audit of parent company and consolidated accounts	0.1	0.1
Other audit services		
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	0.7	0.7
Tax services	0.3	0.2
Advisory services	0.1	–
	1.2	1.0

Advisory services relate to a computer system implementation in India. As the Group has a number of similar implementations scheduled, it is likely that the amount paid in respect of advisory services will increase in the coming years.

Exceptional items

The prior year continuing operations' exceptional items related to the closure of the Group's operations at Wilton on Teesside, United Kingdom. The closure was completed in 2010 with no further exceptional cost.

Notes to the Group accounts

4. Net financial expenses

	2010 £m	2009 £m
Financial expenses		
Syndicated acquisition funding	3.4	11.5
$100m US loan note due 2020	3.5	–
2010 Club facility due 2015	0.6	–
Other bank loans and overdrafts	3.2	4.2
	10.7	15.7
Financial income		
Expected return on pension scheme assets less interest on scheme liabilities (note 12)	(2.3)	(0.7)
H.I.G. Capital LLC loan note	(1.2)	(1.0)
Bank interest receivable and similar income	(0.9)	(0.5)
	(4.4)	(2.2)
Net financial expenses	6.3	13.5

5. Tax

	2010 £m	2009 £m
(a) Analysis of tax charge for the year		
Continuing operations		
United Kingdom current corporate tax	0.4	0.3
Overseas current corporate taxes	47.2	27.2
Current tax	47.6	27.5
Deferred tax (note 6)	14.9	5.7
	62.5	33.2

	2010 £m	2009 £m
(b) Tax on items charged to equity		
Deferred tax on actuarial movement on retirement benefit liabilities	1.2	(38.5)
Deferred tax on share based payments	(3.7)	(1.0)
	(2.5)	(39.5)

	2010 £m	2009 £m
(c) Factors affecting the tax charge for the year		
Profit before tax from continuing operations	192.3	90.8
Tax at the standard rate of corporation tax in the UK, 28.0% (2009: 28.0%)	53.8	25.4
Effect of:		
Prior years' over provisions	(0.6)	(0.5)
Tax cost of remitting overseas income to the UK	0.4	0.5
Expenses and write offs not deductible for tax purposes	0.1	3.1
Effect of higher overseas tax rates	8.8	4.7
	62.5	33.2

6. Deferred tax

	2010 £m	2009 £m
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Retirement benefit obligations	42.9	53.5
Restructuring provisions	–	2.0
Other provisions	25.2	18.4
	68.1	73.9
Deferred tax liabilities		
Excess of capital allowances over depreciation	39.7	31.9
Revaluation gains	1.9	1.9
Other	1.4	1.4
	43.0	35.2
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax charged through income statement		
Continuing operations before exceptional items	(14.9)	(7.8)
Discontinued operations before exceptional items	–	1.4
Exceptional items	(1.3)	5.7
Deferred tax credited directly to equity (note 5b)	2.5	39.5
Exchange differences	0.1	(0.3)
	(13.6)	38.5
Net balance brought forward	38.7	0.2
Net balance carried forward	25.1	38.7
Deferred tax charged through the income statement relates to the following:		
Restructuring provisions	(2.0)	(0.8)
Retirement benefit obligations	(7.3)	(8.4)
Excess of capital allowances over depreciation	(8.3)	5.5
Exceptional items	(1.3)	5.7
Other	2.7	(2.7)
	(16.2)	(0.7)

Deferred tax is calculated in full on temporary differences under the liability method at a rate of 27% (2009: 28%) in the United Kingdom and at rates appropriate to each overseas subsidiary.

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

Deferred tax is only recognised on the unremitted earnings of overseas subsidiaries to the extent that remittance is expected in the foreseeable future. If all earnings were remitted, an additional £2.1m (2009: £2.6m) of tax would be payable.

All movements on deferred tax balances have been recognised in income with the exception of the charges shown in note 5(b), which have been recognised directly within equity.

Notes to the Group accounts

7. Discontinued operations

In May 2010, the Group sold its Emmerich site and associated business in Germany to KLK Emmerich GmbH, a subsidiary of the KLK Group (Kuala Lumpur Kepong Berhad), for €55.0m. The Emmerich site produced fatty acids and glycerine, most of which were sold into the Industrial Specialities market. The profit before tax on the sale of the site of £0.9m has been disclosed as exceptional. As part of the transaction, KLK assumed the IAS 19 retirement benefit obligations relating to the business of €38.4m such that cash receivable by the Group was €16.6m. The sale represents a further exit from the commodity oleochemicals sector and largely completes the Group's restructuring programme established following the 2006 acquisition of Uniqema.

In April 2009, in line with the same strategy to reduce exposure to basic commodity sectors, the Group announced the closure of its operations at Bromborough in Merseyside, United Kingdom. This represented an exit from the commodity oleochemicals sector in the UK. There was an exceptional pre-tax credit of £3.0m in 2010 in relation to this discontinued business.

Since the balance sheet date, in January 2011, the Group has completed the sale of its 60% holding in its Korean joint venture, Croda Woobang, to the Korean joint venture partners for a consideration of £2.2m. It is expected that this will generate a profit on disposal of £0.5m. The trading results of Croda Woobang have been classified as discontinued and the company's assets have been classified as "held for sale" in the Group balance sheet.

The impact of the operations discontinued in 2010 and 2009 is as follows:

	2010 £m	2009 £m
Revenue	46.6	118.3
Net operating expenses	(48.0)	(125.0)
Pre tax operating results from discontinued operations	(1.4)	(6.7)
Tax	0.5	2.1
Post tax operating results from discontinued operations	(0.9)	(4.6)
Profit/(loss) on disposal	3.9	(32.8)
Tax	(1.8)	3.8
Net exceptional profit/(loss) on disposal	2.1	(29.0)
Total profit/(loss) after tax from discontinued operations	1.2	(33.6)
Cash flows from discontinued operations		
Net cash flows from operating activities	(6.0)	6.3

8. Earnings per share

	Total 2010 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2009 £m	Continuing operations 2009 £m	Discontinued operations 2009 £m
Profit for the year before exceptional items	128.9	129.8	(0.9)	68.1	72.7	(4.6)
Exceptional items	2.1	–	2.1	(44.1)	(15.1)	(29.0)
Non-controlling interests and preference dividend	(0.3)	(0.1)	(0.2)	(0.3)	(0.1)	(0.2)
Earnings attributable to ordinary shareholders	130.7	129.7	1.0	23.7	57.5	(33.8)

	Number m	Number m	Number m	Number m	Number m	Number m
Weighted average number of 10p ordinary shares in issue for basic calculation	136.0	136.0	136.0	135.0	135.0	135.0
Deemed issue of potentially dilutive shares	2.9	2.9	2.9	2.3	2.3	2.3
Average number of 10p ordinary shares for diluted calculation	138.9	138.9	138.9	137.3	137.3	137.3

	Pence	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	96.1			17.6		
Basic earnings per share before exceptional items	94.6			50.2		
Basic earnings per share from continuing operations		95.4			42.6	
Basic earnings per share from continuing operations before exceptional items		95.4			53.8	
Basic earnings per share from discontinued operations			0.7			(25.0)
Diluted earnings per share	94.1			17.3		
Diluted earnings per share before exceptional items	92.6			49.4		
Diluted earnings per share from continuing operations		93.4			41.9	
Diluted earnings per share from continuing operations before exceptional items		93.4			52.9	
Diluted earnings per share from discontinued operations			0.7			(24.6)

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trusts (note 25) which are treated as cancelled as except for a nominal amount, dividends have been waived.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares.

Additional earnings per share measures are included above to give a better indication of the Group's underlying performance.

Notes to the Group accounts

9. Dividends

	2010		2009	
	Pence per share	£m	Pence per share	£m
Ordinary				
Interim				
2009 interim, paid October 2009	–	–	6.50	8.8
2010 interim, paid October 2010	9.75	13.3	–	–
Final				
2008 final, paid June 2009	–	–	13.55	18.2
2009 final, paid June 2010	15.00	20.4	–	–
	24.75	33.7	20.05	27.0
Preference (paid June and December)		0.1		0.1
Dividends paid to non-controlling interests		0.2		0.3
		34.0		27.4

The directors are proposing a final dividend of 25.25p per share, amounting to a total dividend of £34.4m, in respect of the financial year ended 31 December 2010.

It will be paid on 3 June 2011 to shareholders registered on 3 May 2011 and has not been accrued in these financial statements. The total dividend for the year ended 31 December 2010 is 35.0p per share (£47.7m).

10. Employees

	2010 £m	2009 £m
Group employment costs including directors		
Wages and salaries	131.8	133.0
Share based payment charges (note 23)	15.8	6.9
Social security costs	20.6	20.4
Other pension costs (note 12)	14.0	12.2
Redundancy costs	0.6	15.4
	182.8	187.9

	2010 Number	2009 Number
Average employee numbers by function		
Production	2,115	2,327
Selling and distribution	759	769
Administration	429	447
	3,303	3,543

As required by the Companies Act 2006, the figures disclosed above are weighted averages based on the number of employees at each month end and include executive directors.

At 31 December 2010, the Group had 3,174 (2009: 3,461) employees in total.

10. Employees (continued)

	2010 £m	2009 £m
Key management compensation including directors		
Wages and salaries	5.8	5.4
Share based payment charges	1.8	1.2
Social security costs	0.9	0.8
Other pension costs	0.5	0.4
	9.0	7.8

Key management comprises the members of the Board, Group Executive Committee and Group Finance Committee.

11. Directors' remuneration

Detailed information concerning directors' remuneration, interests and options is shown in the parts of the directors' remuneration report subject to audit on pages 35 to 39 which form part of the annual report and accounts.

12. Retirement benefit liabilities

The Group operates a number of retirement benefit schemes throughout the world. The principal schemes are in the UK and cover the vast majority of the Group's UK employees. These schemes are of the defined benefit type with assets held in separate trustee administered funds and are funded. In the US, the Group operates a funded defined benefit scheme as well as providing unfunded post-retirement medical benefits for employees. In other countries, benefits are determined in accordance with local practice and regulations and funding is provided on several bases.

Defined benefit schemes

The amounts recognised in the balance sheet in respect of these schemes are as follows:

	2010 £m	2009 £m
Present value of retirement benefit liabilities		
UK - pension schemes	(603.4)	(569.7)
US - pension and medical schemes	(106.4)	(99.4)
Rest of world	(79.9)	(111.4)
	(789.7)	(780.5)
Fair value of schemes' assets		
UK - pension schemes	503.4	453.2
US - pension and medical schemes	66.6	57.8
Rest of world	71.9	66.0
	641.9	577.0
Net liability	(147.8)	(203.5)

The gross and net liability above includes an amount of £22.6m in respect of unfunded schemes (2009: £54.8m).

Notes to the Group accounts

12. Retirement benefit liabilities (continued)

	2010 £m	2009 £m
Movement in present value of retirement benefit liabilities in the year:		
Opening balance	780.5	609.3
Current service cost	10.8	8.5
Past service cost	0.1	–
Settlements on restructuring and disposal of businesses	(33.2)	(0.7)
Interest cost	42.1	37.0
Actuarial loss	17.5	174.2
Contributions paid in		
Employee	2.2	2.3
Benefits paid	(28.5)	(29.6)
Exchange differences on overseas schemes	(1.8)	(20.5)
	789.7	780.5
Movement in fair value of schemes' assets in the year:		
Opening balance	577.0	520.8
Expected return	44.4	37.7
Transfer on disposal of business	(0.4)	–
Actuarial gain	21.2	32.4
Contributions paid in		
Employee	2.2	2.3
Employer	27.6	25.1
Benefits paid out	(28.5)	(29.6)
Exchange differences on overseas schemes	(1.6)	(11.7)
	641.9	577.0

The actual return on scheme assets in the year was £65.6m (2009: £70.1m).

	2010 £m	2009 £m
Cumulative actuarial losses recognised in equity:		
Opening balance	96.0	(7.3)
Net actuarial (gains)/losses charged in year	(2.5)	103.3
	93.5	96.0

Total employer contributions to the schemes in 2011 are expected to be £22.8m.

12. Retirement benefit liabilities (continued)

	2010 £m	2009 £m
Analysis of amounts recognised in income statement:		
Charged to operating profit		
Current service cost	10.8	8.5
Past service cost	0.1	–
	10.9	8.5
Credited to net financial expenses		
Interest on scheme liabilities	42.1	37.0
Expected return on assets	(44.4)	(37.7)
	(2.3)	(0.7)
Net charge to income statement before tax	8.6	7.8

Of the amount charged to operating profit, £8.8m (2009: £6.8m) was included in cost of sales and £2.2m (2009: £1.7m) was included in administrative expenses.

In all territories, including the UK, assumptions regarding future mortality experience are set based on advice from the Group's actuaries, published statistics and experience in each territory. The following mortality tables have been used in respect of the Group's key schemes: UK: PA92 Calendar year 2005 -3 for current non-pensioners and PA92 Calendar year 2005 -2 for pensioners; USA: UP 1994 Projected to 2002 by Scale AA; Netherlands: AG Prognosetafel 2008-2050.

UK pension schemes

The financial assumptions used to assess the UK schemes' liabilities were:

	2010	2009
Valuation method	Projected unit	Projected unit
Discount rate	5.5%	5.7%
Inflation rate	3.8%	3.8%
Rate of increase in salaries	4.8%	5.0%
Rate of increase for pensions in payment	3.6%	3.8%
Expected return on scheme assets	8.0%	8.0%

The assets in the schemes comprised:	2010 % of fair value	2009 % of fair value
Equities	42.5	58.3
Bonds	20.9	16.1
Property	7.7	8.3
Other	28.9	17.3
	100.0	100.0

For funded schemes throughout the Group, the expected return on scheme assets has been derived as the weighted average of the expected returns from each of the main asset classes. The expected return for each class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

History of UK schemes' deficits and experience gains and losses:	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of retirement benefit liabilities	(603.4)	(569.7)	(397.2)	(483.4)	(506.7)
Fair value of scheme assets	503.4	453.2	399.0	475.9	421.0
Net (liability)/asset	(100.0)	(116.5)	1.8	(7.5)	(85.7)
Experience gain/(loss) on assets	36.2	23.6	(109.9)	(12.1)	9.4
Experience (loss)/gain on liabilities	(12.1)	(165.9)	103.7	(8.9)	0.3

Notes to the Group accounts

12. Retirement benefit liabilities (continued)

US pension and post-retirement medical schemes

The financial assumptions used to assess the US schemes' liabilities were:	2010	2009
Valuation method	Projected unit	Projected unit
Discount rate	5.4%	5.8%
Rate of increase in salaries	4.0%	4.0%
Expected return on scheme assets	8.3%	8.3%
Medical cost inflation rate	8.0%	8.5%

A 1% change in the assumed medical cost inflation rate would alter the charge to the income statement by £0.2m and the accumulated liability by £1.7m.

The assets in the schemes comprised:	2010 % of fair value	2009 % of fair value
Equities	42.1	38.5
Government bonds	39.8	41.5
Other	18.1	20.0
	100.0	100.0

History of US schemes' deficits and experience gains and losses:	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of retirement benefit liabilities	(106.4)	(99.4)	(102.9)	(76.5)	(71.4)
Fair value of scheme assets	66.6	57.8	59.7	56.2	45.4
Net liability	(39.8)	(41.6)	(43.2)	(20.3)	(26.0)
Experience gain/(loss) on assets	3.6	6.0	(14.9)	(2.4)	0.2
Experience (loss)/gain on liabilities	(4.0)	(5.4)	2.5	(9.5)	1.6

Other defined benefit schemes

The Group has retirement benefit liabilities in a number of other territories, notably Holland, and all schemes have been established in line with local custom and practice. The Dutch defined benefit scheme has a net obligation of £0.5m (2009: £6.0m) comprising a gross liability of £70.3m and assets of £69.8m.

The financial assumptions used to assess the Dutch scheme liabilities were:	2010	2009
Valuation method	Projected unit	Projected unit
Discount rate	5.7%	5.3%
Inflation rate	2.3%	2.3%
Rate of increase in salaries	3.0%	3.0%
Rate of increase for pensions in payment	2.3%	2.3%
Expected return on scheme assets	6.2%	6.1%

Defined contribution schemes	2010 £m	2009 £m
Contributions paid charged to operating profit	3.1	3.7

13. Intangible assets

Goodwill is tested at each year end for impairment with reference to the relevant cash generating unit's (CGU) recoverable amount compared to the unit's carrying value including goodwill. The relevant CGU when testing the Uniqema goodwill of £193.4m is the Group's Consumer Care operating segment. The recoverable amount is based on value in use calculations using pre-tax discounted cash flow projections based on the Group's current year results and a future growth rate of 3% (2009: 3%).

The cashflows have been discounted using the Group's weighted average cost of capital, which for these purposes has been calculated to be approximately 7.5% before tax (2009: 6.8%).

The key assumptions underpinning the forecast employed in the value in use calculation reflect a prudent view of past experience and are that market share will not change significantly and that gross and operating margins will remain broadly constant. The directors believe there are no significant changes in assumptions which would give rise to an impairment charge in the year.

	Goodwill £m	Computer software £m	Total £m
Cost			
At 1 January 2009	200.4	4.5	204.9
Exchange differences	–	(0.5)	(0.5)
Disposals and write offs	–	(2.1)	(2.1)
At 31 December 2009	**200.4**	**1.9**	**202.3**
At 1 January 2010	200.4	1.9	202.3
Additions	–	0.5	0.5
Reclassified from property, plant and equipment	–	4.2	4.2
Disposals and write offs	(0.5)	(0.2)	(0.7)
At 31 December 2010	**199.9**	**6.4**	**206.3**
Depreciation and impairment losses			
At 1 January 2009	0.1	1.4	1.5
Exchange differences	–	(0.1)	(0.1)
Charge for the year (note 3)	0.1	0.8	0.9
Disposals and write offs	–	(2.0)	(2.0)
At 31 December 2009	**0.2**	**0.1**	**0.3**
At 1 January 2010	0.2	0.1	0.3
Exchange differences	–	(0.1)	(0.1)
Charge for the year (note 3)	–	1.3	1.3
Reclassified from property, plant and equipment	–	1.6	1.6
Disposals and write offs	(0.1)	(0.2)	(0.3)
At 31 December 2010	**0.1**	**2.7**	**2.8**
Net carrying amount			
At 31 December 2010	**199.8**	**3.7**	**203.5**
At 31 December 2009	200.2	1.8	202.0
At 1 January 2009	200.3	3.1	203.4

Notes to the Group accounts

14. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2009	146.6	502.4	649.0
Exchange differences	(11.8)	(43.6)	(55.4)
Additions	9.4	30.7	40.1
Business disposals and closures	(15.7)	(56.9)	(72.6)
Other disposals and write offs	(0.7)	(8.9)	(9.6)
At 31 December 2009	**127.8**	**423.7**	**551.5**
At 1 January 2010	127.8	423.7	551.5
Exchange differences	1.0	0.6	1.6
Additions	6.8	34.4	41.2
Business disposals and closures	(12.1)	(44.3)	(56.4)
Other disposals and write offs	(1.6)	(10.4)	(12.0)
Reclassified as computer software	–	(4.2)	(4.2)
Reclassified as held for sale (note 7)	–	(2.9)	(2.9)
At 31 December 2010	**121.9**	**396.9**	**518.8**
Depreciation and impairment losses			
At 1 January 2009	45.1	211.5	256.6
Exchange differences	(5.5)	(24.7)	(30.2)
Charge for the year	4.5	30.2	34.7
Business disposals and closures	(5.0)	(37.3)	(42.3)
Other disposals and write offs	(0.6)	(8.5)	(9.1)
At 31 December 2009	**38.5**	**171.2**	**209.7**
At 1 January 2010	38.5	171.2	209.7
Exchange differences	(0.4)	(0.2)	(0.6)
Charge for the year	4.1	28.8	32.9
Business disposals and closures	(3.5)	(24.6)	(28.1)
Other disposals and write offs	(0.4)	(10.2)	(10.6)
Reclassified as computer software	–	(1.6)	(1.6)
Reclassified as held for sale (note 7)	–	(2.3)	(2.3)
At 31 December 2010	**38.3**	**161.1**	**199.4**
Net book amount			
At 31 December 2010	**83.6**	**235.8**	**319.4**
At 31 December 2009	89.3	252.5	341.8
At 1 January 2009	101.5	290.9	392.4

The net book value of assets held by the Group under finance leases for plant and equipment at 31 December 2010 was £0.7m (2009: £0.7m). The leased equipment secures the lease obligations in note 20. No other fixed assets have been pledged as security for liabilities.

15. Future commitments

	2010 £m	2009 £m
Group capital projects		
At 31 December 2010 the directors had authorised the following expenditure on capital projects:		
Contracted but not provided for		
Property, plant and equipment	8.2	10.0
Intangible assets	0.1	–
Authorised but not contracted for		
Property, plant and equipment	42.7	18.8
Intangible assets	0.1	–
	51.1	28.8
Operating leases - minimum lease payments		
At 31 December 2010 the Group's future minimum operating lease commitments were due as follows:		
Within one year		
Land and buildings	1.7	3.0
Other	0.4	0.6
From one to five years		
Land and buildings	3.4	5.2
Other	1.5	1.6
After five years		
Land and buildings	3.4	2.7
	10.4	13.1

The Group leases various buildings, vehicles and other plant and equipment under non-cancellable operating lease arrangements. The leases have various terms typical of lease agreements for the particular class of asset.

16. Investments

	2010 £m	2009 £m
H.I.G. Capital LLC loan note	13.1	11.7
Other investments	0.9	0.8
	14.0	12.5

Loan note

The Group received a US $ denominated loan note as part of the consideration for a business disposal in 2008. The note is held directly by one of the Group’s US subsidiaries. It is classified as a held to maturity investment and carries a notional coupon of 6.0% per annum payable at maturity. On receipt the loan was valued at a discount rate of 9.5% being the estimated market rate at the time applicable to the issuer. The US $ balance is translated to Sterling at the prevailing year end exchange rate.

Other investments

Other investments of £0.9m (2009: £0.8m) comprise equity securities classified as available-for-sale and are included at cost, as fair value cannot be measured reliably, or, if quoted on an active market, at market value.

Notes to the Group accounts

17. Inventories

	2010 £m	2009 £m
Raw materials	29.5	27.7
Work in progress	27.4	8.9
Finished goods	107.7	112.3
	164.6	148.9

The Group consumed £659.4m (2009: £667.5m) of inventories during the period.

18. Trade and other receivables

	2010 £m	2009 £m
Amounts falling due within one year		
Trade receivables	133.6	131.4
Less: provision for impairment of receivables	(6.7)	(5.2)
Trade receivables - net	126.9	126.2
Other receivables	15.5	23.4
Prepayments	3.8	9.4
	146.2	159.0

The ageing of the Group's year end overdue receivables against which no provision has been made is as follows:	2010 £m	2009 £m
Not impaired		
Less than 3 months	12.1	12.1
3 to 6 months	0.3	1.1
Over 6 months	–	0.4
	12.4	13.6

The individually impaired receivables relate to customers in unexpectedly difficult economic circumstances. The overdue receivables against which no provision has been made relate to a number of customers for whom there is no recent history of default nor any other indication that settlement will not be forthcoming.

Movements on the Group's provision for impairment of trade receivables are as follows:	2010 £m	2009 £m
At 1 January	5.2	3.5
Exchange differences	0.2	(0.4)
Charged to income statement	1.6	2.7
Net write off of uncollectible receivables	(0.3)	(0.6)
At 31 December	6.7	5.2

Amounts charged to the income statement are included within administrative expenses. The other classes of receivables do not contain impaired assets.

The carrying amounts of the Group's receivables are denominated in the following currencies:	2010 £m	2009 £m
Sterling	13.2	27.3
US Dollar	39.9	34.9
Euro	59.7	66.0
Other	33.4	30.8
	146.2	159.0

19. Trade and other payables

	2010 £m	2009 £m
Trade payables	61.7	59.1
Taxation and social security	11.0	7.9
Other payables	24.4	24.7
Accruals and deferred income	81.4	87.3
	178.5	179.0

20. Borrowings, other financial liabilities and other financial assets

This note should be read in conjunction with the further liquidity disclosures in our accounting policies note and the Financial review.

	2010 £m	2009 £m
Current		
Assets		
Trade and other receivables (excluding prepayments)	142.4	149.6
Liabilities		
Trade and other payables (excluding taxation, social security, accruals and deferred income)	86.1	83.8
Interest rate swaps	–	0.3
Syndicated acquisition funding	–	30.0
Other unsecured bank loans and overdrafts due within one year or on demand	2.9	18.2
Obligations under finance leases	0.4	0.3
	89.4	132.6
Non-current		
Liabilities		
2010 Club facility due 2015	210.6	–
\$100m fixed rate 10 year bond	63.7	–
Syndicated acquisition funding	–	235.5
€136m term facility	–	33.8
Other unsecured bank loans	7.1	15.2
Obligations under finance leases	0.4	0.5
	281.8	285.0

The syndicated acquisition funding facility and €136m term facility were repaid in full during the year upon renegotiation of the Group's bank financing. A new Club facility was put in place in November 2010 which falls due for repayment upon expiry of the agreement in 2015. Interest is charged at a floating rate based on LIBOR or EURIBOR, depending upon the drawdown currency, plus a variable margin. The margin the Group pays on its borrowings over and above standard rates is determined by the Group's net debt to EBITDA ratio.

Notes to the Group accounts

20. Borrowings, other financial liabilities and other financial assets (continued)

	2010 £m	2009 £m
Maturity profile of financial liabilities		
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	2.9	48.2
Interest rate swap	–	0.3
Obligations under finance leases	0.4	0.3
	3.3	48.8
After more than one year		
Loans repayable		
Within one to two years	0.4	284.5
Within two to five years	217.3	–
Five years and over	63.7	–
Obligations under finance leases payable between years two and five	0.4	0.5
	281.8	285.0
The minimum lease payments under finance leases fall due as follows:		
Within one year	0.4	0.3
Within two to five years	0.5	0.6
	0.9	0.9
Future finance charges on finance leases	(0.1)	(0.1)
Present value of finance lease liabilities	0.8	0.8

	2010 £m	2009 £m
Undiscounted maturity analysis of financial liabilities		
Within one year		
Bank loans and overdrafts	3.0	48.8
Obligations under finance leases	0.4	0.3
	3.4	49.1
After more than one year		
Loans repayable		
Within one to two years	0.4	290.1
Within two to five years	235.8	–
Five years and over	94.1	–
Obligations under finance leases	0.5	0.6
	330.8	290.7

The analysis above includes estimated interest payable to maturity on the underlying loans. For the loans due after more than one year £8.0m (2009: £3.8m) of the interest falls due within one year of the balance sheet date, £8.1m (2009: £1.8m) within one to two years, £21.5m (2009: £Nil) within two to five years and £11.4m (2009: £Nil) beyond five years.

20. Borrowings, other financial liabilities and other financial assets (continued)

Interest rate and currency profile of Group financial liabilities

	Total £m	Fixed £m	Floating £m	Fixed rate Weighted average Interest Rate (%)	Fixed rate Weighted average Fixed period (years)
Sterling	101.6	–	101.6	–	–
US Dollar	76.3	63.7	12.6	5.94	9.1
Euro	104.3	–	104.3	–	–
Other	2.9	–	2.9	–	–
At 31 December 2010	**285.1**	**63.7**	**221.4**	**5.94**	**9.1**
Sterling	147.4	100.0	47.4	5.19	0.1
US Dollar	62.4	–	62.4	–	–
Euro	123.5	–	123.5	–	–
Other	0.5	–	0.5	–	–
At 31 December 2009	333.8	100.0	233.8	5.19	0.1

Interest rate risk

During 2010, to provide a hedge against the Group's floating rate debt, the Group issued a ten year fixed rate $100m loan note. The loan note is repayable in 2020 and carries a fixed rate of 5.94%. The interest rate swaps held as a cashflow hedge at the 2009 year end expired on 31 January 2010.

As at 31 December 2010, aside from the $100m loan note, all Group debt and cash was exposed to repricing within 12 months of the balance sheet date.

At 31 December 2010, the Group's fixed rate debt was at a weighted average rate of 5.94% (2009: 5.19%). The Group's floating rate liabilities are predominantly based on LIBOR and its overseas equivalents.

Fair values

The table below details a comparison of the book and fair values of the Group's financial assets and liabilities. Where there are no readily available market values to determine fair values, cash flows relating to the various instruments have been discounted at prevailing interest and exchange rates to give an estimate of fair value.

	Book value 2010 £m	Fair value 2010 £m	Book value 2009 £m	Fair value 2009 £m
Cash deposits	64.8	64.8	45.0	45.0
Other investments	14.0	14.0	12.5	12.5
2010 Club facility due 2015	(210.6)	(210.6)	–	–
$100m fixed rate 10 year bond	(63.7)	(65.7)	–	–
Syndicated acquisition funding	–	–	(265.5)	(265.5)
€136m term facility	–	–	(33.8)	(33.8)
Other bank borrowings	(10.0)	(10.0)	(33.4)	(33.4)
Obligations under finance leases	(0.8)	(0.8)	(0.8)	(0.8)
Interest rate swaps	–	–	(0.3)	(0.3)

For financial instruments with a remaining life of greater than one year, fair values are based on cash flows discounted at prevailing interest rates. Accordingly, the fair value of cash deposits and short term borrowings approximates to the book value due to the short maturity of these instruments. The same applies to trade and other receivables and payables excluded from the above analysis.

As noted in the accounting policies note on page 55, the Group's management of its currency risk includes the use of forward foreign currency contracts. The fair value of the contracts in place at 31 December 2010 was £0.2m (2009: £0.4m).

Notes to the Group accounts

20. Borrowings, other financial liabilities and other financial assets (continued)

Financial instruments

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All of the Group's financial instruments are classified as level 1.

Borrowing facilities

As at 31 December 2010, the Group had undrawn committed facilities of £194.1m (2009: £Nil) expiring in more than two years, £Nil (2009: £96.1m) expiring between one and two years and £Nil (2009: £31.8m) expiring within one year. In addition the Group had other undrawn facilities of £67.8m (2009: £37.2m) available.

21. Provisions

	Environmental £m	Restructuring £m	Discontinued £m	Other £m	Total £m
At 1 January 2010	13.4	24.9	7.0	9.8	55.1
Exchange differences	0.2	–	–	0.1	0.3
Charged to income statement - pre-exceptional	–	–	–	1.5	1.5
Released to income statement - exceptional	–	–	–	(2.0)	(2.0)
Cash paid against provisions	(1.5)	(10.8)	(7.0)	(4.4)	(23.7)
At 31 December 2010	**12.1**	**14.1**	**-**	**5.0**	**31.2**

Analysis of total provisions	2010 £m	2009 £m
Current	17.9	30.6
Non-current	13.3	24.5
	31.2	55.1

Provisions are made where a constructive or legal obligation can be quantified and where the timing of the transfer of economic benefits relating to the provisions cannot be ascertained with any degree of certainty.

The environmental provision relates to soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas. Restructuring provisions relate to the remaining costs associated with the ongoing plans to finalise the integration of the Uniqema business acquired in 2006 with the existing Croda businesses and the remaining costs associated with the closure of our Wilton site.

In relation to the environmental provision, the directors consider that the balance will be utilised within 20 years. With regard to the restructuring provision, the directors' view is that the balance will be largely utilised during 2011. Based on information currently available and on the detailed plans established for the restructuring of the Group, this level of provision is considered appropriate by the directors. The Group has considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale, the impact is immaterial.

22. Ordinary share capital

Ordinary shares of 10p	2010 £m	2009 £m
Authorised at 1 January and 31 December		
230,744,890 ordinary shares of 10p each (2009: 230,744,890)	**23.1**	23.1
Allotted, called up and fully paid at 1 January and 31 December		
139,949,969 ordinary shares of 10p each (2009: 139,949,969)	**14.0**	14.0

In 2010, options were granted to employees under the Croda Savings-Related Share Option Scheme 1983 to subscribe for 94,501 ordinary shares at an option price of 1144p per share and under the Croda International Overseas Sharesave Scheme to subscribe for 308,455 shares at an option price of 1144p per share. No options were granted in 2010 under the Senior Executive Share Option Scheme. No-cost options to subscribe for 212,991 ordinary shares were granted under the Long Term Incentive Plan during the year and no-cost options over a further 220,121 shares were granted under the Bonus Co-Investment Plan.

During the year consideration of £2.1m was received on the exercise of options over 549,229 shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 83,750 shares have been transferred from the trusts.

There are outstanding options to subscribe for ordinary shares as follows:

	Year option granted	Number of shares	Price	Options exercisable from
Croda Savings-Related				
Share Option Scheme	2005	4,029	328p	1 November 2010 to 30 April 2011
	2007	2,724	520p	1 November 2010 to 30 April 2011
	2008	127,996	509p	1 November 2011 to 30 April 2012
	2009	158,000	533p	1 November 2012 to 30 April 2013
	2010	94,219	1144p	1 November 2013 to 30 April 2014
Croda International Overseas				
Sharesave Scheme	2008	218,087	509p	1 November 2011 to 30 November 2011
	2009	285,808	533p	1 November 2012 to 30 November 2012
	2010	304,964	1144p	1 November 2013 to 30 November 2013
Croda International Senior				
Executive Share Option Schemes	2002	20,700	261p	13 March 2005 to 12 March 2012
	2003	255,730	230p	5 March 2006 to 4 March 2013
Croda International Long-term				
Incentive Plan	2008	254,173	Nil	20 February 2011 to 19 February 2012
	2009	329,519	Nil	18 February 2012 to 17 February 2013
	2010	212,991	Nil	24 February 2013 to 23 February 2014
Croda International Bonus				
Co-Investment Plan	2008	192,757	Nil	1 May 2011
	2009	337,923	Nil	30 April 2012
	2010	220,121	Nil	29 April 2013

Notes to the Group accounts

23. Share based payments

The impact of share based payment transactions on the Group's financial position is as follows:

	2010 £m	2009 £m
Analysis of amounts recognised in income statement:		
Charged in respect of equity-settled share based payment transactions	2.9	2.0
Charged in respect of cash-settled share based payment transactions	12.9	4.9
	15.8	6.9
Analysis of amounts recognised in balance sheet:		
Liability in respect of cash-settled share based payment transactions	10.5	4.6

The key elements of each scheme along with the assumptions employed to arrive at the charge in the income statement are set out below. Where appropriate the expected volatility has been based on historic volatility considering daily share price movements over periods equal to the expected future life of the awards and the risk free rate is based on the Bank of England's projected nominal yield curve with appropriate duration.

Croda Savings-Related Share Option Scheme ("SAYE")

The SAYE scheme, established in 1983, grants options annually in September to employees of the Group at a fixed exercise price, being the market price of the Company's shares at the grant date discounted by up to 20%. Employees then enter into a savings contract over three to five years and, subject to continued employment, purchase options at the end of the period based on the amount saved. Options are then exercisable for a six month period following completion of the savings contract. As the option is equity settled, under IFRS 2 charges are only made in respect of options granted after 7 November 2002. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

Grant date	2010
Share price at grant date	1431p
Exercise price	1144p
Number of employees	370
Shares under option	94,501
Vesting period	3 years
Expected volatility	35%
Option life	6 months
Expected life	–
Risk free rate	1.3%
Dividend yield	1.7%
Possibility of forfeiture	7.5% p.a.
Fair value per option at grant date	443p
Option pricing model	Black Scholes

A reconciliation of option movements over the period is as follows:	2010 Number	2010 Weighted average exercise price (p)	2009 Number	2009 Weighted average exercise price (p)
Outstanding at 1 January	733,806	478	919,477	411
Granted	94,501	1144	169,368	533
Forfeited	(30,207)	519	(50,988)	511
Exercised	(394,461)	444	(304,051)	302
Outstanding at 31 December	403,639	664	733,806	478
Exercisable at 31 December	16,938		16,633	
For options exercised in year, weighted average share price at date of exercise		1387		747
Weighted average remaining life at 31 December (years)	2.2		2.0	

23. Share based payments (continued)

Croda International Overseas Sharesave Scheme ("International")

The International scheme, established in 1999, has the same option pricing model, savings contract and vesting period as the SAYE 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. As the scheme is cash settled, IFRS 2 applies to all options in existence during the year, regardless of grant 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	2010
Share price at grant date	1431p
Exercise price	1144p
Number of employees	975
Shares under option	308,455
Vesting period	3 years
Expected volatility	35%
Option life	1 month
Expected life	-
Risk free rate	1.0%
Dividend yield	1.5%
Possibility of forfeiture	7.5% p.a.
Fair value per option at 31 December	579p
Option pricing model	Black Scholes

A reconciliation of option movements over the period is as follows:	2010 Number	2010 Weighted average exercise price (p)	2009 Number	2009 Weighted average exercise price (p)
Outstanding at 1 January	1,215,119	257	1,303,664	338
Granted	308,455	1144	317,222	533
Forfeited	(73,242)	529	(109,463)	474
Exercised	(634,803)	475	(296,304)	312
Outstanding at 31 December	815,529	756	1,215,119	257
For options exercised in year, weighted average share price at date of exercise		1399		756
Weighted average remaining life at 31 December (years)	2.0		1.6	

Notes to the Group accounts

23. Share based payments (continued)

Croda International Senior Executive Share Option Schemes ("Executive")

The Group previously granted options to senior employees each year which are subject to satisfaction of performance conditions before they can be exercised. The performance conditions are discussed in detail in the directors' remuneration report (page 32). As with the SAYE scheme, the Executive Scheme is equity settled and as a consequence only the options granted in 2003 fall within the scope of IFRS 2. No further options will be granted under this scheme.

A reconciliation of option movements over the period is as follows:	Number	2010 Weighted average exercise price (p)	Number	2009 Weighted average exercise price (p)
Outstanding at 1 January	451,813	238	718,935	245
Forfeited	–	–	(2,299)	256
Exercised	(154,768)	245	(264,823)	257
Outstanding at 31 December	297,045	234	451,813	238
Exercisable at 31 December	297,045		451,813	
For options exercised in year, weighted average share price at date of exercise		963		678
Weighted average remaining life at 31 December (years)	2.0		2.6	

Croda International Long-Term Investment Plan ("LTIP")

The LTIP was established in 2005 and grants no cost options to senior employees which vest after three years dependent upon an EPS performance related sliding scale (non-market condition) and the Group's total shareholder return (market condition). The LTIP is discussed in detail in the directors' remuneration report (page 32). 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:

	Market condition	Non-market condition
Grant date	24 February 2010	24 February 2010
Share price at grant date	900p	900p
Number of employees	11	11
Shares under option	106,495	106,496
Vesting period	3 years	3 years
Option life	1 year	1 year
Expected life	–	–
Dividend yield	2.4%	2.4%
Possibility of forfeiture	3.5%	3.5%
Fair value per option at grant date	521p	838p
Option pricing model	Closed form valuation	Closed form valuation

A reconciliation of option movements over the period is as follows:	Number	2010 Weighted average exercise price (p)	Number	2009 Weighted average exercise price (p)
Outstanding at 1 January	862,611	–	760,657	–
Granted	212,991	–	329,519	–
Exercised	(229,901)	–	(227,565)	–
Outstanding at 31 December	845,701		862,611	
For options exercised in year, weighted average share price at date of exercise		918		527
Weighted average remaining life at 31 December (years)	2.0		2.3	

23. Share based payments (continued)

Bonus Co-Investment Plan ("BCIP")

The BCIP was established in 2005 and grants no cost options to senior employees which vest after three years dependent upon a performance related condition. The BCIP is discussed in detail in the directors' remuneration report (pages 31 to 32). 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	29 April 2010
Share price at grant date	990p
Number of employees	62
Shares under option	220,121
Vesting period	3 years
Dividend yield	2.2%
Possibility of forfeiture	5.0%
Fair value per option at grant date	941p

A reconciliation of option movements over the period is as follows:	2010 Number	2010 Weighted average exercise price (p)	2009 Number	2009 Weighted average exercise price (p)
Outstanding at 1 January	627,609	–	462,012	–
Granted	220,121	–	347,753	–
Forfeited	(12,676)	–	(111)	–
Exercised	(84,253)	–	(182,045)	–
Outstanding at 31 December	750,801	–	627,609	–
For options exercised in year, weighted average share price at date of exercise		962		544
Weighted average remaining life at 31 December (years)	1.4		1.8	

Croda International Share Incentive Plan ("SIP")

The SIP was established in 2003 and has similar objectives to the SAYE scheme in terms of increasing employee retention and share ownership. Under the SIP scheme, employees enter into an agreement to purchase shares in the Company each month. For each share purchased by an employee, the Company awards a matching share which passes to the employee after three years' service. The matching shares are allocated each month at market value with this fair value charge being recognised in the income statement in full in the year of allocation.

Notes to the Group accounts

24. Preference share capital

	2010 £000	2009 £000
The authorised, issued and fully paid preference share capital comprises:		
5.9% preference shares of £1	616	616
6.6% preference shares of £1	499	499
7.5% preference shares of £1	22	22
	1,137	1,137

The preference shares have no redemption rights and carry no voting rights other than in certain circumstances affecting the rights of the preference shareholders, details of which are set out in the Company's Articles of Association. The three classes of preference shares rank pari passu with each other but ahead of the ordinary shares on winding up. Rights on a winding up are limited to repayment of capital and any arrears of dividends.

25. Shareholders' funds

Investments in own shares represent the Croda International Plc Qualifying Share Ownership Trust (QUEST), the Croda International Plc Employee Benefit Trust (CIPEBT) and the Croda International Plc AESOP Trust (AESOP), which each hold shares purchased on the open market to satisfy the future issue of shares under the Group's share option schemes. As at 31 December 2010 the QUEST was financed by a repayable on demand loan from the Company of £0.4m (2009: £2.2m) and held 0.1m (2009: 0.2m) shares at a cost of £0.4m (2009: £2.2m) with a market value of £1.9m (2009: £1.6m). As at 31 December 2010 the CIPEBT was financed by a repayable on demand loan from the Company of £4.6m (2009: £5.0m) and held 0.8m (2009: 0.4m) shares at a cost of £4.6m (2009: £5.0m) with a market value of £13.6m (2009: £3.6m).

As at 31 December 2010 the AESOP had issued all its previously held shares, as financed by the Company, and thus had no residual loan balance with the Company. All of the shares held by the QUEST and CIPEBT were under option at 31 December 2010 and, except for a nominal amount, the right to receive dividends has been waived.

26. Non-controlling interests

	2010 £m	2009 £m
At 1 January	1.7	2.0
Exchange differences	0.1	(0.2)
Profit for the year	0.2	0.2
Transfer to fully owned	(0.7)	-
Dividend paid to non-controlling shareholders	(0.2)	(0.3)
At 31 December	1.1	1.7

In November 2010 the Group purchased its joint venture partners' 40% share in PT Croda Indonesia Ltd for a cash consideration of $1.6m. At the date of purchase the valuation of this holding was £0.7m, therefore, a small amount of goodwill of £0.3m was generated on the transaction, which has been written off directly to reserves.

27. Related party transactions

The Group has no related party transactions, with the exception of remuneration paid to key management and directors which is included in note 10.

Croda International Plc

Parent company financial statements

Pages 83 to 94 represent the separate financial statements of Croda International Plc as required by the Companies Act 2006 (“the Act”).

These financial statements have been prepared in accordance with the Act and UK accounting standards and are thus presented separately to the Group financial statements which have been prepared in accordance with International Accounting Standards.

Company independent auditors' report

Company independent auditors' report to the members of Croda International Plc.

We have audited the parent company financial statements of Croda International Plc for the year ended 31 December 2010 which comprise the Company balance sheet, the Company accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited 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.

Other matter

We have reported separately on the Group financial statements of Croda International Plc for the year ended 31 December 2010.

Richard Bunter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
8 March 2011

Company balance sheet
at 31 December 2010

	Note	2010 £m	2009 £m
Fixed assets			
Tangible assets	C	1.5	2.5
Investments			
Subsidiary undertakings	D	418.5	481.0
Other	E	0.6	0.6
		420.6	484.1
Current assets			
Debtors	F	12.6	15.1
Cash at bank and in hand		9.6	6.2
		22.2	21.3
Creditors: Amounts falling due within one year	G	(51.8)	(124.3)
Net current liabilities		(29.6)	(103.0)
Total assets less current liabilities		391.0	381.1
Creditors: Amounts falling due after more than one year	G	(242.7)	(245.4)
Net assets		148.3	135.7
Capital and reserves			
Preference share capital	24	1.1	1.1
Ordinary share capital	22	14.0	14.0
Called up share capital		15.1	15.1
Share premium account	J	93.3	93.3
Reserves	J	39.9	27.3
Shareholders' funds		148.3	135.7

Signed on behalf of the Board who approved the accounts on 8 March 2011

Martin Flower
Chairman

Sean Christie
Group Finance Director

Company accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

Accounting basis

The financial statements are prepared under the historical cost convention, as modified by the previous revaluation of properties, in compliance with the provisions of the Companies Act 2006, the requirements of the Listing Rules of the Financial Services Authority and applicable United Kingdom Accounting Standards. Whilst the consolidated accounts have been prepared under IFRS, as required by European law, the Company's accounts continue to be prepared under UK GAAP as permitted.

Land and buildings

In the past the Company's principal properties have been valued periodically by professional valuers on an open market, existing use basis. Following the Company's adoption of FRS 15 in 2001, no further revaluations will be carried out and previous book values will be retained. Notwithstanding the requirements of FRS 15, all fixed assets are written down to their recoverable amount in the event that any impairment review carried out in accordance with FRS 11 indicates that the recoverable amount is less than the carrying value. The profit or loss on the disposal of land and buildings included in the profit and loss account represents the difference between the net proceeds of sale and the net book amount.

Depreciation

Tangible fixed assets are stated at cost or valuation less depreciation, where cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write down the cost of all tangible fixed assets, except freehold land, over their estimated useful lives on a straight line basis. The estimated average life for each major asset category is:

- Freehold buildings - 15 to 40 years
- Computers and office equipment - 3 to 5 years
- Cars - 3 years
- Plant and machinery - 10 to 15 years.

Leased assets

The cost of operating leases is charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions

The defined benefit pension obligations of the Company are financed by contributions to separate funds. As the Company is unable to reliably and consistently measure its share of the underlying assets and liabilities of the funds, the Company accounts as though the funds were defined contribution funds and charges contributions paid directly to the profit and loss account.

Currency translations

Monetary assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the profit and loss account. Other exchange differences arising from non-trading items are dealt with through reserves.

Financial instruments

The Company uses derivative financial instruments to hedge its exposure to interest rates and short-term currency rate fluctuations.

Derivative financial instruments are recorded initially at cost. Subsequent measurement depends on the designation of the instrument as either: (i) a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (ii) a hedge of highly probable forecast transactions (cash flow hedge);

(i) Fair value hedge

Changes in the fair value of derivatives, for example interest rate swaps and foreign exchange contracts, that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Employee share ownership trusts

Shares acquired by the trustees, funded by the Company and held for the continuing benefit of the Company are shown as a reduction in shareholders' funds. Movements in the year arising from additional purchases by the trustees of shares or the receipt of funds due to the exercise of options by employees are accounted for within reserves and shown as a movement in shareholders' funds in the year. Administration expenses of the trusts are charged to the Company's profit and loss account as incurred.

Share based payments

Share based incentive schemes are accounted for in accordance with IFRS2 'Share-based Payments', which requires an expense to be recognised in the income statement over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black-Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting, as market-based performance criteria are not used.

Dividends

All dividends, including preference dividends, are recognised as a liability when the liability is irrevocable. Accordingly, final dividends are recognised when approved by shareholders and interim dividends are recognised when paid.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and other accounting purposes. Temporary differences arise from the inclusion of profits and losses in the accounts in different periods from which they are recognised in tax assessments and primarily arise as a result of the difference between tax allowances on tangible fixed assets and the corresponding depreciation charge. Full provision is made for the tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings. Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. All taxation is calculated on the basis of the tax rates and laws enacted or substantively enacted at the balance sheet date.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses.

Investments

Shares in subsidiary undertakings

Shares in subsidiary undertakings are initially stated at cost. Provision is made where, in the opinion of the directors, a permanent diminution in value has occurred.

Unquoted securities

Investments in unquoted securities are carried at fair value unless such value cannot be reliably measured, in which case the investments are carried at cost.

Financial risk factors

The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 55 and 56.

Notes to the Company accounts

A. Profit and loss account

Of the Group's profit for the year, £38.5m (2009: £28.7m) is dealt with in the profit and loss account of the Company which was approved by the Board on 8 March 2011 but which is not presented as permitted by s.408 Companies Act 2006. Included in the Company profit and loss account is a charge of £0.1m (2009: £0.1m) in respect of the Company's audit fee.

B. Retirement benefit obligations

The Company's employees are members of the UK defined benefit schemes, details of which are disclosed in note 12 to the Group accounts. Whilst the Group reports under IFRS, the UK GAAP equivalent figures for the UK schemes would not be significantly different. As the Company is unable to identify its share of the underlying assets and liabilities of of the schemes, due mainly to changes in the Group's corporate structure over the years, the Company has accounted as though the schemes were defined contribution schemes and has charged the contributions paid each year to the profit and loss account.

C. Tangible fixed assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2010	2.9	1.3	4.2
Additions	-	0.3	0.3
Disposals	-	(0.2)	(0.2)
Transfer to other Group company	(0.8)	-	(0.8)
At 31 December 2010	**2.1**	**1.4**	**3.5**
Depreciation			
At 1 January 2010	1.1	0.6	1.7
Charge for year	0.2	0.2	0.4
Disposals	-	(0.1)	(0.1)
At 31 December 2010	**1.3**	**0.7**	**2.0**
Net book amount			
At 31 December 2010	**0.8**	**0.7**	**1.5**
At 31 December 2009	1.8	0.7	2.5

	2010 £m	2009 £m
Net book amount of land and buildings		
Freehold	**0.8**	1.8
Historical cost of land and buildings		
Cost	**0.3**	1.2
1988 valuations	**1.8**	1.8
At 31 December	**2.1**	3.0
Revaluation surpluses	**(1.1)**	(1.1)
Restated to historical cost	**1.0**	1.9
Depreciation	**(0.8)**	(0.7)
Historical net book amount		
At 31 December	**0.2**	1.2

D. Subsidiary undertakings

	Shares £m	Loans £m	Total £m
Cost less amounts written off			
At 1 January 2010	258.8	222.2	481.0
Exchange differences	-	(1.6)	(1.6)
Conversion of loan capital to equity investment	10.4	(10.4)	-
Additions	0.8	-	0.8
Amounts repaid	-	(61.7)	(61.7)
At 31 December 2010	**270.0**	**148.5**	**418.5**

The principal subsidiary undertakings are listed on page 95.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

E. Investments

	Other investments £m
Cost or valuation of net equity	
At 1 January 2010 **and 31 December 2010**	**0.6**

Other investments comprise equity securities classified as available-for-sale and are included at cost, as fair value cannot be measured reliably, or if quoted on an active market, at market value.

F. Debtors

	2010 £m	2009 £m
Amounts owed by Group undertakings	**1.6**	4.1
Corporate taxation	**9.6**	7.1
Other debtors	**1.0**	3.3
Prepayments	**0.4**	0.6
	12.6	15.1

Notes to the Company accounts

G. Creditors

	2010 £m	2009 £m
Amounts falling due within one year		
Borrowings (note H)	38.3	109.2
Trade creditors	0.3	0.3
Taxation and social security	0.8	1.2
Other creditors	5.9	5.9
Accruals and deferred income	4.3	5.5
Amounts owed to Group undertakings	2.2	2.2
	51.8	124.3
Amounts falling due after one year		
Borrowings (note H)	210.6	225.9
Amounts owed to Group undertakings	32.1	19.5
	242.7	245.4

H. Financial instruments and liabilities

The Company's objectives, policies and strategies in respect of financial instruments are outlined in the accounting policies note on page 85 which forms part of the annual report and accounts. Short term debtors and creditors have been excluded from all of the following disclosures.

	2010 £m	2009 £m
2010 Club facility due 2015	210.6	-
Syndicated acquisition funding	-	255.9
Interest rate swaps	-	0.3
Bank loans and overdrafts repayable on demand	38.3	78.9
	248.9	335.1
Repayments fall due as follows:		
Within one year		
Syndicated acquisition funding	-	30.0
Interest rate swaps	-	0.3
Bank loans and overdrafts	38.3	78.9
	38.3	109.2
After more than one year		
Loans repayable		
Within one to two years	-	225.9
Within two to five years	210.6	-
	210.6	225.9

Financial liabilities

The interest rate swaps held by the Company to hedge against the Group's US$ fixed rate debt and against the floating rate acquisition funding expired on 31 January 2010. Details are given in note 20 of the Group accounts. As required under UK GAAP, the fair value of the swaps was recognised on the Company balance sheet in 2009.

I. Share based payments

The total charge for the year in respect of share based remuneration schemes was £3.4m (2009: £2.0m). In addition, as the Company has issued options over its own shares to employees of its subsidiary companies, the Company has to increase the cost of its investment in the relevant subsidiary by the fair value of the options granted.

The key elements of each scheme along with the assumptions employed to arrive at the charge in the income statement are set out below. Where appropriate the expected volatility has been based on historic volatility considering daily share price movements over periods equal to the expected future life of the awards and the risk free rate is based on the Bank of England's projected nominal yield curve with appropriate duration.

Croda Savings-Related Share Option Scheme ("SAYE")

The SAYE scheme, established in 1983, grants options annually in September to employees of the Group at a fixed exercise price, being the market price of the Company's shares at the grant date discounted by up to 20%. Employees then enter into a savings contract over three to five years and, subject to continued employment, purchase options at the end of the period based on the amount saved. Options are then exercisable for a six month period following completion of the savings contract. As the option is equity settled, under IFRS 2 charges are only made in respect of options granted after 7 November 2002. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

Grant date	2010
Share price at grant date	1431p
Exercise price	1144p
Number of employees	370
Shares under option	94,501
Vesting period	3 years
Expected volatility	35%
Option life	6 months
Expected life	–
Risk free rate	1.3%
Dividend yield	1.7%
Possibility of forfeiture	7.5% p.a.
Fair value per option at grant date	443p
Option pricing model	Black Scholes

A reconciliation of option movements over the period is as follows:	Number	2010 Weighted average exercise price (p)	Number	2009 Weighted average exercise price (p)
Outstanding at 1 January	733,806	478	919,477	411
Granted	94,501	1144	169,368	533
Forfeited	(30,207)	519	(50,988)	511
Exercised	(394,461)	444	(304,051)	302
Outstanding at 31 December	403,639	664	733,806	478
Exercisable at 31 December	16,938		16,633	
For options exercised in year, weighted average share price at date of exercise		1387		747
Weighted average remaining life at 31 December (years)	2.2		2.0	

Notes to the Company accounts

I. Share based payments (continued)

Croda International Overseas Sharesave Scheme ("International")
The International scheme, established in 1999, has the same option pricing model, savings contract and vesting period as the SAYE 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. As the scheme is cash settled, IFRS 2 applies to all options in existence during the year, regardless of grant 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	2010
Share price at grant date	1431p
Exercise price	1144p
Number of employees	975
Shares under option	308,455
Vesting period	3 years
Expected volatility	35%
Option life	1 month
Expected life	-
Risk free rate	1.0%
Dividend yield	1.5%
Possibility of forfeiture	7.5% p.a.
Fair value per option at 31 December	579p
Option pricing model	Black Scholes

A reconciliation of option movements over the period is as follows:	Number	2010 Weighted average exercise price (p)	Number	2009 Weighted average exercise price (p)
Outstanding at 1 January	1,215,119	257	1,303,664	338
Granted	308,455	1144	317,222	533
Forfeited	(73,242)	529	(109,463)	474
Exercised	(634,803)	475	(296,304)	312
Outstanding at 31 December	815,529	756	1,215,119	257
For options exercised in year, weighted average share price at date of exercise		1399		756
Weighted average remaining life at 31 December (years)	2.0		1.6	

I. Share based payments (continued)

Croda International Senior Executive Share Option Schemes ("Executive")

The Group previously granted options to senior employees each year which are subject to satisfaction of performance conditions before they can be exercised. The performance conditions are discussed in detail in the directors' remuneration report (page 32). As with the SAYE scheme, the Executive Scheme is equity settled and as a consequence only the options granted in 2003 fall within the scope of IFRS 2. No further options will be granted under this scheme.

A reconciliation of option movements over the period is as follows:	Number	2010 Weighted average exercise price (p)	Number	2009 Weighted average exercise price (p)
Outstanding at 1 January	451,813	238	718,935	245
Forfeited	–	–	(2,299)	256
Exercised	(154,768)	245	(264,823)	257
Outstanding at 31 December	297,045	234	451,813	238
Exercisable at 31 December	297,045		451,813	
For options exercised in year, weighted average share price at date of exercise		963		678
Weighted average remaining life at 31 December (years)	2.0		2.6	

Croda International Long Term Investment Plan ("LTIP")

The LTIP was established in 2005 and grants no cost options to senior employees which vest after three years dependent upon an EPS performance related sliding scale (non-market condition) and the Group's total shareholder return (market condition). The LTIP is discussed in detail in the directors' remuneration report (page 32). 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:

	Market condition	Non-market condition
Grant date	24 February 2010	24 February 2010
Share price at grant date	900p	900p
Number of employees	11	11
Shares under option	106,495	106,496
Vesting period	3 years	3 years
Option life	1 year	1 year
Expected life	–	–
Dividend yield	2.4%	2.4%
Possibility of forfeiture	3.5%	3.5%
Fair value per option at grant date	521p	838p
Option pricing model	Closed form valuation	Closed form valuation

A reconciliation of option movements over the period is as follows:	Number	2010 Weighted average exercise price (p)	Number	2009 Weighted average exercise price (p)
Outstanding at 1 January	862,611	–	760,657	–
Granted	212,991	–	329,519	–
Exercised	(229,901)	–	(227,565)	–
Outstanding at 31 December	845,701		862,611	
For options exercised in year, weighted average share price at date of exercise		918		527
Weighted average remaining life at 31 December (years)	2.0		2.3	

Notes to the Company accounts

I. Share based payments (continued)

Bonus Co-Investment Plan ("BCIP")

The BCIP was established in 2005 and grants no cost options to senior employees which vest after three years dependent upon a performance related condition. The BCIP is discussed in detail in the directors' remuneration report (pages 31 to 32). 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	29 April 2010
Share price at grant date	990p
Number of employees	62
Shares under option	220,121
Vesting period	3 years
Dividend yield	2.2%
Possibility of forfeiture	5.0%
Fair value per option at grant date	941p

A reconciliation of option movements over the period is as follows:	2010 Number	2010 Weighted average exercise price (p)	2009 Number	2009 Weighted average exercise price (p)
Outstanding at 1 January	627,609	–	462,012	–
Granted	220,121	–	347,753	–
Forfeited	(12,676)	–	(111)	–
Exercised	(84,253)	–	(182,045)	–
Outstanding at 31 December	750,801	–	627,609	–
For options exercised in year, weighted average share price at date of exercise		962		544
Weighted average remaining life at 31 December (years)	1.4		1.8	

Croda International Share Incentive Plan ("SIP")

The SIP was established in 2003 and has similar objectives to the SAYE scheme in terms of increasing employee retention and share ownership. Under the SIP scheme, employees enter into an agreement to purchase shares in the Company each month. For each share purchased by an employee, the Company awards a matching share which passes to the employee after three years' service. The matching shares are allocated each month at market value with this fair value charge being recognised in the income statement in full in the year of allocation.

J. Reserves

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 January 2010	93.3	0.9	2.1	24.3	120.6
Profit for the financial year	-	-	-	38.5	38.5
Other gains and losses	-	-	-	1.5	1.5
Dividends	-	-	-	(33.7)	(33.7)
Share based payments	-	-	-	4.2	4.2
Consideration received for sale of own shares (held in trust)	-	-	-	2.1	2.1
At 31 December 2010	**93.3**	**0.9**	**2.1**	**36.9**	**133.2**

Details of investments in own shares are disclosed in note 25 of the Group accounts.

K. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £69.1m (2009: £54.1m).

L. Dividends

Details of dividends are disclosed in note 9 of the Group accounts.

Principal subsidiary companies

Principal operating companies	Incorporated and/or principally operating in	Group beneficial interest %
Croda Europe Ltd†	UK	100
John L Seaton & Co Ltd	UK	100
Croda Argentina SA	Argentina	100
Croda Australia	Australia	100
Croda Belgium BVBA	Belgium	100
Croda do Brasil Ltda†	Brazil	100
Croda Canada Ltd	Canada	100
Croda Chile Ltda	Chile	100
Croda China Trading Company Ltd	China	100
Croda Trading (Shanghai) Co., Ltd	China	100
Croda Colombia	Colombia	100
Croda France SAS	France	100
Crodarom SAS	France	100
Sederma SAS†	France	100
Croda Chocques SAS†	France	100
Croda GmbH	Germany	100
Croda Hong Kong Company Ltd	Hong Kong	100
Croda Chemicals (India) Pvt Ltd*†	India	100
PT Croda Indonesia Ltd†	Indonesia	100
Croda Italiana SpA	Italy	100
Croda Cremona SRL†	Italy	100
Croda Japan KK†	Japan	100
Croda México SA de CV	Mexico	100
Croda Nederland B.V.	Netherlands	100
Croda Peruana S.A.C	Peru	100
Croda Poland Sp. z o.o.*	Poland	100
Croda Russia	Russia	100
Croda Singapore Pte Ltd*†	Singapore	100
Croda (SA) Pty Ltd	South Africa	100
Croda Korea	South Korea	100
Croda Ibérica SA	Spain	100
Croda Nordica AB	Sweden	100
Croda (Thailand) Co., Ltd*	Thailand	100
Croda Middle East	UAE	100
Croda Inc†	USA	100
Croda Zimbabwe (Pvt) Ltd	Zimbabwe	100

Principal holding companies		
Croda Chemicals International Ltd*	UK	100
Croda Overseas Holdings Ltd*	UK	100
Croda Holdings France SAS	France	100
Croda Investments Inc	USA	100

* Companies owned directly by Croda International Plc.
Companies incorporated in the UK are registered in England.

All companies are involved in the sale of chemicals. Those companies indicated with † are also involved in manufacturing activities. Full details of investments in subsidiary undertakings will be attached to the Company's annual return made to the Registrar of Companies. Those not listed above were either not trading or not material.

Shareholder information

Operating heads

David Barraclough	President - Asia Pacific
Miguel De Bellis	President - Latin America
Steve Foots	President - Europe
Kevin Gallagher	President - North America
Keith Layden	President - Actives & Enterprise Technology
Kevin Nutbrown	President - Global Operations

Corporate calendar

2011 Annual General Meeting	28 April 2011
2010 Final ordinary dividend payment	3 June 2011
2011 Half year results announcement	28 July 2011
2011 Interim ordinary dividend payment	7 October 2011
2011 Preference dividend payments	30 June 2011
	30 December 2011
2011 Full year results announcement	February 2012

Analysis of ordinary shareholders as at 22 February 2011

	Number of holders	Number of shares	% of issued capital
By size of holding			
1 – 1,000	1,836	449,290	0.32
1,001 – 5,000	2,104	2,274,199	1.63
5,001 – 10,000	730	2,340,006	1.67
10,001 – 50,000	229	1,615,986	1.15
50,001 – 100,000	241	5,701,209	4.07
100,001 – 500,000	84	6,152,428	4.40
500,001 – upwards	204	121,416,851	86.76
	5,428	139,949,969	100.00
By type of holder			
Private holders	3,401	7,752,370	5.54
Institutional and corporate holders	2,023	128,607,649	91.90
Treasury shares	1	2,637,530	1.88
Shares held in Croda trusts	3	952,420	0.68
	5,428	139,949,969	100.00

Investor relations

Shareholders can now get up to date information on Stock Exchange announcements, key dates in the corporate calendar, the Croda share price and brokers' estimates by visiting our corporate web site at www.croda.com and clicking on the section called "Investor".

Shareholders can receive shareholder communications electronically by registering on the Registrars' website, www.capitashareportal.com and following the instructions. To register, shareholders will require their investor code (IVC): this is an 11 digit number starting with either five or six zeros and can be found on your dividend tax voucher or your share certificate. Receiving corporate communications by email has a number of benefits including being more environmentally friendly, reducing unnecessary waste, faster notification of information to shareholders and eventually leading to a reduction in company costs.

Shareholders who register on the above website can also check their shareholding, view their dividend history, elect for the dividend reinvestment plan, register changes of address and dividend mandate instructions.

Shareholder information

Share price information

As well as being available on our website, the latest ordinary share price is available on the London Stock Exchange website at www.londonstockexchange.com, the Financial Times Cityline service (0905 817 1690) (calls cost 75 pence per minute from a BT landline and the average duration is 1 minute per stock) or via the BBC's broadcast teletext service.

The middle market values of the listed share capital at 31 December 2010, or last date traded*, were as follows:

Ordinary shares	1616p
5.9% preference shares	80p*
6.6% preference shares	90p*

Capital gains tax

The market values of the listed share capital at 31 March 1982 were as follows:

Ordinary shares	77.5p
Deferred ordinary shares	40.5p
5.9% preference shares	42.5p
6.6% preference shares	47.5p
7.5% preference shares (estimated)	45.0p

Dividend Reinvestment Plan ("DRIP")

Ordinary shareholders may wish to know about this plan, which allows you to use your dividends to buy further shares in Croda. The DRIP is administered by Capita IRG Trustees Ltd ("CIRGT"). CIRGT will instruct the broker to buy shares on the dividend payment date at the then current market price. Any cash left over which is insufficient to purchase a whole share will be carried forward and held, without interest, in a client money bank account. The DRIP commission charged to the shareholder is 1% of the purchase price of the shares, with a minimum charge of £2.50. This is exclusive of stamp duty reserve tax at 0.5% of the deal value. Should you wish to apply you should request an application pack by telephoning 0871 664 0381 (calls cost 10p per minute plus network extras; lines are open 9.00am to 5.30pm, Monday to Friday) or, if calling from overseas, +44 20 8639 3402; alternatively you can email shares@capitaregistrars.com.

Overseas shareholders

Capita has an International Payment Service that allows you to receive your dividend payments in your local currency, sent directly to your local bank account - potentially saving you time and money. Further details are available from Shareholder Administration, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; telephone UK: 0871 664 0386 (calls cost 10 pence per minute plus network extras; lines are open 9.00am to 5.30pm, Monday to Friday) or +44 20 8639 3405 (from outside the UK) or by logging on to www.capitaregistrars.com/international.

Share dealing

Share dealing services are available for shareholders to either sell or buy Croda ordinary shares. For further information on these services, please contact:

UK shareholders only - Capita Share Dealing Services
www.capitadeal.com (on-line dealing)
0871 664 0446 (telephone dealing) - calls cost 10p per minute plus network extras; lines are open 8.00am to 4.30pm, Monday to Friday

UK & overseas shareholders - Stocktrade
Telephone dealing 0845 601 0995 (non UK +44 131 240 0414) quoting reference Low Co0238
For further information visit www.stocktrade.co.uk/Croda.

Relating to beneficial owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly.

Warning to shareholders

In recent years many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as "boiler rooms". These "brokers" can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority ("FSA") has reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way; many of the victims have been investing successfully for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports into the Company.

If you receive any unsolicited investment advice:

- Make sure that you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register
- The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FSA website www.fsa.gov.uk/consumer.

Secretary and registered office

A L Scott (Company Secretary)
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Fax: +44 (0)1405 861767
Website: www.croda.com
Registered in England number 206132

Registrars

Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Tel: 0871 664 0300 (from UK) - calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday to Friday
+ 44 20 8639 3399 (from overseas)
Fax: 01484 601512(from UK)
+ 44 1484 601512 (from overseas)
Website: www.capitaregistrars.com
E-mail: shareholder.services@capitaregistrars.com

Auditors

PricewaterhouseCoopers LLP

Merchant bankers

UBS Limited

Solicitors

Eversheds LLP

Stockbrokers

UBS Limited
Morgan Stanley & Co. International plc

Pension fund managers

BlackRock Advisors (UK) Limited
CB Richard Ellis Collective Investors Limited
Edinburgh Partners Limited
Independent Franchise Partners LLP
Innisfree Limited
Legal & General Investment Management
Macquarie Capital Funds (Europe) Limited
Rockspring Hanover Real Estate Investment Management Limited
Schroder Investment Management Limited
SteelRiver Offshore Infrastructure Associates Limited
UBS Global Asset Management (UK) Limited

Consulting actuaries

Towers Watson

5 year record

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Turnover	**1,001.9**	827.5	911.1	804.8	480.1
Operating profit	**198.6**	121.5	112.6	83.0	59.7
Profit before tax	**192.3**	108.0	96.3	60.8	52.5
Profit after tax	**129.8**	72.7	64.8	40.2	35.0
Profit attributable to ordinary shareholders *	**130.7**	23.7	60.9	87.2	7.9

	%	%	%	%	%
Operating profit as a % of turnover **	**19.8**	14.7	12.4	10.3	12.4
Return on invested capital (ROIC) **	**19.3**	10.5	9.8	8.1	6.9
Effective tax rate	**32.5**	32.7	32.0	33.9	33.3

	pence	pence	pence	pence	pence
Earnings per share *	**94.6**	50.2	51.7	37.1	28.9
Dividends per share	**35.00**	21.50	19.75	15.75	14.30

	times	times	times	times	times
Net debt/EBITDA **	**1.0**	1.9	2.6	2.8	3.3
EBITDA interest cover **	**36.7**	11.1	9.4	5.8	4.2

* Total Group figures, all other figures are continuing operations only
** 2006 pro-forma full year Uniqema

Earnings exclude exceptional items in order to present a clearer year on year comparison.

Summarised balance sheet

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fixed assets	**536.9**	556.3	608.5	555.8	551.5
Stock	**164.6**	148.9	201.9	161.4	133.5
Debtors	**146.2**	159.0	185.8	186.4	192.5
Creditors	**(183.3)**	(182.9)	(184.5)	(178.8)	(198.4)
Other	**0.6**	–	1.1	1.6	2.0
Capital employed	**665.0**	681.3	812.8	726.4	681.1
Dividends, tax, provisions and other	**(22.7)**	(31.1)	(60.9)	(81.4)	(64.9)
Pension fund liability	**(147.8)**	(203.5)	(88.5)	(59.3)	(159.9)
	494.5	446.7	663.4	585.7	456.3
Shareholders’ funds	**273.1**	156.5	263.3	218.0	124.5
Non-controlling interests	**1.1**	1.7	2.0	1.7	1.9
	274.2	158.2	265.3	219.7	126.4
Net debt	**220.3**	288.5	398.1	366.0	329.9
	494.5	446.7	663.4	585.7	456.3
Gearing (%)	**80.3**	182.4	150.1	166.6	261.0

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