Annual Report 2011

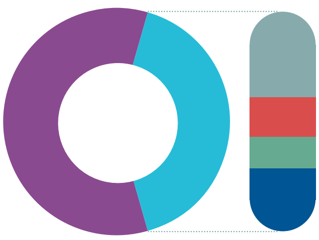
CRODA

Our operations

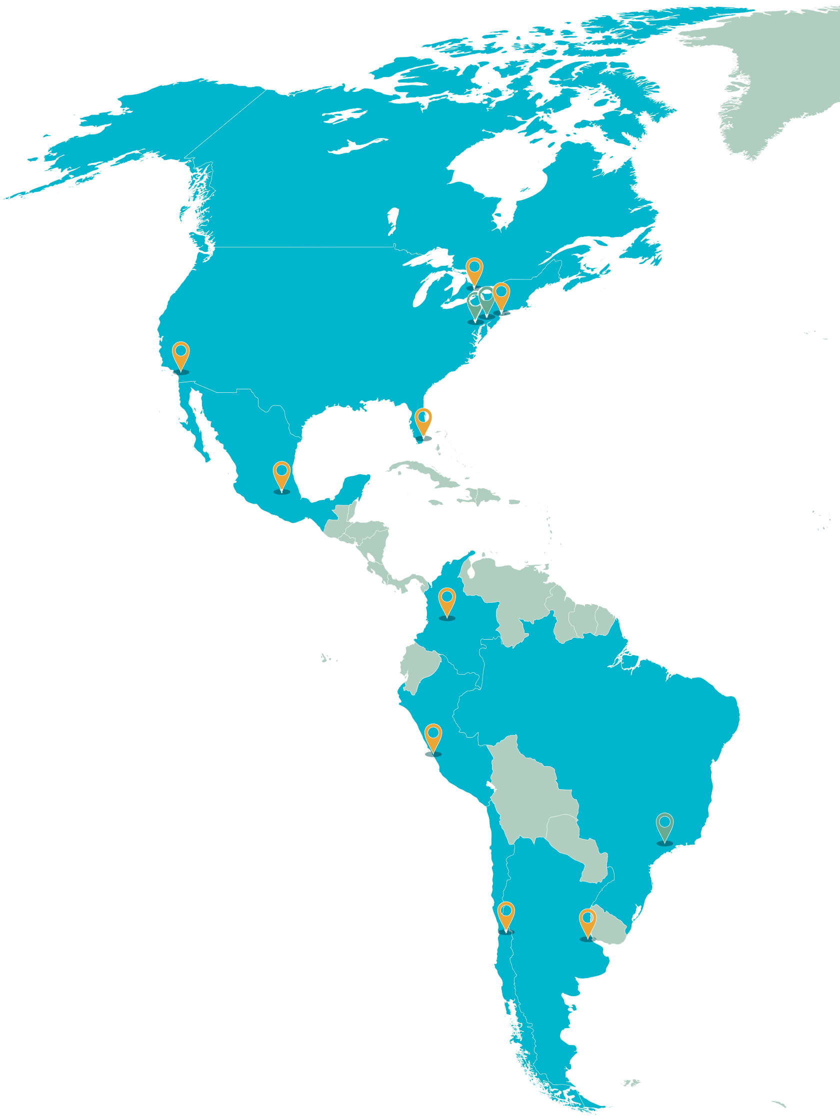
Business Sector	Consumer Care
	Focused on health and wellbeing, our Consumer Care segment consists of Personal Care, Health Care and Crop Care. We supply innovative ingredients that help consumers look and feel great, promote vitality and a healthy lifestyle and ensure the food we eat is safe and plentiful. Consumers want to look and feel good, but also want products that combine great performance with excellent sustainability credentials.
Revenue £m (% Group total)	574.3 53.8%
Operating profit £m (% Group total)	173.4 71.5%

Financial highlights

Revenue £1,068.4m



Bought in materials and services	£627.8m
Value added	£440.6m
To employees	£172.4m
To governments	£76.3m
To providers of capital	£67.9m
Retained in the business	£124.0m



Croda locations

- Head office
- Manufacturing site
- Sales office
- Europe
- America
- Asia
- Rest of the world

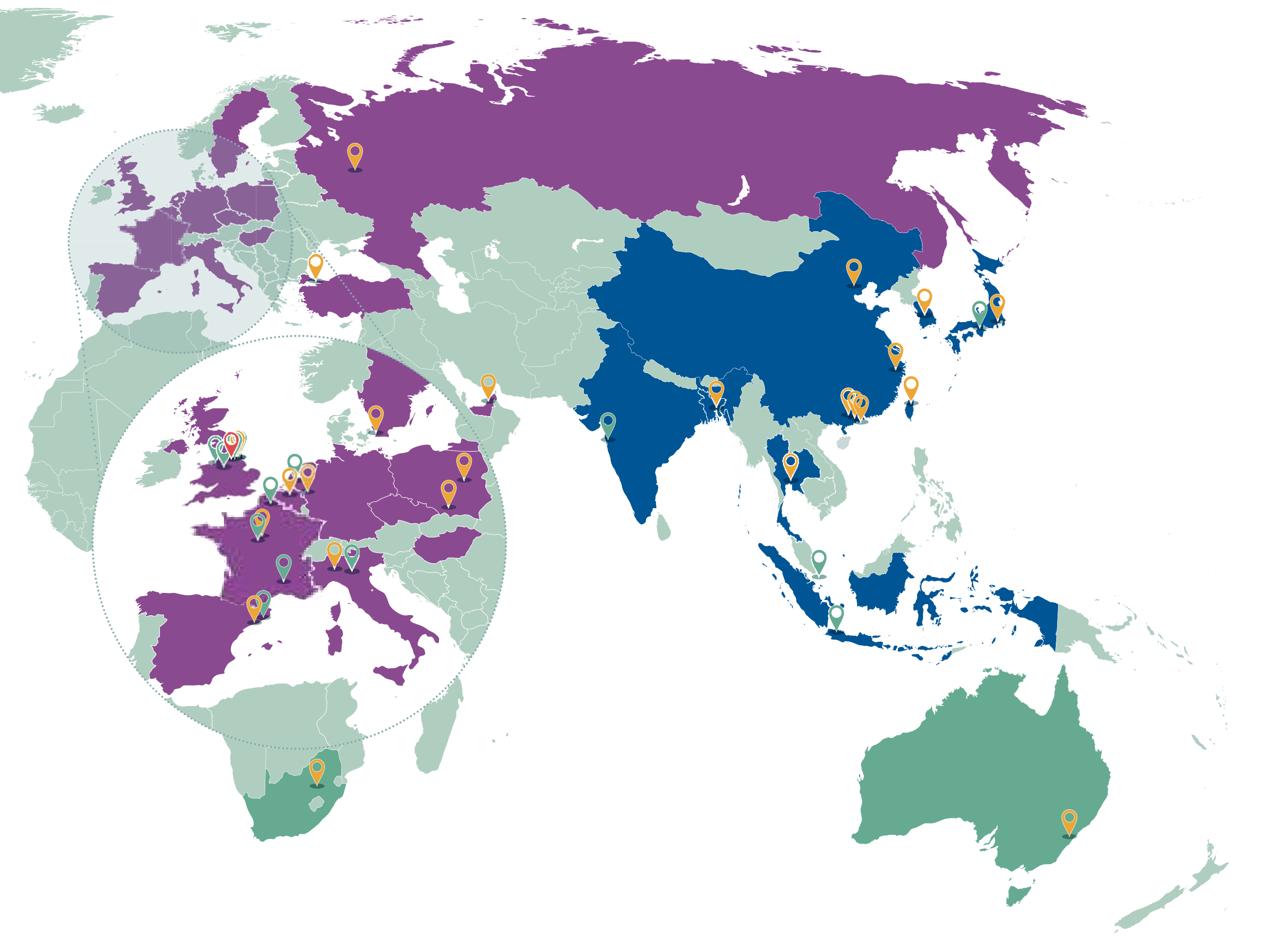
Regional groups	Americas	Europe
Revenue by destination £m (% Group total)	367.8 34.4%	471.1 44.1%
Number of employees (% Group total)	627 19.5%	1,972 61.4%

Industrial Specialities

Industrial Specialities provides speciality ingredients to the Lubricants, Coatings & Polymers, Home Care, Geo Technologies, Polymer Additives and Process Additives markets, delivering enhanced performance and efficiencies to industries like automotive and transportation, construction, surface cleaning and food packaging.

494.1 46.2%

69.0 28.5%



Asia	Rest of the world	Totals
174.3 16.3%	55.2 5.2%	£1,068.4m
567 17.6%	47 1.5%	3,213

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Business highlights

Financial highlights

Revenue - continuing operations
£1,068.4m
2010: £1,001.9m
↑ 6.6%

Profit before tax
£242.2m
2010: £192.3m
↑ 25.9%

Earnings per share - continuing operations
122.5p
2010: 95.4p
↑ 28.4%

Earnings per share - basic
123.7p
2010: 96.1p
↑ 28.7%

Dividends per share
55.0p
2010: 35.0p
↑ 57.1%

Non-financial highlights

Energy consumption
↓ 4.9%

Landfill waste
↓ 42.9%

Lost time injury rate
↓ 35.9%

1% Club time*
↑ 132%

% of employees receiving training
86%

*Employer sponsored volunteering programme

Chairman's statement

Martin Flower, Non-executive Chairman

I am delighted to report another outstanding set of results. This continued success is testimony to the effectiveness of our strategic focus on market led innovation in fast growing sectors and economies worldwide, and an unrivalled understanding of our customers.

Full Year Results

Croda again set new records for both sales and profits in 2011, with turnover increasing by 6.6% to £1,068.4m (2010: £1,001.9m) and operating profit advancing 22.1% to £242.4m (2010: £198.6m). We achieved strong performances in both Consumer Care and Industrial Specialities during the year.

Pre-tax profits grew by 25.9% to £242.2m (2010: £192.3m), with the increase at the operating profit level further boosted by lower borrowing costs and higher pension funding credits.

Earnings per share for continuing operations grew by 28.4% to 122.5p (2010: 95.4p), reflecting the rise in pre-tax profit, a reduced tax rate and the £50m share buyback undertaken during the year.

All three business areas in Consumer Care delivered good sales and profit growth in every quarter of 2011. Sales increased 11.2% to £574.3m (2010: £516.4m) and operating profit rose 27.0% to £173.4m (2010: £136.5m). Health Care and Crop Care saw the highest sales and profit growth, and Personal Care also performed very strongly. Return on sales (ROS) increased to 30.2% (2010: 26.4%).

In Industrial Specialities, sales were up 1.8% to £494.1m (2010: £485.5m) and operating profit increased by 11.1% to £69.0m (2010: £62.1m). Lubricants, Coatings & Polymers and Home Care performed extremely well and Geo Technologies made good underlying progress, excluding the windfall gain in 2010 from the clean-up following the oil spill in the Gulf of Mexico. Sales and profits declined in Polymer Additives and Process Additives, but overall sector ROS increased to 14.0% (2010: 12.8%), as we recovered raw material cost inflation and continued to improve our portfolio of products.

In both reporting segments we saw strong demand for innovative, high performance products, partially offset by lower growth and volume losses in older, less differentiated lines and commodity business.

Acquisitions and Disposals

In January 2011, the Group completed the sale of its 60% holding in its Korean joint venture, Croda Woobang, for a consideration of £2.2m. The profit on sale of £0.6m has been disclosed as exceptional within discontinued activities.

Dividend

The Board announced its new dividend policy when it reported interim results on 28 July 2011. In the light of Croda's strong balance sheet position and the highly cash generative nature of our business, we stated our intention to increase the annual dividend to between 40% and 50% of sustainable earnings. In line with this new policy, the interim dividend was increased by 153.8% to 24.75p (2010: 9.75p), comprising 40% of first half earnings.

In the longer term, our focus on innovation and technology, and our increasing exposure to the growing economies of Asia and Latin America, give me great confidence in the future prospects of the Group

Our Home Care division launched a new additive for hard surface cleaners called ModiSurf™ Clarity during 2011. ModiSurf Clarity forms a protective layer on surfaces such as glass, which repels limescale and reduces the tendency of surfaces to mist up.

Unlike most alternative products, ModiSurf Clarity has a high content of renewable raw materials, over 60%, and is biodegradable. As ModiSurf Clarity remains effective for longer than conventional products, the consumer uses less of the cleaning product. The result is a reduction in the quantity of chemicals washed down the drain. ModiSurf Clarity, therefore, provides both performance and environmental benefits for the consumer.

The Board proposes to increase the final dividend by 19.8% to 30.25p (2010: 25.25p), making a total dividend for the year of 55.0p (2010: 35.0p), an increase of 57.1%. This represents a payout ratio of 45%, in the middle of our target range.

Subject to future trading and the maintenance of a prudent approach to cash and balance sheet management, Croda expects to maintain this dividend policy in the years ahead.

Capital Structure

In 2011, we repaid £50m to shareholders by means of a share buyback, purchasing 2.8m shares at an average price of £17.82.

We are again likely to generate surplus cash from trading in 2012. We intend to invest this in acquisitions and further organic investment if suitable opportunities arise. Any future buybacks will be reviewed in the light of the above.

The Board

There have been a number of significant changes to the Board during the year.

Mike Humphrey retired from the Board at the end of 2011 after 42 years with the Company, including 13 years as Group Chief Executive. Mike led the transformation of Croda into the unique and exceptionally successful business that it is today and on behalf of all our shareholders and staff, I thank him for his outstanding achievements and offer him our very best wishes for the future.

Steve Foots succeeded Mike as Group Chief Executive on 1 January 2012. Steve has worked for Croda since 1990, beginning his career with us as a graduate trainee, and has been a member of the Board as President of Croda Europe since July 2010. I am confident that Steve is ideally qualified to build on Mike's success and lead Croda in the next phase of its growth and development.

Keith Layden was appointed to the Board as an executive director in the new role of Chief Technology Officer in February 2012. Keith joined Croda in 1984 and has extensive experience of the chemical industry and related technologies. The creation of his new role will help us to accelerate the development of innovative technologies and underlines the critical importance of this area to the future development of the Group.

Alan Ferguson joined the Board as an independent non-executive director in July 2011 and was appointed Chairman of the Audit Committee in August 2011. Alan is a Chartered Accountant who has previously served as Chief Financial Officer of Lonmin Plc, Group Finance Director of The BOC Group and Group Finance Director of Inchcape plc.

Mike Buzzacott retired from the Board in August 2011 after seven years of service as an independent non-executive director, including four years as Chairman of the Audit Committee. We thank him for his contribution to Croda and wish him well. Mike has been succeeded as Senior Independent non-executive director by Nigel Turner, a member of the Board since 2009.

Outlook

Trading in January was encouraging and this positive trend has continued, despite the obvious economic uncertainties in Europe. While it is still early in the year and our visibility is limited, we expect 2012 to be another year of progress for Croda.

In the longer term, our focus on innovation and technology, and our increasing exposure to the growing economies of Asia and Latin America, give me great confidence in the future prospects of the Group.

Martin Flower
Non-executive Chairman

Chief Executive's review

Steve Foots, Group Chief Executive

Croda has delivered another year of record sales, profits and margins, despite a challenging economic environment in 2011. We made significant progress in both our business segments throughout the year and 2012 has started well. This continued strong performance underlines the resilience of our unique and highly innovative business model which is focused on fast-growing niche markets and high margin businesses where we can utilise our global reach.

Our Strategy

We focus on niche markets driven by strong, positive megatrends in beauty and ageing, health and wellbeing, and the increasing importance of sustainability and environmental protection. These factors, coupled with the strong structural drivers of population growth, increasing disposable incomes and, ultimately, growing consumer spending, give me great confidence that the core markets in which we operate will continue to grow.

In today's world, people not only want to look and feel good, but increasingly want to use renewable raw materials that combine great performance with excellent sustainability credentials. The trend towards sustainable products in our industrial markets is also growing rapidly. Our customers want improved performance from products which are also safe to use and can meet the ever increasing regulatory demands imposed on specific industries and in different countries around the world.

With our continued focus on innovation, coupled with approximately 70% of our raw materials coming from natural sources, Croda is well placed to take advantage of these drivers. We are continuing to drive top line growth through successful new product development, moving even closer to our customers and increasing our focus on faster growing emerging economies, particularly in Asia and Latin America. Within our industrial businesses, we are replicating this approach to significantly increase sales of speciality products, adopting the same emphasis on niche markets, differentiated technologies and innovative marketing that we have applied so successfully in Consumer Care.

We will accelerate the capture of new technologies across the Group, with a strong focus on sustainability.

We will only invest in businesses, current and future, that can be truly global, in which we can create profitable innovation, that operate in end markets which have long term growth prospects well above global GDP, and in which we can realistically sustain high operating margins.

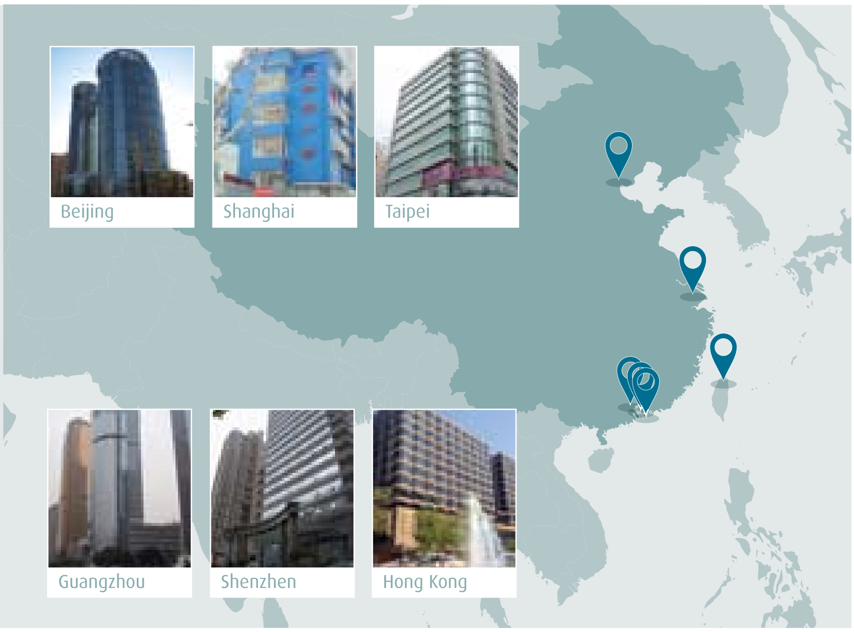
The business moved forward in all our four operating regions

New Reporting Segments and Medium Term Targets

From 2012, we will change the way we report our sales and profits to better reflect the new internal management and business structure in place from 1 January 2012.

Industrial Specialities will be renamed **Performance Technologies**. Process Additives, previously part of Industrial Specialities, will in future be reported separately and renamed **Industrial Chemicals**.

In recent years Croda's operations in China and Taiwan have been scaled up with sales offices in six major cities employing 50 people and serving over 1,200 customers. The area also has laboratories in Guangzhou with facilities to perform efficacy testing and formulation development.



This will result in three segments for reporting purposes:

Consumer Care (unchanged), comprising Personal Care, Health Care and Crop Care.

This segment accounts for 31% of Group volumes, 54% of turnover and 72% of operating profit. Sales are driven by global population dynamics. The majority of product launches are patented and competition is fairly fragmented. Volumes are relatively low but margins are high, driven by innovation, quality and the highly technical nature of the products.

The segment is targeting sales growth of 5-10% per annum and ROS above 25%.

Performance Technologies, comprising Lubricants, Coatings & Polymers, Geo Technologies, Polymer Additives and Home Care.

This segment generates 42% of Group volumes, 36% of turnover and 25% of operating profit. Sales are driven by product performance and the strength of our "green" credentials. Many, but not all, new product launches are patented. Margins are good, though not as high as in Consumer Care.

The segment is targeting sales growth of 4-8% per annum and ROS of 20%.

Industrial Chemicals produces basic fatty acids, glycerine and other by-products together with our textile business and other industrial products. There are also some speciality products in the portfolio.

This segment accounts for 27% of Group volumes, 10% of turnover and 3% of operating profit. Much of the volume in this business is driven by our activity levels elsewhere, but we have little pricing power and margins are lower than the other two sectors and can be erratic. Volumes are high but their value is relatively low.

The segment will seek to maximise profitability.

These segments have different dynamics in terms of drivers, growth and margins and we believe that managing and reporting them separately will permit us to maximise our focus and drive profitability improvements in all parts of the Group.

Business Performance and Prospects

Consumer Care

The sector continued to break all records, with sales growing by 11.2% to £574.3m (2010: £516.4m) and operating profit increasing by 27.0% to £173.4m (2010: £136.5m). Our ROS rose by 3.8 percentage points to 30.2% (2010: 26.4%), the first time in Croda's history that ROS has exceeded 30%. It was particularly pleasing to see strong sales and profit increases in all three business areas throughout the year.

Our best performance was in Health Care, driven primarily by very strong growth of our excipient business selling into the pharmaceutical, dermatology and animal health markets. During the year our production facility in Leek, Staffordshire, was successfully inspected by the US Food and Drug Administration (FDA). This is a really exciting development, which we have worked for 10 years to achieve, that gives us the ability to supply Omega-3 into the pharmaceutical arena.

We continue to seek new opportunities to expand the market for Omega-3 in dietary supplements and will shortly launch a new Incromega™ 3mulsion, responding to market demand for a tastier Omega 3 in the form of a concentrated, flavoured emulsion that is particularly well suited for consumption by children.

Crop Care also performed extremely well, particularly in Europe, the USA and Latin America, and especially in excipient and adjuvant products. We have successfully developed new polymeric surfactants for electrolyte tolerant systems that offer significant performance advantages in Crop Care formulations.

Chief Executive's review

We are continuing to drive top line growth through successful new product development, moving even closer to our customers and increasing our focus on faster growing emerging economies, particularly in Asia and Latin America

Personal Care, which is the largest business area within Consumer Care, achieved impressive turnover and profit growth, driven by sales to our major multinational customers in all parts of the world. Throughout the year, consumers showed no inclination to trade down even in those areas under most economic pressure. Our product pipeline in this area has never been stronger and we launched a number of successful new products during the year. Highlights included the Crodasone™ Cystine hair therapy smoothing system and Resistem™ for skincare, making revolutionary new use of plant stem cell technology to deliver anti-ageing protection and improved skin transparency.

Industrial Specialities

Sales increased by 1.8% to £494.1m (2010: £485.5m) and operating profit grew by 11.1% to £69.0m (2010: £62.1m), representing a ROS of 14.0% (2010: 12.8%). Breaking this down into the new reporting sectors we will use from 2012:

Performance Technologies sales increased by 2.6% to £389.2m (2010: £379.4m) and operating profit rose by 17.4% to £60.1m (2010: £51.2m), a ROS of 15.4% (2010: 13.5%).

The Cystine Hair Smoothing system is a unique set of demonstration formulations put together by Croda's application scientists to show how Croda ingredients can be combined to create products for effective semi-permanent hair smoothing. The hair smoothing category has seen an explosion of global market interest in the last few years yet safe and effective technical solutions have been hard to find. Cystine Hair Smoothing is the ideal solution for this significant market need.

Lubricants, Home Care and Coatings & Polymers all contributed to the strong profit growth in this sector. Geo Technologies also made good underlying progress, though the windfall sales and profits resulting from the Gulf of Mexico clean-up in 2010 were obviously not repeated in 2011. In Polymer Additives, weak sales in Europe outweighed strong growth in other parts of the world.

Our strategic aim in this sector is to replicate the success we have achieved in Consumer Care by launching many new products into profitable niche market applications, and good progress was made in this during the year. In Lubricants, we introduced the Perfad™ 3000 series of organic friction modifiers, which offer outstanding friction reduction and improved fuel economy in oil based systems. In Home Care, we launched Modisurf™ Clarity, a stay-clean additive for hard surface cleaners, acting as an effective lime scale repellent that is also environmentally friendly and mild to the skin.

In Coatings & Polymers, our new Maxemul™ polymerics capitalise on the trend to water-based coatings driven by ever tighter environmental regulations restricting the use of Volatile Organic Compounds (VOCs). Maxemul™ permits the total elimination of VOC solvents without any compromise on product performance. In Polymer Additives, we have focused our efforts on developing products for wood-plastic composites to improve output, decrease water uptake and provide internal lubrication.

In Geo Technologies, we have launched a range of green demulsifiers to help with the challenge of improving environmental performance in the oil industry. Our launches have included several new products that are designed to help oilfield service companies meet the very specific needs of each oil production well with improved environmental ratings.

Right across the sector, our successful innovation has meant the replacement of higher volume, low margin products by new lines that add real value for our customers and offer higher levels of profitability. This was the key driver of the significant improvement in the sector's return on sales during the year.

Perfad™ 3000 and Perfad 3050 are unique organic friction modifiers, both in terms of their chemistry and their performance. Based on polymer chemistry, they deliver outstandingly low friction properties, which is the key to increasing fuel efficiency, reducing CO_2 emissions and engine wear, as well as extending the durability of engine equipment. A small improvement in individual vehicle fuel efficiency has a dramatic impact on total fuel consumption and exhaust emissions.

We will accelerate the capture of new technologies across the Group, with a strong focus on sustainability

Industrial Chemicals sales were down 1.1% at £104.9m (2010: £106.1m) and operating profit was 18.3% lower at £8.9m (2010: £10.9m), a ROS of 8.5% (2010: 10.3%). This reflected high raw material prices and competitive commodity and textile markets, though we did see an improving trend in the final quarter.

Geography

The business moved forward in all our four operating regions, with the strongest progress being achieved in Latin America, where sales grew by 11%, and in Europe, with sales growth of 9%. Sales in North America grew by a more modest 4% as we exited from a major distributor, which reduced sales in the second and third quarters. In Asia, our deliberate de-marketing from the tail of our Industrial Specialities business held sales back to an overall increase of 3%.

Sustainability

Croda's "green" credentials are one of our greatest strengths, with our focus on the production of natural ingredients and some 70% of our raw materials already derived from renewable resources. As a leader in sustainable technologies, we are proud that so many of our products enhance the quality of life through their beneficial impact on human health and wellbeing, and on the wider environment.

We continue to place a strong emphasis on responsible sourcing and on minimising the environmental impact of our operations through a series of initiatives to reduce our consumption of energy and water, and to cut the quantities of waste we send to landfill. We also remain strongly committed to being a first class employer and a good neighbour to the communities in which we operate. Full details of our policies and actions can be found in the Sustainability review on pages 12 to 21 and in our separately published Sustainability (formerly Corporate Social Responsibility) Report.

Our People

Croda employs more than 3,200 people in 33 countries around the world. Many are highly qualified chemists; all share an overriding commitment to putting our customers first, through their focus on identifying and meeting customers' current and future needs.

Our continuing business success depends on our ability to attract and retain individuals who are passionate about personal and business development and who want to make a significant contribution to the future of Croda. We recognise that 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 a terrific talent pool in Croda and we look forward to seeing our people grow in the organisation.

I am grateful to all my colleagues for their contributions as individuals and as teams to another year of outstanding progress for the Group.

Summary

We have a clear strategy, a strong business model, robust finances, talented people, great products and a strong development pipeline. Taken together these provide us with the soundest of platforms for continuing to deliver customer satisfaction, meeting our ambitious performance targets and delivering shareholder value.
I look forward with confidence to leading Croda's continued growth and development in the years ahead.

Steve Foots
Group Chief Executive

Financial review

Sean Christie, Group Finance Director

Croda has continued to deliver strong growth in profits and earnings, and to improve performance against our main financial KPIs. Our strong cash generation has enabled us to return £118m to shareholders through dividends and share buybacks, while significantly increasing investment in the business and further improving our debt ratios.

Pre-tax Profit

Our strong operating profit performance was further enhanced by slightly lower net interest costs of £8.2m (2010: £8.6m) and a significantly increased IAS 19 pension funding credit of £8.0m (2010: £2.3m). This meant that pre-tax profit increased 25.9% to £242.2m (2010: £192.3m).

Exceptional Items

There was an exceptional credit of £1.6m in 2011, comprising the profit on the disposals of the Group's Korean joint venture and our Bromborough site, compared with pre-tax exceptional credits totalling £3.9m in 2010. All exceptional items relate to discontinued operations.

Earnings per Share

The share buyback was the main reason for the fall in the average number of shares outstanding from 136.0m in 2010 to 135.3m in 2011. Our tax rate fell one percentage point to 31.5% as underlying corporate tax rates were reduced in the UK and elsewhere in the world. As a result, earnings per share from continuing operations increased faster than pre-tax profit, growing by 28.4% to 122.5p (2010: 95.4p).

Dividend

The increased final dividend of 30.25p per share (2010: 25.25p) will be paid on 1 June 2012 to shareholders on the register at the close of business on 4 May 2012, subject to shareholder approval.

Debt and Liquidity

As a result of the continuing strength of the Group's cash flow, net debt at the year-end stood at £231.1m (2010: £220.3m), an increase of less than £11m despite the return of £118m to shareholders through dividends and share buybacks during the year. This compares with our committed facilities of £472.0m (2010: £473.8m).

All our debt ratios continued to improve, with our main banking ratio of net debt to EBITDA falling to 0.8x (2010: 1.0x) and EBITDA interest cover improving to 33.5x (2010: 26.9x).

Capital Expenditure

We have worked hard to increase the rate of internal investment in Croda, spending £58.6m (2010: £41.7m) on capital expenditure, 82% higher than our depreciation figure of £32.2m.

The most significant project during the year was a £12m investment in a new acrylic polymers plant at our Rawcliffe Bridge site in East Yorkshire, enabling us to meet growing demand from customers in the Personal Care, Crop Care and Home Care sectors. In addition, the Group undertook numerous expansion projects to increase capacity at its facilities around the world, although none of these were individually material.

We are targeting a capital spend for 2012 of £65m.

During 2011 construction began on a new Acrylic Polymers plant at our Rawcliffe Bridge manufacturing site in the UK, a £12m investment for the Group. The plant will enable us to produce products which improve the rheology, dispersion and suspension profile of formulations. The initial focus of the plant will be on Personal Care, Crop Care and Home Care products, however, Acrylic Polymers have performance benefits across all market sectors, with an overall target market of £500m. Croda has a dedicated business team in place and has several patented products planned for launch in the second half of 2012.

We have worked hard to increase the rate of internal investment in Croda

Retirement Benefits

The gross IAS 19 deficit on our pension scheme increased by £51.1m to £198.9m (2010: £147.8m) and the post-tax deficit rose by £36.7m to £141.6m (2010: £104.9m). This reflected an increase in the net present value of our pension payment liabilities as a result of the continuing decline in corporate bond interest rates.

The market value of our pension fund assets increased to £647.5m (2010: £641.9m). We feel comfortable with the current level of the deficit as it will require only a small movement in the discount rate to achieve a significant reduction in our liability.

Financial KPIs

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

	Target	2011	2010
Return on sales	>15%	**22.7%**	19.8%
EPS growth	+5-10%	**+28.4%**	+77.3%
Post tax ROIC	>WACC*†	**23.7%**	19.3%
Debt/EBITDA	<3x	**0.8x**	1.0x
EBITDA interest cover*	>4x	**33.5x**	26.9x

*excluding IAS 19 credit
†WACC: Weighted average cost of capital, 2011 average 7.8% (2010: 7.5%)

Financial review

Risk Management

Effective management of risks and opportunities is essential to the delivery of the Group's financial and non-financial objectives, thereby ensuring the Group delivers value to the shareholders, protects its reputation and meets the requirements of good corporate governance. Croda is committed to the effective management of all key risks identified.

The Group coordinates its global approach through the Risk Management Committee which meets quarterly and reports directly to the Board. This Committee is chaired by the Group Finance Director and comprises the regional Presidents, the Group Financial Controller and the Company Secretary with the Group Risk and Control Manager in attendance.

A structured risk management system is implemented across the Group which is defined in the Group's risk management framework.

The framework comprises a standard set of risk categories and definitions, together with the process and risk register format to be used in analysing and managing risk. Risks are ranked by combining the economic, operational or environmental impact (rated by value) and the likelihood of occurrence, both before and after identification of mitigating controls, and any actions required to address weaknesses. The responsibility for risk identification, analysis, evaluation and mitigation rests with management at regional and site level. All regions and key functional groups are required to undertake a full review of risks and their mitigating strategies at least half yearly, with sites required to undertake the same review at least annually. Each risk is allocated an owner who has the responsibility for monitoring and managing it.

The output from the risk reviews are consolidated and reported to the Risk Management Committee to identify Group wide impacts and trends including external and emerging risks. In addition, a top down review is performed to identify Group level risks that will not have been identified at regional or site level. The most significant risks are collated into the Group risk register using the same risk management framework, which is reviewed at each meeting. The Committee evaluates the controls and procedures which are in place to mitigate these risks, and a nominated member of the Committee is responsible for ensuring that best practice is followed in tackling each area and that continuous progress is made in managing the risks.

The key risks identified by the Group are summarised below.

Risk	Description and impact	Mitigation
Strategic		
Product and technology innovation	Croda operates in competitive markets in which product and technology innovation are key to success. Innovation failing to deliver could result in a lack of competitive products and erosion of margins and/or loss of market share.	We have 18 R&D laboratories around the world. We have unrivalled customer contact, ensuring that our innovation is market led and relevant to their needs. We have just appointed our Chief Technology Officer to the Board.
Merger and acquisition strategy	The Group has experienced growth through acquisitions and continues to pursue acquisitions to meet its strategic objectives. Whether the Group realises the anticipated benefits from these acquisitions depends on the integration of the acquired businesses and their performance in relation to the Group's acquisition expectations.	The Group has established policies and processes in place to manage the acquisition process, integrate acquired businesses and monitor performance.
External environment		
Product liability	Croda sells into a number of highly regulated markets. Non-compliance with quality regulations could expose the Group to liability and reputational damage.	Quality management procedures are in place for each site, and all manufacturing sites hold ISO9001 standards. Major sites have also been audited against GMP (Good Manufacturing Practice) standards.
Regulatory compliance	As a global chemical producer and supplier, Croda operates in a highly regulated environment. Violation of these regulations could limit the markets into which we can sell, or subject the Group to fines or penalties.	The most significant chemical legislation currently facing the Group is the implementation of REACh (Registration, Evaluation, Authorisation and restriction of Chemicals) in Europe. We have introduced a range of procedures in order to maintain compliance with this regulation and have successfully completed the necessary registrations to date.

Risk	Description and impact	Mitigation
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 our manufacturing sites.	We maintain strictly audited internal safety and maintenance programmes and have business continuity plans in place.
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 safety standards, we maintain strictly audited internal safety, health and environmental programmes.
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 the implementation of new, more rigorous legislation or from market shortage.	Wherever possible, we try to multi source our key raw materials and/or we purchase them under medium to long term contracts. We manage our raw material stock levels taking these considerations into account.
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 global procedures in place to identify and retain key employees and to develop succession plans for key positions.
Business systems		
IT systems and security failure	Croda relies heavily on IT systems to operate effectively and efficiently and to facilitate communication globally. Failure of these systems for a prolonged period of time would have an impact on operations and ultimately our financial position.	We have a global IT group who are very experienced. During 2011 we moved to a high availability mirrored system to further strengthen the IT infrastructure.
Financial		
Management of pension fund assets	Croda has legal commitments relating to the provision of pensions and the operation of our pension schemes. In current market conditions, increased future funding requirements may have an adverse effect on Croda's financial position.	The Group's pension schemes are overseen by the Trustees of the funds who take professional actuarial and investment advice as necessary. Trustees have the required skills as a result of experience and training, and where appropriate the Group will appoint professional trustees to its schemes.
Working capital management	Cash flow generation from the effective management of working capital is required to support the cash outflows arising from capital investment programmes, servicing of debt, taxation, and pension fund requirements.	The Group operates a well embedded working capital programme which is managed on an individual business basis with central monitoring.
Currency exchange rate movements	The global nature of the Group's business exposes it to volatility in currency exchange rates which could have an adverse impact on Croda's financial position.	We maintain a strategic spread of manufacturing and selling locations globally which itself limits currency exposures. The Group hedges its currency exposure on trade debtors and creditors where appropiate.

Sean Christie
Group Finance Director

Sustainability

Chief Executive's statement

What is Sustainability?

For Croda it's simple – doing business sustainably means doing business the right way.

The right way by our people, the environment, the communities we work within and those organisations we work with.

It is no longer enough to strive to be successful in traditional financial terms: businesses today have to realise their responsibilities are broader. Corporate social responsibility (CSR) recognises the positive contribution business makes to society and also the detrimental impact a business can have if it does not operate responsibly.

As a chemicals manufacturer, the potential impact of not operating responsibly is obvious. As an employer and neighbour, the consequences of irresponsible behaviour would be far reaching. As a sustainable, successful business, we have to recognise this responsibility and look for continuous improvement not only in economic terms, but also in our social and environmental performance.

We have found it a real challenge as a business to define in detail what we mean by "sustainability". One definition that struck a particular chord came from the Brundtland Report, commissioned by the United Nations: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs".[1] We feel that through our emphasis on emerging markets and technologies, we are making our own small contribution, going beyond "not compromising" and actually "enhancing" the capabilities of future generations.

Equally challenging is a way of ensuring that all of our aspirations, worthy as they are, are underpinned by real tangible targets. These targets that can help ensure our day to day behaviour is supportive of longer term goals, and can illustrate and help to communicate what sustainability really means to us at Croda.

Hence the need to identify the real sustainability issues facing our business today. We have worked hard in 2011 to identify the key issues we must address if we want to be a truly sustainable business. This hard work has been led by our Group Executive Committee with our CSR Steering Committee, reflecting the top level commitment within our organisation. The results of this work are best illustrated by our materiality matrix on page 13. The matrix was one of the outputs of our first Sustainability Strategy Day, held in July 2011, and is a simple graphical representation of what we see as the most significant sustainability issues we are facing today.

In the pages that follow, and in more detail in our separate Sustainability Report, we want to shed some light light on these issues and how we are working hard to address them; by acting now and by setting meaningful targets for future action. I am particularly pleased that we are able to report a reduction in the Group's lost time injury rate in 2011, as well as further reductions in energy use and waste to landfill. Equally pleasing is the continued success of our employee volunteering programme, the 1% Club. In 2011, more than twice as many employees were involved in some form of local voluntary project compared to 2010, investing a total of over 4,600 hours of work time.

We also recognise that to continue being successful in our sustainability journey, we have to establish a pragmatic way of getting things done. We have made great strides this year with the creation of a dedicated in-house Corporate Social Responsibilty department, responsible for informing and guiding our sustainability strategy, whilst at the same time ensuring we have sensible and effective structures in place to enable communication and information sharing with all stakeholders, inside and outside the Group.

We believe that our business model puts us at the very forefront of sustainable business; that said, the last thing we will be is complacent. As our business continues to develop new technologies and forge new partnerships in emerging markets, sustainability will continue to be central to our thinking.

Steve Foots
Group Chief Executive

[1] United Nations, 1987, Report of the World Commission on Environment and Development, General Assembly Resolution 42/187, 11 December 1987

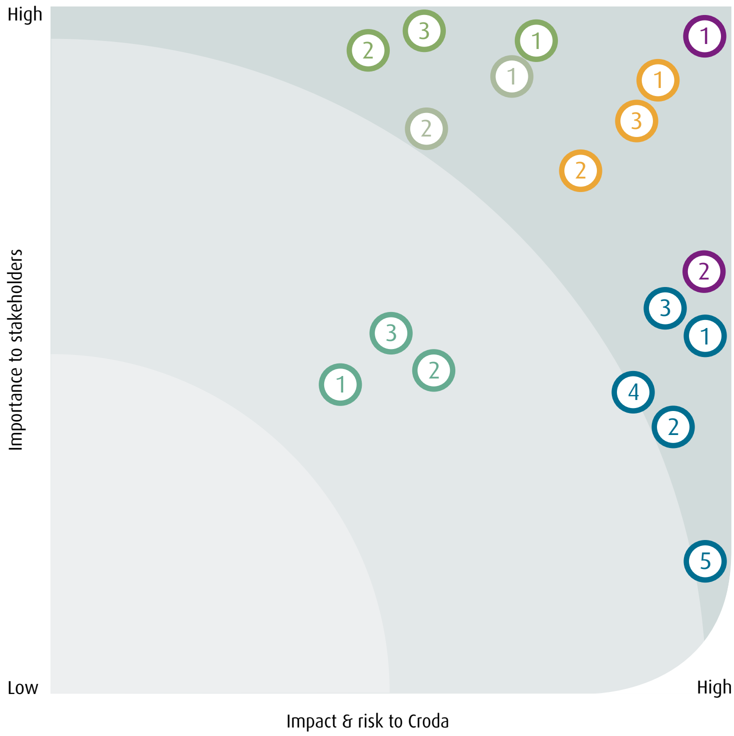
Material Issues

Our underlying approach to sustainability has focused on establishing clear commitments and performance targets aligned to our material issues.

By material issues we mean topics or issues with the potential to affect the long term success of our business and the sustainability of the economy, environment and communities in which we operate. This must embrace the areas that are of most significance to our business and those that are of most importance to our stakeholders.

To identify our most material issues, the CSR Chair, CSR Manager and Pillar Owners met with the Group Executive Committee in July 2011 for an in depth Sustainability Strategy Day to discuss the major issues to our business and key stakeholders. A materiality matrix was mapped to illustrate the relative materiality of the issues identified, plotting business impact against stakeholder perception. Since this meeting, all of these issues have been embedded into our sustainability strategy and activities.

Croda's Materiality Matrix



Section	Material issue
Environment	1 Air quality & climate change
	2 Water quality & supply
	3 Landfill waste
Health & safety	1 Process safety management
	2 Occupational health & safety
Responsible sourcing	1 Renewable raw materials
	2 Responsible Palm Oil sourcing
	3 Product data gathering

Section	Material issue
Employees	1 Recruitment & retention
	2 Compensation & benefits
	3 HR policies & systems
	4 Talent management & employee development
	5 Performance management
Corporate stakeholders	1 Corporate stakeholder engagement
	2 Ethical supply chain
Community	1 Community communication
	2 Community involvement
	3 Community education

Sustainability

To enable the Group to take meaningful action against each of the material issues identified, it is important that we are able to define each issue and explain why it is material in terms that are clear to our stakeholders, both internal and external. In the following tables, we seek to do just that.

Environment

1 **Air quality & climate change**
The link between emissions of combustion products such as CO_2 and climate change is now well established. It is therefore essential that as a socially responsible company we reduce the impact of our emissions to a sustainable level. The expectation of all our stakeholders is that we continue to make progress in reducing discharges of climate change gases.

2 **Water quality & supply**
Fresh water is becoming increasingly scarce as population and industrial activity increases. Furthermore, the onset of climate change may influence rainfall patterns such that water resources in some parts of the world become increasingly stressed. Left unmanaged, supplies would eventually run out. Whilst our operations are not in regions where water resources are under immediate threat, many of our manufacturing sites and offices operate in communities that are dependent on a shared natural fresh water resource. We therefore have a public responsibility and a business need to have a strategy for water management to ensure the sustainability of our operation.

3 **Landfill waste**
Like other resources, land is becoming increasingly stressed. Productive land has been consumed by development and subsequently contaminated, so less space is available to grow food. One of the most environmentally unfriendly activities is landfill, which modifies the land permanently and incidentally introduces contamination to air as well as to water. Whilst our activities do not have a direct impact on the land we occupy, we have a responsibility to minimise our landfill waste and ultimately look to eliminate this activity from our business.

Health & safety

1 **Process safety management**
Process safety encompasses the most significant hazards associated with our operations. The consequences of poor process safety are well documented on a multitude of historical industrial disasters, for example Union Carbide in Bhopal and BP in Texas City, which not only led to many fatalities, but also significant harm to the environment and lasting material damage to the companies involved and their reputations. The moral obligation alone that every company has in this area is indisputable and one that we have always committed significant time and resource to managing.

2 **Occupational health & safety**
No one should expect to be injured when they work at any of our manufacturing sites or offices. In addition to this moral obligation, the cost to the business of an unsafe workplace can be enormous in terms of fines, compensation for injury, loss of production and loss of reputation. High workplace injury rates are often symptomatic of poor general management practices and they do not signal a sustainable business.

Responsible sourcing

1 **Renewable raw materials**
The developing world is increasing its reliance on oil and other non-renewable material sources; it is clear that these resources are being depleted and the environment cannot support current production levels in the future. To ensure that we can continue to make the products that our customers require, we are committed to developing and manufacturing high performance products from renewable raw materials wherever reasonably practicable.

2 **Responsible Palm Oil sourcing**
As the demand for Palm Oil (PO) and Palm Kernel Oil (PKO) continues to grow, primarily for inclusion in food, it becomes ever more important that it is sourced sustainably. Whilst we use extremely small volumes of the actual PO, a number of our products do include derivatives that are a result of processing the oil for food markets. The supply chain of derivatives is very complex due to the number of different producers involved. However, through our involvement with the Roundtable on Sustainable Palm Oil (RSPO) we are determined to do what we can to bring about change to secure a sustainable supply of derivatives.

3 **Product data gathering**
In order to ensure that we can continue to manufacture our products and to look for opportunities to enhance their environmental profile, it is very important to the Company and its stakeholders that we have an extensive amount of data to hand on the products we make. This data goes beyond what is required for regulatory purposes, to build a detailed picture of the sourcing of each raw material used to make our products and the impact those products have on the environment from origin to final use.

Employees

1 **Recruitment & retention**
Like all successful businesses, we recognise that our future 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 our business. Recruiting individuals that fit this description and the culture of the business is always hard, but within the chemical industry it is increasingly a problem with a high level of competition for a decreasing number of graduates. As our business is focused on innovation and growth in emerging markets and developing countries, this challenge increases further.

Employees

2 Compensation & benefits
In a competitive recruitment marketplace we are conscious that we should not lose critical staff because of issues relating to pay or additional benefits. We realise that the remuneration package we offer plays a key part in attracting and retaining employees.

3 HR policies & systems
Information and knowledge sharing are at the heart of making better business decisions. Streamlined systems and policies not only provide the data and trends on which to base decisions, but will in turn drive employee engagement.We believe that well defined policies and procedures allow our employees to operate without constant management intervention. It is this autonomy and freedom to act that has made our business what it is today.

4 Talent management & employee development
The key to the future success of any business lies in the skills and abilities of its workforce. It is only through the continual development of our workforce that we will be able to meet the future demands of our customers in relation to enhanced creativity, innovation and customer service.

Being a business dependent upon a large number of specialists including engineers and scientists as well as finance, IT, HR, marketing, purchasing, sales, regulatory and legal professionals we have to place great focus on continuous development.

5 Performance management
A strong, efficient performance management culture is not only important to employees' professional development, but also to meet the Company's objectives and so ultimately contributing to its bottom line. In addition, a clear, robust process will lead to enhanced communications and an opportunity to address performance problems effectively, thus delivering improvements in employee morale.

Corporate stakeholders

1 Corporate stakeholder engagement
For any company to be successful it cannot work in isolation; it must consider and take necessary action to meet the needs and expectations of its stakeholders. Our key corporate stakeholders are our customers, investors, suppliers and Non-Governmental Organisations (NGOs). We have always been committed to working with these stakeholder groups and have long standing relationships with them as we understand their importance to our success. We now want to deepen our understanding of these groups, particularly in relation to their key sustainability issues, as what will affect them will also have an impact on us.

2 Ethical supply chain
It is the responsibility of all companies to act ethically, but standards can differ from one business to the next. At Croda, we apply the same high ethical and sustainability standards across all operations. Our suppliers are a critical part of our business and we believe that they should operate to the same standards as we do. With increasing consumer awareness and customer demands in this area, we have to work even more closely with all suppliers.

Community

1 Community communication
Operating ethically means being aware of the impact a business has and acting responsibly within the communities in which it is located and where its employees live. This can only be achieved through open dialogue with the community. The relationship we have with our local communities is extremely important to us. We take pride in ensuring that we keep our neighbours informed of activities that are planned to take place at our manufacturing sites and other key locations where health and safety is of paramount importance. As our business grows, it is vital that we develop and maintain a supportive external environment, as well as a strong brand and reputation. This will continue to reinforce our Company culture, which has community awareness and activity at its heart.

2 Community involvement
Putting talk into action is the true way of demonstrating a company's commitment to their communities. Our Company culture is such that we have the capability to be both proactive and reactive to community needs and we have the motivation to make a positive impact in the communities in which we operate.

The morale of our employees is enhanced by the goodwill that is created through community involvement.

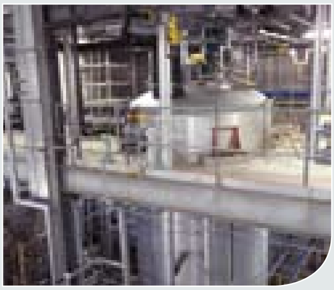
It is also very important to our business that we use this activity as an opportunity for personal and team development.

3 Community education
For any business operating in very specialist markets it is essential to raise awareness of the opportunities it offers and the skills it needs by educating future generations. Our rich scientific heritage and our strategic reliance on delivering market led innovation mean we must ensure that we play our part in developing scientists, technologists and engineers. By developing a strong external educational platform to engage with potential employees in these areas, we will also enhance our image and reputation, thus helping us to recruit appropriately educated people who will support our future technical activities.

We continue to evaluate these issues carefully to ensure they remain the Group's most material sustainability issues. As outlined in the Chief Executive's statement on page 12, identifying and succinctly defining the issues is only the first step. Performance targets supported by a robust management approach then need to be established for each material issue, followed up with ongoing monitoring and regular reporting of performance.

In the sections that follow, we discuss some of the material issues from each of the key areas in a little more detail to illustrate the work we have been doing on establishing targets, monitoring and reporting performance and thereby making a tangible difference, both inside and outside the business.

Sustainability



The installation of in line drying vessels at our Rawcliffe Bridge manufacturing site in the UK is part of ongoing capital investment, improved management and equipment optimisation that will significantly reduce VOC emissions. Over the past 10 years, the site has reduced emissions by 36%. The latest investments will see a further 20% reduction with additional novel technology expected to deliver further improvements in the coming years.

2011 Targets

- Based on 2010, reduce total Group energy consumption by 5% by 2015.
- To have 25% of the Group's total energy requirements generated from non-fossil fuel sources by 2015.
- Based on 2010, reduce total Group VOC emissions by 10% by 2015.

Air Quality & Climate Change

Strategy

At Croda, we have now carefully measured emissions of gases implicated in climate change for more than 15 years and have consistently set targets for reduction. Increasingly demanding targets have been set for 2015 by our Group Executive Committee under the guidance of the SHE Steering Committee. To ensure actions can be taken to bring about change, all major SHE targets are set over a five year time period. A strategy for further significant change beyond 2015 is already in place.

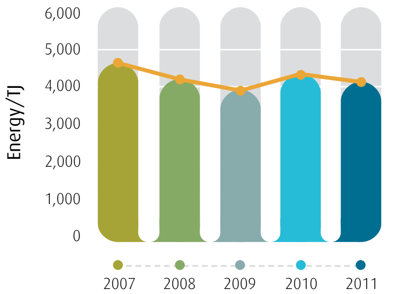
It is the responsibility of all manufacturing site directors to implement improvements in both plant and operational practices, which contribute to a reduction in the amount of CO_2 and other greenhouse gases produced. Our Group Executive Committee will continue to support this through the approval of relevant capital expenditure, which will also include activities at our offices where appropriate.

2011 Performance

In 2011, compared to our 2010 baseline year, energy consumption was reduced by 4.9%. This was due to the implementation of a large number of energy saving projects across the Group. An additional contributing factor was a reduction in production volume during the year, so the challenge will be to maintain the reduction in energy consumption sustainably as production volumes increase, to ensure that we reach our 2015 target.

Some progress was made towards our target of 25% energy from non-fossil sources, up from 13.3% to 14.5% by the end of 2011. However, projects are in hand to make significant progress towards this target in the next two years.

Total energy usage for continuing operations by year



VOC emissions fell by 8.8% from the 2010 baseline to 280 tonnes. Improved process control and a slight reduction in production volumes both contributed to this improvement. The sustainability of the improvement will be checked in 2012.

The Future

A pilot Site Energy Audit is planned for 2012, paving the way for further detailed energy audits at all manufacturing sites in line with our strategic approach.

Major projects on energy sourcing are expected to start delivering an increase in non-fossil sourced energy in 2012 and further process optimisation is expected to deliver more reductions in VOC emissions in the period up to 2015.

Our North American operations have completed a number of projects in 2011 to reduce energy consumption. Our Edison office launched their 305 kilowatt solar energy system in July 2011. The first of its type at any of our operations, the system is expected to provide more than 50% of the power required to run the facility, which is approximately equivalent to powering 42 average sized homes, removing 47 cars from the road or saving over 100,000 litres of petrol each year. Our Atlas Point manufacturing site installed LED lighting fixtures that use 50% less energy, whilst improving the quality of light for operators and reducing maintenance costs due to the LED'S 10 year lifespan.

2011 Targets

- In 2011, to use the ERP based system to record a baseline measurement of the number of new products developed based solely on renewable raw materials.
- In 2011, to use the ERP based system to record a baseline measurement of the total volume (tonnes) of products sold based solely on renewable raw materials.

BIOTECHNOLOGY AND ITS ROLE IN SUSTAINABLE DESIGN

Author: Surinder P Chahal Ph.D, Croda Europe Ltd – Sun Care and Biotechnology, Foundry Lane, Ditton, Widnes, Cheshire, WA8 8UB, UK

ABSTRACT

With the understanding that the future needs of the world cannot be sustained by continued use of fossil fuels, and with general international acceptance that steps have to be taken to mitigate the rise in greenhouse gases, biotechnology, in its most general sense, is a key solution towards a knowledge based bio-economy encompassing sustainable design. In particular, biotechnology is considered to be a pivotal technology for future sustainable manufacture of speciality chemicals.

CRODA

The speciality chemical industry is fast moving away from using depleting resources and energy intensive, environmentally compromising processes. The focus is on sustainable raw materials and greener, cleaner and safer manufacturing methods. With our heritage in naturally derived products, we are at the forefront of this evolution.

It was biotechnology that stood out to us amongst the array of approaches to achieving sustainable product design. It is a path offering many promising opportunities in the future, which is why we have dramatically expanded our investment in the research and development and manufacture of these products at our Ditton manufacturing site in the UK.

In 2011, we published a Whitepaper called "Biotechnology and its role in Sustainable Design", which was a technical article describing this field of science and our desire to incorporate its capabilities into our core technologies.

Renewable Raw Materials

Strategy

At Croda, we have a history of using renewable raw materials in our products wherever possible, with sustainability being embedded in our product innovations since we launched our very first product, lanolin.

Our research scientists work with our marketing teams to determine the market opportunities early in the new product screening and development phase; this includes consideration to the origin of the raw material used in terms of safety and environmental impact. Underpinning this process is our adoption of the 12 Principles of Green Chemistry, where our scientists ensure our products meet as many of these principles as practically possible, therefore ensuring that our products have the most minimal impact on health and the environment. The challenge is meeting the demands for green and safe products, whilst maintaining competitive product performance and functionality.

2011 Performance

In 2011, 65% of the raw materials used within all of the products we manufactured across the Group were from renewable resources. Although this figure has decreased by 3% compared to 2010, largely due to changes in product mix, it is still a high percentage for the chemicals industry and it sets us apart from our peers.

In 2011, we monitored the percentage of all new products launched based solely on renewable raw materials and found this figure to be 32%, whilst the average percentage of renewable raw material content in all of the products we launched in 2011 was higher at 58%. It is also encouraging to see that in Personal Care and Coatings & Polymers this figure is significantly higher. An example of a 100% renewable product launch in 2011 is NatraGem™ S150 NP, a natural solubiliser for active ingredients.

The Future

We shall remain committed to developing new products based on as high a proportion of renewable raw materials as possible and assess each new product according to the 12 Principles of Green Chemistry.

Our French research and development and manufacturing operation, Sederma, took on the challenge of developing natural molecules for the cosmetic industry without causing any damage to the environment using Plant Cell Biotechnology. This technology uses plant cells to produce a range of natural molecules with unique performance characteristics. Culturing these cells has a number of benefits, but the most significant is the preservation of the environment as the process can start from a very small fragment of plant leaf or root. The culturing of plant cells does not require fertilisers, pesticides or land use and can be done any time of the year. In 2011, Sederma launched the first product using this new technology. Resistem™ is an active cosmetic ingredient that helps the skin to protect and regenerate itself to build its own anti-ageing defence system.

Sustainability

2011 Targets

- All regions to complete an employee engagement survey by the end of 2011.
- On a global basis, to maintain average voluntary turnover at less than 10% in 2011.
- Every Croda manufacturing site to hold a minimum two employee communications sessions in 2011.

During 2011 our Latin American division introduced health assessments for all employees regardless of service or position within this business. In a region where health care is not easily accessed by everyone due to its high cost this is a significant benefit. 99% of employees in the regions took up the offer, which included examinations for hearing, vision, cardiovascular risk and nutritional advice.

Recruitment & Retention

Strategy

It is only through robust, effective and stringent recruitment processes that we can ensure we have the best possible starting point from which to develop the right leaders and specialists for the future of our business.

Our internally developed and delivered leadership and succession processes can only be effective if the raw talent is there to start with across all functions. Through our global competency framework we can ensure recruitment practices across the Group identify the people with the right skills, knowledge and aptitude, but more importantly the behaviours and attitudes that will make them, and in turn our business, a success.

It is then, by listening to our employees through surveys, appraisals, consultation committees and communication sessions the world over that we can ensure the investment we make in recruitment pays off. Understanding our employees' needs, aspirations and opinions will ensure we continually develop a retention strategy that works for our business.

To support our developing regions of Latin America and Asia we are now taking the expertise we have in graduate recruitment, selection and development in our mature markets of North America and Europe and utilising it in these developing markets. This will ensure we maintain the quality and supply of future leaders across our business.

Our European graduate recruitment programme has gone from strength to strength over the past three years and now sees an average of 15 graduates per annum recruited into one of our four schemes that enable us to focus their future development on areas of the business where we need the skills, namely engineering, technical, operations and commercial.

Testimonial: Martin Lim, Graduate Trainee, Croda Singapore

The 2010 Graduate Programme was a first for Croda Singapore and thankfully I had the opportunity to be part of the pioneer batch. The two year programme was structured to give us exposure to different functions by rotating through three or four roles, which ensured we gained varied experience and a good understanding of day to day operations. We also took part in residential training events and had individual mentoring sessions with a senior manager to support our development.

I am now on my last placement in sales and already I can look back on my previous sales and customer care roles and see that the Graduate Programme has many benefits in several areas. Job rotation has given me a broad understanding of the business and first-hand experience of different roles. Mentoring accelerated my development as I gained different perspectives and had timely advice along the way. The overseas training opportunities and a wide variety of special work assignments expanded my horizons and allowed me to build important relationships across the Group, all of which I hope will allow me to contribute to the future success of Croda.

2011 Performance

Our 2011 graduate recruitment programme saw 24 new employees join in the UK, France, Spain, North America, China, India and Singapore. These individuals were all carefully selected using our robust recruitment processes and join a growing body of Croda graduates dating back over 20 years.

For the past three years graduates from India, Singapore and more recently China have taken part in training and development activities in the UK with the European graduates. The success of these residential programmes in developing key skills and retaining these key individuals for the Asian business has led us to develop an Asian graduate programme during 2011.

Regarding retention performance, all 1,900 of our European employees were invited to take part in the region's first ever engagement survey. The focus of the questions was based on the Croda Vision and had two main goals. Firstly to give us a measure of the level of employee engagement across Europe, and secondly to show us where we are doing well and also where we need to improve. We achieved a 62% response rate across our European operations and the results showed us that engagement levels in Europe are exceptionally high.

The Future

The global HR strategy has provided the business with a clear framework of the areas on which we need to focus.

In relation to recruitment and retention, we will ensure that by the end of 2013 emerging markets have a programme of regional graduate and trainee recruitment to support future business needs. Building on our experiences in Asia, we will utilise this knowledge and expertise to develop a programme suitable to the Latin American market.

Building on the success of our European employee satisfaction survey, and those that have taken place in the other regions in which we operate in previous years, we will complete one global employee engagement survey in 2014. This survey will then be conducted at least every three years.

During July 2011, all employees in Europe were invited to take part in an employee engagement survey.

Key results of the survey were:

- 62% overall response rate;
- 96% of respondents stated that they get personal satisfaction from doing their job well;
- 87% of respondents agree that Croda is an ethical and responsible company;
- 83% of respondents would refer Croda to a friend as a good place to work;
- 81% of respondents are committed to a long term career with Croda; and
- The three key areas of action are career management, reward and recognition and communication.

Sustainability

Corporate Stakeholder Engagement

Strategy

We aim to maintain ongoing and regular engagement with all our corporate stakeholders in face to face meetings and via specially designed surveys. We will engage with our major customers, investors and suppliers on all aspects of sustainability, particularly concentrating on the issues that most affect them. Our goal is to gain an understanding of the key sustainability issues that are of concern to our key corporate stakeholders, so that we can constantly aspire to meet their sustainability expectations.

2011 Targets

- In 2011, we will conduct a formal survey of our top 50 customers across all market sectors.

2011 Performance

To obtain feedback on the material sustainability issues from our top 50 customers we conducted an online survey. The survey was future focused and aimed to go beyond any current formal requirements within our customers' supplier code. The customers contacted came from many different industries and questions included: factors that influence the choice of raw material, environmental concerns, employees, labour standards, neighbours and business ethics and standards.

Preliminary analysis of the survey is providing confirmation of the areas that are material to our customers and giving a deeper insight into what may be more material in the future.

During 2011, we also started to engage face to face with investors on sustainability issues and we saw an increasing level of enquiries from this stakeholder group.

The Future

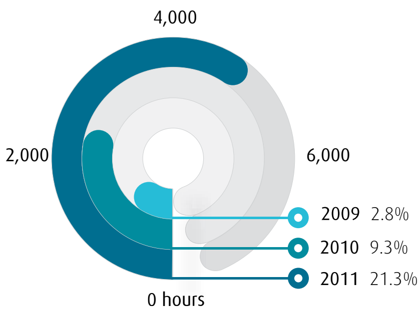
In 2012, we will further engage with many of the customers who responded to our 2011 customer survey to discuss the key sustainability issues facing their organisations and understand how we might be able to work more closely together. A wider survey of our customers will also be conducted to include the key customers in each region across all market sectors.

In response to the growing number of enquiries from investors, as they seek confirmation that they are investing in sustainable companies, we will formally engage with our investor community to gain feedback on our sustainability performance.

In 2010, we launched Solaveil™ SpeXtra, a novel titanium dioxide dispersion offering protection against both UVA and UVB radiation, for which we were presented with the "Best New Technology" Award by Cosmetics & Toiletries in 2011.

Following the long awaited F.D.A Final Rule on sunscreen labelling and effectiveness testing in 2011, we have been able to provide consumers all over the world with clear guidance on broad spectrum UV protection, which Solaveil SpeXtra provides. To support this activity, we launched a Solaveil Physical Shield campaign, which is a marketing initiative to support our customers' products by communicating the superior quality, performance and reliability of Solaveil UV actives, as well as the proven safety and mildness of inorganic sunscreens. An integral part of this promotion is the educational website, www.solaveil.com, which provides information for the general public about the importance of UV protection, an SPF guidance tool, details on the science behind our UV actives and advice on where they can find personal care products containing Solaveil.

Total 1% Club hours worked in the community and percentage of employees accessing the scheme



Community Involvement

Strategy

Our involvement in the local community aims to deliver against a broad array of objectives. Firstly, it satisfies our corporate desire "to do the right thing", ensuring that we invest in our communities and play our part in ensuring they are appropriately supported. Secondly, it is a great way to motivate employees, helping them to feel that they are part of a business that values the communities in which it operates.

We believe that the 1% Club will continue to play a significant role in meeting many of our employee development targets, and will continue to be a means by which we can illustrate our commitment to community involvement.

2011 Performance

All manufacturing sites and offices completed a stakeholder audit and developed at least one project as a result of community engagement.

In 2011, our employees have spent 4,679 hours in their local community, significantly exceeding the 2,021 hours invested in 2010. The number of employees using four or more hours of 1% Club time was 488 (15.2% of Group).

Even more satisfying is that a total of 684 (21.3% of Group) employees took part in 1% Club activities during 2011, compared to 9.3% in 2010.

The Future

The 1% Club has proven to be extremely successful in allowing our employees to contribute to the community, and to express their passion for the good causes affecting the lives of those in the areas in which we live and work. In every measurement of performance, including breadth and quantity of involvement by our employees, the level of impact delivered by our personnel is fantastic. It is our belief that developing both the quality and quantity of this activity will continue to deliver benefits for our business in terms of staff motivation and personnel development, whilst developing quality links with our neighbours.

As such we will continue to challenge our level of activity in terms of community engagement and will look to further increase activity levels against those delivered in 2011.

2011 Targets

- All operations of >30 employees to undertake an audit of key local stakeholder needs and develop at least one project in line with both business and stakeholder requirements.
- In 2011, to continue monitoring 1% Club activity, aiming to increase the total time (hours) spent in the community by 20% based on 2010 figures.
- To increase the number of individuals in the Group using at least one half day of 1% Club time over 12 months to 15% of the global workforce.

More detail on the Group's approach to Sustainability, including additional information with regard to each of our material issues, can be found in the accompanying 2011 Sustainability Report or online at www.croda.com/csr.

At a number of our global conferences in 2011, delegates focused their team building activities on taking part in 1% Club activity near where the conferences were held. At the sales conference in Latin America, 81 employees spent half a day conducting extensive repairs and redecoration at a local school, Escuela Veron in Punta Cana, Dominican Republic. The internal and external improvements to the school were very much appreciated by the students and teachers.

The employees that took part also found the experience very fulfilling. Andres Rey from Croda Miami said; "This was a first for Punta Cana and certainly impressed the local community. The whole team got involved and we have left a legacy that we are all proud of".

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.

Steve Foots
Group Chief Executive

Steve Foots was appointed to the Croda Board in July 2010 and became Group Chief Executive at the beginning of 2012. Steve joined Croda as a graduate trainee in 1990 and has held a number of senior management positions in the Group, becoming President of Croda Europe in July 2010. Steve has been a member of Croda's Group Executive Committee since January 2007. He is a member of the Nomination Committee.

Sean Christie
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.

Keith Layden
Chief Technology Officer

Keith Layden was appointed to the Croda Board in the new role of Chief Technology Officer on 6 February 2012. He joined Croda in 1984 and since 2004 has been President of Croda's Enterprise Technology and Actives businesses. Prior to this he held a number of Managing Director roles across Croda's European business. He currently represents Croda as a member of the advisory board for chemistry at the Universities of Newcastle, Nottingham and York and is a member of the Innovation Strategy Board for Chemistry Innovation and the Industrial Biotechnology Leadership Forum.

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 on 1 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.

Nigel Turner*
Senior Independent non-executive director

Nigel Turner joined the Croda Board in June 2009 and was appointed Senior Independent Director in August 2011. 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 of the Lazard Group. 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 was General Counsel and Chief Legal Officer of Unilever plc and Unilever NV from 1986 until 2010. Prior to this he spent 11 years at Imperial Chemical Industries PLC as a commercial lawyer and Assistant Secretary. 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, where he is also the Senior Independent Director. In addition, Steve is a director of Eversheds LLP, an international law firm, and a senior advisor to Spencer Stuart LLP. He is Chairman of the De La Warr Pavilion Trust and a member of the Board of the Leverhulme Trust.

Alan Ferguson*
Independent non-executive director

Alan Ferguson joined the Croda Board in July 2011 as a non-executive director and was appointed Chairman of the Audit Committee in August 2011. Alan was Chief Financial Officer and a director of Lonmin Plc until December 2010. Prior to that he was Group Finance Director of The BOC Group until it was acquired by the Linde Group in 2006. Before then he spent 22 years in a variety of roles at Inchcape plc, including six years as Group Finance Director from 1999. Alan is a Chartered Accountant and has been a non-executive director of Johnson Matthey PLC since January 2011. In December 2011 Alan was appointed as a non-executive director of The Weir Group PLC.

* Member of Audit, Remuneration and Nomination committees

Corporate governance

The Board is committed to high standards of corporate governance and to complying with the provisions of the UK Corporate Governance Code (the "Code") where practicable. This report, together with the directors' remuneration report, set out on pages 30 to 42, describes how the relevant principles of governance set out in the Code have been applied by the Company.

Compliance

The information contained in this report demonstrates that, throughout 2011, the Company has complied fully with all relevant provisions set out in the Code.

On pages 4 to 7 of the Chief Executive's review we provide an explanation of the Group's business model and the basis on which the Group generates value over the long term and the strategy for meeting our corporate objectives.

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). At the date of this report the Board comprises the Chairman, the Group Chief Executive, the Group Finance Director, the Chief Technology Officer 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 22 and 23. 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. In September the Board held its meeting in Brazil during a visit to our manufacturing site at Campinas. Earlier in the year the Board also visited the Rawcliffe Bridge manufacturing site in the UK. 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	10	10	3	3	5	5	–	3†
M C Buzzacott (retired 1 August 2011)	7	7	2	2	3	3	2	2
A M Ferguson (appointed 1 July 2011)	4	4	1	1	3	3	2	2
S Musesengwa	10	10	3	3	5	5	3	3
P N N Turner	10	10	3	3	5	5	3	3
S G Williams	10	9	3	3	5	4	3	2
M Humphrey	10	10	3	3	–	5†	–	3†
M S Christie	10	10	–	–	–	–	–	3†
S E Foots	10	10	–	–	–	–	–	3†

† Attended by invitation

In addition to the formal Board meetings, all the directors attended a half day meeting to review the Group's strategy and attended the Annual General Meeting. They also met with the Company's financial and public relations advisers to discuss the feedback from investors and analysts on the Group's 2010 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. However, the Board is observing the recommendation set out in the 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 demonstrate 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, Nigel Turner, 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. From January 2011, until his retirement in August 2011, Mike Buzzacott served alongside Nigel Turner as a non-executive director of Genus Plc, a company which has no other connection with Croda's business. Steve Williams has a consultancy role with Eversheds LLP, which provides some legal services to the Group. The Board does not consider that these roles would affect the directors' 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 2011 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 22 and 23. 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.

Report of the Audit Committee

Alan Ferguson (appointed 1 July 2011, Chairman from 1 August 2011)
Mike Buzzacott (Chairman - retired 1 August 2011)
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 relevant experience to enable them to contribute to the Committee's work. The Chairman, the executive directors, the Group Financial Controller, 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 in fulfilling 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 Group. 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 Group's internal controls and risk management systems including that of the Group's internal audit function. It reviews and approves the annual internal audit plan and the key points from all internal audit reports across the Group, 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:

- reviewed the Group policy and strategy in relation to taxation;
- received reports and presentations concerning key specific risks identified by the Risk Management Committee;
- monitored compliance with the Group risk management programme;
- considered initial work on a review of risk strategy and processes including determination of a risk maturity profile; and
- supervised a process whereby the external auditors presented to the Board which resulted in their continued appointment.

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 are subject to controls by management that have been agreed by the Audit Committee in order to ensure 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 properly considered.

As reported last year, PwC is providing advisory services in relation to the implementation of computer systems which has increased significantly their non-audit activities for 2011. Given the nature of these services the full Audit Committee considered and approved PwC's appointment. This work, undertaken in a number of the Group's smaller locations, will continue through 2012 into 2013 as the Group completes the roll out of its ERP system to the global sales network. All responsibility for the design and implementation of the ERP system resides with management. This includes managing the system's operation, monitoring its internal controls and ensuring data integrity. PwC's role is restricted to assessing the system's implementation against the design criteria developed by management.

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

During 2011 the committee comprised:

Martin Flower (Chairman)
Mike Buzzacott (retired 1 August 2011)
Alan Ferguson (appointed 1 July 2011)
Mike Humphrey (retired 31 December 2011)
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.

During the year the Committee led the process to find a suitable successor for Mike Humphrey as Group Chief Executive. Spencer Stuart, an external search consultancy which Croda has employed on other Board appointment assignments, was retained to assess potential internal candidates and identify possible external candidates against a candidate specification developed by the Committee. After taking full consideration of Spencer Stuart's findings and the perceived requirements of the Company, the Committee endorsed the nomination of Steve Foots. At the same time the Committee was instrumental in reaching agreement with Mike Humphrey on the terms of an orderly transition on his retirement.

Early in the year the Committee started the process to find a new Chairman for the Audit Committee to replace Mike Buzzacott on his retirement in August 2011. Spencer Stuart was retained to draw up a list of candidates. Following interviews with each Board member, the Committee recommended Alan Ferguson's appointment to the Board. His experience in senior finance positions in international businesses was thought to be of significant benefit to the Company.

The Committee maintained its focus on succession planning and development programmes for senior employees by reviewing the progress of the three new Group wide leadership development programmes introduced during 2011 and the development of a new assessment process designed to help identify those individuals who required further development or more radical action to enable them to improve. 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.

The Board supports the principles set out in the Code regarding Board appointments and agrees that having a diverse mix of skills, experience and backgrounds, including gender diversity, on the Board is very important. It has considered the recommendations of the Davies report on "Women on Boards" and will ensure that any long list of candidates for future Board appointments includes a good proportion of women. However, the Board is uncomfortable with the idea of setting out the percentage of women it aims to have on the Croda Board, as it believes that all Board appointments should be based on merit and not on a policy of positive discrimination. Ultimately the best way to get women onto the Board is to increase the number of women rising to senior positions within the Company and this will receive increased focus as part of the Company's own succession planning and development programmes. The Board will also keep the criteria for Board candidates under review to ensure that they do not inadvertently exclude particular categories of candidate.

Remuneration Committee

Stanley Musesengwa (Chairman)
Mike Buzzacott (retired 1 August 2011)
Alan Ferguson (appointed 1 July 2011)
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 30 to 42 . A resolution will be proposed at the AGM to approve the report.

Board and Committee evaluation

The Board usually carries out an annual self-evaluation exercise towards the end of the financial year. In view of the changes to the composition of the Board as a result of the appointment of a new non-executive director in July and the impending change of Group Chief Executive at the year end, the Board took the decision to defer such an exercise until 2012. It was felt that greater value would be obtained from carrying out a more formal review during 2012 once the new Board had been in place for several months. Accordingly, an externally facilitated evaluation will take place later in the year.

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

During 2011 the Committee comprised:

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

Steve Foots became Chairman of the Committee following Mike Humphrey's retirement on 31 December 2011. On 6 February 2012 he relinquished his role as President, Europe and the European business was divided into two areas under the leadership of Sandra Breene, President – Consumer Care Europe and Maarten Heybroek, President – Performance Technologies & Industrial Chemicals Europe. Consequently, both have joined the Group Executive Committee. The Committee meets quarterly and its remit is responsibility 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

The Finance Committee meets monthly to review operating results, identify operational and risk issues and examine capital expenditure proposals. During 2011 the members were:

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

Since the year end Steve Foots has assumed the chairmanship of the Committee. The other members of the Group Executive Committee are invited to attend all meetings of the Finance Committee.

Corporate governance

Risk Management Committee

During 2011 the Committee comprised:

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

Steve Foots is no longer a member of the Committee since becoming Group Chief Executive on 1 January 2012. The Committee's 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.

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 they 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 provision 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;
- financial reporting, with specific internal controls and risk management systems governing the financial reporting process and preparation of the annual financial statements. These systems include clear policies and procedures for ensuring that the Group's financial reporting processes and the preparation of its consolidated financial statements comply with all regulatory reporting requirements. This framework is enshrined in the Group's policy documents which set out the core business processes and accounting principles to be employed at all Group companies. Compliance with the policies is ensured by regular internal reviews supplemented by focused audit work; 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. The Committee is chaired by the Group Finance Director and comprises the heads of each business unit, the Group Financial Controller and the Company Secretary. The Group Risk & Control Manager attends all the meetings. 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 Group's approach to risk management is discussed in more detail in the Financial review on pages 10 and 11 and in the Group's separate Sustainability report.

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 KPMG LLP who report through the Group Risk & Control Manager 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, ensures 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 48 to 97, have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Remuneration report

Dear Shareholder

As described in the Business Review, 2011 was another outstanding year of growth for Croda, particularly in light of the record results delivered in 2010 and the wider context of continuing tough global economic conditions.

The results demonstrate the ability of our business to continue to deliver growth in difficult market conditions and, in particular, the strength of the Group's strategy and effective leadership of our dynamic and experienced 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 2011 income, as calculated for the purpose of the bonus scheme, exceeding the maximum targeted income) and the 2009 LTIP and BCIP awards' performance targets were also met in full, which reflected a growth in earnings per share of 137% over the three year period ended 31 December 2011, and a total shareholder return created of over 290% (which resulted in Croda being amongst the top fifteen performing FTSE 250 companies over the three year performance period).

As described in the Chairman's statement, 2012 marks the start of a new era at Croda, with a new Group Chief Executive in post. The new Group Chief Executive has been with Croda for over 20 years and is supported by a highly experienced and dedicated senior team. The Board consider the leadership team to be ideally placed to continue to deliver the Company's consistent track record of delivering profitable growth.

The Committee considers our current remuneration policy of paying competitively against comparable international businesses, with an incentive structure weighted towards long-term performance, to continue to serve the business well. The Committee has a clear track record of aligning pay with performance and shareholder value creation. As a result, our broad policy framework is to be retained for 2012. However, in light of the changes to the Board that take effect for 2012, and in response to developments in corporate governance expectations, the following amendments to our current policy are being introduced for 2012:

- the new Group Chief Executive's remuneration has been adjusted to reflect his promotion; and
- clawback provisions are to be introduced into both the annual and long-term incentive plans operated by the Company from 2012.

The Committee believes that the policy in place for 2012 will provide it with sufficient flexibility to meet its objective of retaining and motivating the Company's management team to continue to deliver the Board's strategic objectives. In addition, given that a substantial proportion of the total package is weighted towards long-term performance, the deferral requirement that forms part of the annual bonus arrangements and the introduction of clawback provisions for 2012, 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 2012 AGM.

S Musesengwa
Chairman of the Remuneration Committee

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 AGM in April 2012.

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 five 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). All have the appropriate qualifications and experience to advise the Committee on aspects of the Group's policies and practices.

New Bridge Street (NBS) have been appointed by the Committee to provide independent advice on remuneration policy and practice. NBS has no connection with the Company other than in the provision of advice in relation to executive remuneration. Another subsidiary of Aon Corporation, the ultimate parent company of NBS, provides insurance broking services to the Group. The Committee is comfortable that no conflicts arise out of these relationships.

The key activities of the Committee undertaken during the year (which were supported, as appropriate, by NBS) are set out below. Further details of these activities appear later in this report:

- reviewing executive directors' and senior executives' salary levels (including setting an appropriate salary level for the new Group Chief Executive);
- determining annual bonus awards in respect of 2010 performance;
- setting the annual bonus plan terms for 2011;
- testing of performance targets for the Company's 2008 long-term incentive awards;
- determining 2011 award levels and the associated performance targets under the Company's long-term incentive plans;
- reviewing the level of the Chairman's fee;
- determining the treatment of Mike Humphrey's long term incentives on his retirement; and
- implementation of clawback provisions in the Company's annual bonus and long-term incentive plans.

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).

Remuneration report

Summary of components of remuneration

Set out below is a summary of the key components of executive directors' remuneration:

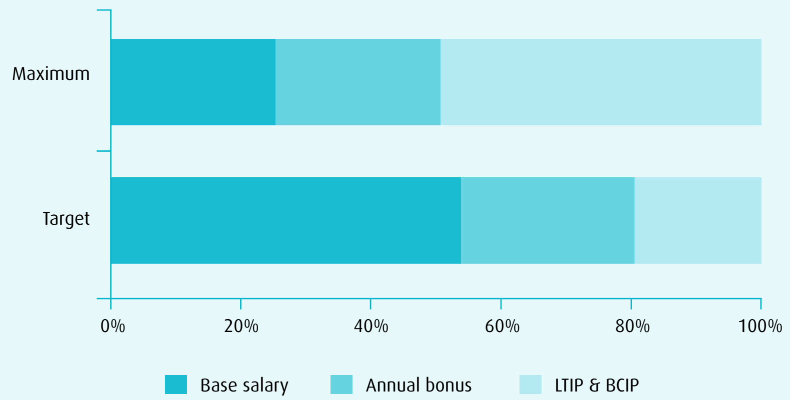
Element	Objective	Performance period	Policy
Basic salary	To position at a competitive level for similar roles within comparable companies.	Annually	Individual pay levels are set having regard to the performance, skills and experience of each individual.
Performance related bonus	To incentivise delivery of performance objectives.	1 year	Bonus payments are based on the achievement of a challenging range of income* growth targets. The net element of bonus above 50% of salary is compulsorily invested in the Company's shares for three years. Clawback provisions apply from 2012.
Pension & benefits	To provide competitive benefits and to act as a retention mechanism and reward service.	Ongoing	The policy is to provide market competitive retirement benefits tailored to local market practice. Executive directors typically participate in the Company's defined benefit pension plans or receive a cash alternative in lieu of pension with which the executive may make his own arrangements. Only basic salary is pensionable. Other market standard benefits are provided.
Long-Term Incentive Plan ("LTIP")	To drive performance, aid retention and align the interests of executive directors with shareholders.	3 years	Half of any award is subject to EPS growth. The remaining half is subject to the relative total shareholder return ("TSR") of the Company compared against an appropriate peer group. Clawback provisions apply from 2012.
Bonus Co-investment Plan ("BCIP")	To encourage investment in the Company's shares.	3 years	Net of tax bonus may be voluntarily invested in the Company's shares with the net of tax bonus earned above 50% of salary compulsorily invested in shares. Invested shares are the subject of a matching award (based on their pre-tax value) at a ratio of 1:1. Matching shares vest based on the same EPS targets as for the LTIP above. Clawback provisions apply from 2012.
Share ownership guidelines	To align executive directors with shareholders.	N/A	A shareholding of 100% of salary is expected to be achieved within five years. The retention of 50% of the net of tax number of vested shares under the LTIP and BCIP is expected.

*income is defined as Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS 2 "Share based payments" less a notional interest charge on working capital employed during the year.

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 LTIP and 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), share ownership guidelines and, from 2012, clawback provisions operating across the incentive arrangements for executive directors and senior executives. 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.

Components of executive directors' remuneration

Basic salary

The Committee reviews the base salary levels annually with effect from 1 January. Account is taken of the performance of the individual concerned, together with any change in responsibilities that may have occurred, and the rates of pay in international manufacturing and pan-sector companies of a comparable size (market capitalisation and turnover) and complexity. Data is sourced from the Committee's independent advisers, NBS.

The salary levels of the executive directors who were in their posts on 1 January 2012 are as follows:

Executive director	Basic salary at 1 January 2012	Basic salary at 31 December 2011	% increase
S E Foots	£500,000	£300,000	66
M S Christie	£350,200	£340,000	3

The revised salary set for Steve Foots reflected his additional responsibilities on being promoted to Group Chief Executive but also took due account of the fact that this is his first role as a PLC Chief Executive. Accordingly, his salary was set at around the lower quartile of the relevant benchmarks with the Committee's intention being to increase his salary, based on performance and experience in the position, over the next few years to ensure his remuneration is consistent with the Company's stated remuneration policy.

The salary increase awarded to Sean Christie, at 3%, was consistent with the salary increase budget operated across the Group and reflects the individual's continued strong performance.

Keith Layden was appointed a director on 6 February 2012 and his current salary is £280,000.

Remuneration report

Performance-related annual bonus

The Company operates bonus schemes for its directors and senior executives. Bonus payments are not pensionable. The 2011 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 IFRS 2 "Share based payments" less a notional interest charge on working capital employed during the year (the "2011 income"), exceeded the income for 2010 calculated on the same basis (the "base income"). Bonuses for 2011 are payable against a graduated scale once the 2011 income exceeds the base income by inflation (defined as the consumer prices index (CPI)), with maximum bonuses due at CPI plus 10%. Income is measured after providing for the cost of any bonuses. Once the level of bonus has been determined against the targets set at the start of the year, the Committee has the discretion to take health, safety and environmental performance into consideration when determining the actual overall level of individual bonus payments and it may reduce the bonus awards if it considers it appropriate to do so (e.g. if health, safety and environmental performance is not considered satisfactory during the period over which the bonus was earned).

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.

With regard to the actual performance delivered during 2011, 2011 income exceeded base income by 11.2% above CPI. Following an assessment of the health, safety and environmental performance of the Group in 2011, which was considered satisfactory, the bonuses payable to each of the executive directors were at 100% of salary reflecting the fact that the maximum target was exceeded. Actual bonus payments are included in the table on page 39. Given the record performance delivered in 2011 the Committee were comfortable paying maximum bonuses for what was considered an exceptional achievement.

With regard to 2012 bonuses, the maximum bonus opportunity will remain unchanged at 100% of salary. The performance targets will continue to operate on a similar basis, requiring out-performance of the 2011 income before bonuses become eligible for payment. The target range set for 2012 will require 2011 income to be exceeded by 10% above CPI with the Committee considering this target to be equally as challenging as the range of targets set for the 2011 annual bonus given that 2011 was another record year and the fact that current economic circumstances remain challenging. 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 provide clear alignment with shareholders and foster a longer-term link between annual performance and reward.

In addition, the 2012 annual bonus will also be subject to clawback provisions which will enable the Committee to recover the value overpaid to an executive director in respect of 2012 performance in the event of a misstatement of the Company's financial results, an error being made in assessing the extent to which performance targets were ultimately achieved or in the event of serious misconduct. The clawback provisions will operate for a three year period following the date on which the bonus is paid.

Long-term incentives

Long-term incentives are provided to executive directors through two long-term incentive plans, the BCIP and the LTIP. 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. As detailed in last year's remuneration report, following consultation with the Company's major shareholders and shareholder protection bodies, since 2011, executive directors and members of the Group Executive and Finance Committees 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. Prior to 2011, matching shares were awarded based on the post-tax number of invested shares. 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 to date have been subject to a performance condition initially 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, awards vest and shares become eligible to 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 2012. EPS continues to be a key internal measure used to assess the performance of the business and is aligned with the Company's objectives of continuing to deliver profitable growth and operating a progressive dividend policy. With regard to the range of targets set, they are considered to remain appropriate, providing a stretching but realistic target from a record result 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. Shareholder approval was sought and received at the 2011 AGM to increase the annual award limit under the LTIP from 100% of salary to 200% of salary. However, awards were limited to 100% of salary in 2011 and it is intended that awards will remain at, or below, 100% of salary in 2012. 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 awards vest based on a condition measuring the Company's relative total shareholder return (TSR). For awards to date, relative TSR performance has been measured 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) has, therefore, been considered to date as an appropriate comparator group by the Committee since it has been the index within which Croda resides. Vesting takes 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 slide 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	

Use of relative TSR in tandem with EPS growth targets is considered appropriate since it provides clear alignment between executives and shareholders in focusing management to deliver above market total returns at the same time as incentivising executives to deliver growth in EPS which, as described above, is a key internal measure of performance.

If the performance target is met, awards will become eligible for exercise by the employee.

With regard to awards to be granted in 2012, it is intended that awards will be granted at 100% of salary to the Group Chief Executive and Group Finance Director with the newly appointed Chief Technology Officer being granted awards at 70% of salary. In terms of performance targets, it is also anticipated that the same approach will operate.

LTIP and BCIP awards granted in 2012 to executive directors will also be subject to clawback provisions which will enable the Committee to clawback the value overpaid to an executive director in respect of performance during the three years ending 31 December 2014 in the event of a material misstatement of the Company's financial results or misconduct. The clawback provisions will operate for a three year period following the date on which the awards vest.

The gains arising from LTIP and BCIP awards vesting in 2011 are set out on page 42 with the awards vesting in full due to the performance targets applying to the awards granted in 2009 being achieved in full.

Remuneration report

Senior Executive Share Option Schemes

Following the adoption of the BCIP and the LTIP, the operation of the Senior Executive Share Option Schemes was discontinued except in relation to options already granted. The only options now outstanding were granted in 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 was the only director who held these options and details of his options are shown in the table on page 38.

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 84.

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 plan in the UK is a defined benefit scheme which provides a pension based on a proportion of final salary with a salary cap imposed from 6 April 2011 onwards. A salary supplement in lieu of pension provision above the salary cap now applies. The Company is flexible in 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 by direct contribution to the Croda defined benefit pension scheme and/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 (SIP) (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 Finance Committee are made up from eight 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

Sean Christie and Steve Foots have service contracts dated 15 December 2006 and 16 September 2010 respectively which are terminable by the Company on one year's notice and by them on six months' notice. The Company may also terminate the contracts at any time with immediate effect and they would be entitled to receive compensation equivalent to twelve months' salary plus the value of their pension benefits (valued at 20% of basic salary) 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 they obtained alternative employment (i.e. any such payments would be phased and subject to mitigation to the extent that any alternative employment was commenced).

Mike Humphrey's service contract (dated 21 December 2005) ended on 31 December 2011 on his retirement as Group Chief Executive. No payments other than salary accrued due at the date of his retirement were made. In accordance with the rules of the executive bonus scheme, Mike Humphrey, as a retiree, is entitled to receive his full 2011 bonus as shown in the table of directors' remuneration on page 39. Under the terms of the BCIP and LTIP, as a retiree, he is a "good" leaver and, accordingly, is entitled to potential vesting under his outstanding share awards. With regard to the shares represented by the award made to him under the BCIP and LTIP in 2009, since the performance targets have been met in full, he is entitled to exercise the awards in full. With regard to his unvested BCIP and LTIP awards granted in 2010, he can exercise the awards in full, subject to the application of performance targets, at the awards' normal vesting dates. In relation to the awards granted in 2011, following the application of a pro-rata reduction to the original number of shares awarded of one third, he will be able to exercise a maximum of two-thirds of the original awards, subject to the application of performance targets at the awards' normal vesting date at the end of 2013. In accordance with the rules of the SAYE scheme and the SIP Mike Humphrey is entitled to exercise his outstanding SAYE options and to withdraw the shares invested and awarded to him under the SIP.

Under the terms of his historic service contract, Mike Humphrey had a service contract that was terminable by the Company on one year's notice and by Mike Humphrey on six months' notice. The Company could also have terminated 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 have discontinued or reduced to the extent that he obtained alternative employment (i.e. any such payments would have been phased and subject to mitigation to the extent that any alternative employment was commenced). Mike Humphrey's contract was a legacy contract and it is not the Company's current policy to include an element of bonus in payments following termination for other directors.

As announced in July 2011, Mike Humphrey has been appointed Senior Advisor to the Board following his retirement on 31 December 2011. He will receive a fee of £150,000 for providing strategic advice for a term of 12 months. He is not eligible to participate in either the annual bonus plan or to receive future long-term incentive awards.

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. Mike Humphrey became a non-executive director of IP Group plc in October 2011 and during the year he received total fee payments of £8,512. Neither of the other two executive directors held non-executive positions during the year.

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. The Chairman's fees are determined by the Remuneration Committee and the fees of the remaining non-executive directors are determined by the Chairman and the executive directors. These fees were last reviewed in 2008 resulting in increases with effect from 1 January 2009. During the year NBS was commissioned to provide benchmark fee and typical time commitment data for comparably sized international companies and, consequently, after consideration, fees were increased with effect from 1 April 2011. The Chairman's fee is now £170,000, the basic annual fee for a non-executive director is now £46,000 with an additional £8,000 for chairing a committee and the Senior Independent director receives an additional £5,000.

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. In the case of the Chairman, his term of office was due to expire in September 2011 after six years, but in order to provide continuity during the transition from Mike Humphrey to Steve Foots as Group Chief Executive the Board agreed that the Chairman's period of office should be extended for a further two years. The discussions were led by the Senior Independent director who consulted with the other members of the Board. Mike Buzzacott retired from the Board at the end of his term of office in August 2011.

The non-executive directors have no entitlement to contractual termination payments. The dates of their initial appointments are set out below.

	Original appointment date	Expiry date of current term
M C Flower	16 May 2005	28 September 2013
A M Ferguson	1 July 2011	30 June 2014
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
M C Buzzacott (retired 1 August 2011)	2 August 2004	1 August 2011

Remuneration report

Directors' interests

The beneficial interests at 31 December 2011 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 80 to 83.

	At 31 December 2011						At 1 January 2011					
	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	364,998	119,833	50,000	1,491	5,222	216,028	298,162	141,046	150,000	1,491	5,050	281,846
M S Christie	91,630	122,347	–	1,702	1,786	96,299	39,140	140,510	–	1,702	1,614	115,909
S E Foots	51,788	56,216	–	592	5,222	50,085	37,332	50,918	–	340	5,050	50,880
M C Flower	25,925	–	–	–	–	–	22,925	–	–	–	–	–
M C Buzzacott (retired 1 August 2011)	10,000	–	–	–	–	–	10,000	–	–	–	–	–
A M Ferguson (appointed 1 July 2011)	2,500	–	–	–	–	–	–	–	–	–	–	–
S Musesengwa	15,000	–	–	–	–	–	15,000	–	–	–	–	–
P N N Turner	15,000	–	–	–	–	–	15,000	–	–	–	–	–
S G Williams	10,000	–	–	–	–	–	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.

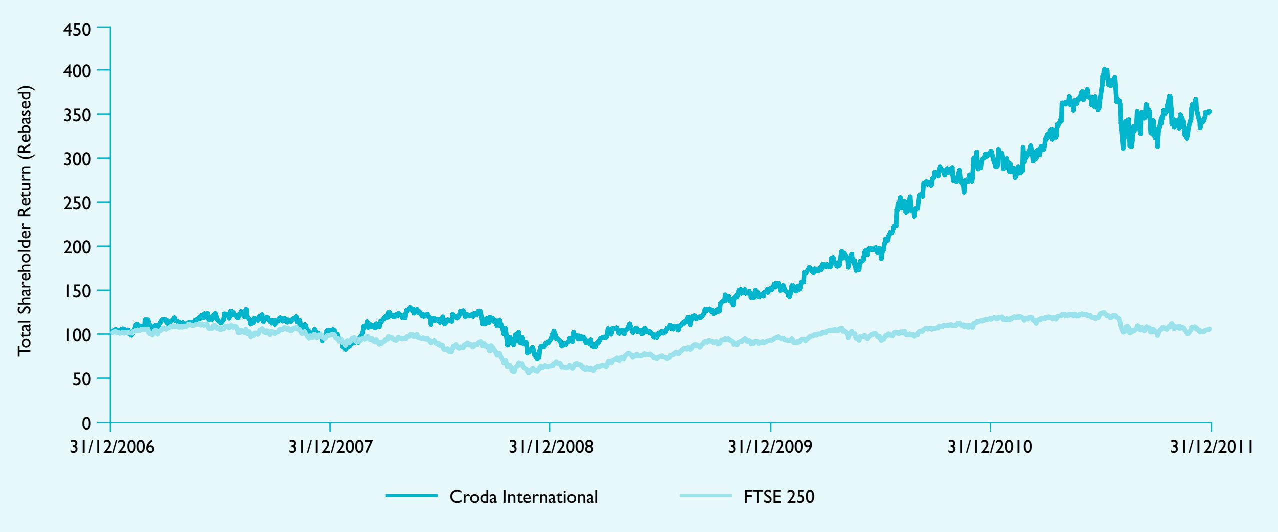
† The BCIP shares comprise 137,924 shares invested by the directors (2010: 166,237) and 160,472 shares which are the subject of conditional awards (2010: 166,237).
†† The SIP shares comprise 6,115 Partnership shares (2010: 5,857) and 6,115 Matching shares (2010: 5,857).

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 shows the value, by 31 December 2011, of £100 invested in Croda International Plc on 31 December 2006 compared with the value of £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 because 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 £	2011 Total £	2010 Total £
M Humphrey†	577,000	115,399	577,000	33,696	–	**1,303,095**	1,262,400
M S Christie	340,000	22,876	340,000	19,771	–	**722,647**	635,341
S E Foots††	300,000	16,875	300,000	21,376	–	**638,251**	485,640
M C Flower	–	–	–	–	166,254	**166,254**	153,504
M C Buzzacott (retired 1 August 2011)	–	–	–	–	32,167	**32,167**	50,000
A M Ferguson (appointed 1 July 2011)	–	–	–	–	26,334	**26,334**	–
S Musesengwa	–	–	–	–	52,250	**52,250**	47,000
P N N Turner	–	–	–	–	46,834	**46,834**	41,000
S G Williams	–	–	–	–	44,751	**44,751**	20,500
	1,217,000	155,150	1,217,000	74,843	368,590	**3,032,583**	2,695,385

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 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 2011.

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 was entitled on retirement 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. Mike Humphrey started to draw his pension from the Scheme on 21 March 2011, at age 60. In the event of death a pension equal to two-thirds of the director's pension would become payable to the 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 2011, Mike Humphrey was paid £115,399 (2010: £112,000) 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 to him since 2006.

Sean Christie accrues pension benefits under the CPS with an accrual rate of 1/60th and an entitlement to retire at age 65. From 6 April 2011 onwards, pension benefits accruing are based on a capped salary of £187,500. 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 the director's pension would become payable to the surviving spouse. Sean Christie's pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 2.5% per annum. During 2011, Sean Christie was paid £22,876 (2010: Nil) in addition to his basic salary to enable him to make independent provision for his retirement. This contribution reflects the introduction of a cap to the maximum salary on which benefits at retirement will be based under the CPS. Accordingly, benefits above this cap are now provided by a salary supplement in lieu of pension benefits above the cap of £187,500. This change in benefit structure is expected to be cost neutral for the Company.

Steve Foots accrues pension benefits under the CPS with an accrual rate of 1/60th and an entitlement to retire at age 60. From 6 April 2011 onwards, pension benefits accruing are based on a capped salary of £187,500. 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. In the event of death a pension equal to two-thirds of the director's pension would become payable to the surviving spouse. Steve Foots' pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 10% per annum for benefits accrued 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. During 2011, Steve Foots was paid £16,875 (2010: Nil) in addition to his basic salary to enable him to make independent provision for his retirement. As above for Sean Christie, this contribution reflects the introduction of a cap to the maximum salary on which benefits at retirement will be based under the CPS. Accordingly, benefits above this cap are now provided by a salary supplement in lieu of pension benefits above the cap of £187,500. This change in benefit structure is expected to be cost neutral for the Company.

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

Remuneration report

Defined benefit schemes

	Accrued pension at 31.12.11[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 31.12.10[4] £000	Transfer value of accrued pension at 31.12.11[4,7] £000	Increase/ (decrease) in transfer value over the year[5,7] £000	Transfer value of the increase in the accrued pension[6,7] £000
M Humphrey	314	3	3	8,440	8,240	(200)	N/A
M S Christie	26	5	3	253	284	13	17
S E Foots	92	13	9	1,082	1,233	134	102

Notes

1 The figures shown represent: the amount of immediate annual pension payable at retirement on 21 March 2011, before commutation for a tax-free cash lump sum, for Mike Humphrey; 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 2011, based on service to, and pensionable earnings at, that date.

2 The figure represents the difference between the total accrued pension at 31 December 2011 and the corresponding pension at the beginning of the year.

3 The figure represents the difference between the total accrued pension at 31 December 2011 and the corresponding pension at the beginning of the year after an adjustment to exclude inflation 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/decrease in transfer value between 31 December 2010 and 31 December 2011 takes account of changes in market conditions over the period. For Mike Humphrey, the transfer value of accrued pension at 31 December 2011 is based on market conditions at 31 December 2011, but calculated at the date he retired.

5 The figure represents the difference between transfer values of the accrued benefits at 31 December 2011 and 31 December 2010, 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 receipt of legal advice regarding the application to the CPS of the UK Government's introduction of CPI-based indexation, the Trustee of the CPS amended the transfer value basis with effect from March 2011.

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

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	Expiry date	Exercise price	Number at 1 January 2011 (10p shares)	Exercised in year	Number at 31 December 2011 (10p shares)
M Humphrey						
5 March 2003	5 March 2006	30 June 2012	230p	150,000	100,000	50,000
				150,000	100,000	50,000

No price was paid for the award of the options and none of the terms and conditions of the share options were 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 2011 (10p shares)	Exercised in year	Granted in year	Number at 31 December 2011 (10p shares)
M Humphrey							
16 September 2008	1 November 2011	30 April 2012	509p	590	–	–	590
15 September 2009	1 January 2012	30 June 2012	533p	681	–	–	681
15 September 2010	1 January 2012	30 June 2012	1144p	220	–	–	220
				1,491	–	–	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							
15 September 2009	1 November 2012	30 April 2013	533p	340	–	–	340
20 September 2011	1 November 2014	30 April 2015	1432p	–	–	252	252
				340	–	252	592

Each year employees are customarily invited to participate in a Save As You Earn Share Option Scheme under which they enter into three year savings contracts and, in return, are granted options. The option price is the value of ordinary shares at the date of grant discounted by 20%. At the end of the savings contract the amount saved can be used to exercise the options which are normally exercisable for a six month period.

LTIP

Details of awards made under the Croda LTIP are set out below (performance targets applying to each award are as described on page 35):

Date of award	Award price* (£)	Earliest vesting date	Market price at date of award	Number at 1 January 2011 (10p shares)	Exercised in year	Granted in year	Number at 31 December 2011 (10p shares)
M Humphrey							
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
23 February 2011	15.3487	23 February 2014	1588p	–	–	37,592	37,592
				281,846	103,410	37,592	216,028
M S Christie							
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
23 February 2011	15.3487	23 February 2014	1588p	–	–	22,151	22,151
				115,909	41,761	22,151	96,299
S E Foots							
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
23 February 2011	15.3487	23 February 2014	1588p	–	–	17,102	17,102
				50,880	17,897	17,102	50,085

* 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.

Remuneration report

BCIP

Details of the awards made under the Croda BCIP are set out below (performance targets applying to each award are as described on pages 34 and 35):

Date of award	Earliest vesting date	Market price at date of award	Number at 1 January 2011 (10p shares)	Granted in year	Released in year	Number at 31 December 2011 (10p shares)
M Humphrey						
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
3 May 2011	3 May 2014	1881p	–	15,138	–	15,138
			70,523	15,138	21,886	63,775
M S Christie						
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
3 May 2011	3 May 2014	1881p	–	16,734	–	16,734
			70,255	16,734	21,550	65,439
S E Foots						
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
3 May 2011	3 May 2014	1881p	–	12,358	–	12,358
			25,459	12,358	6,559	31,258

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 2011 was 1804p and the range of market prices during the year was between 1456p and 2081p.

Gains made on exercise of share options and LTIPs

	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain (before tax) £
M Humphrey	3 May 2011	103,410	LTIP	Nil	1881p	1,945,142
	3 May 2011	21,886	BCIP	Nil	1881p	411,676
	16 December 2011	100,000	Senior Executive	230p	1736p	1,506,000
						3,862,818
M S Christie	3 May 2011	41,761	LTIP	Nil	1881p	785,524
	3 May 2011	21,550	BCIP	Nil	1881p	405,356
						1,190,880
S E Foots	3 May 2011	6,559	BCIP	Nil	1881p	123,375
	13 May 2011	17,897	LTIP	Nil	1872p	335,032
						458,407

Share Incentive Plan

Steve Foots and Sean Christie participate and Mike Humphrey formerly participated in the plan which, as a HMRC approved arrangement, is offered to all employees on the same terms. They each save or saved 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 86 Partnership shares and were allocated 86 Matching shares. The average purchase price was 1753p.

Since 31 December 2011 Steve Foots has purchased 12 Partnership shares and Sean Christie has purchased 13 Partnership shares and have been awarded a corresponding number of Matching shares under the SIP at an average price of 1963.75p 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 29 February 2012.

On behalf of the Board

S Musesengwa
Chairman of the Remuneration Committee
29 February 2012

Other disclosures

Principal activities and Business review

Croda International Plc is a marketing and technology company that produces and sells speciality chemicals. It is the parent company of a Group with operations across the globe and its headquarters at Cowick Hall, Snaith, Goole, East Yorkshire. 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 4 to 7.

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 2011 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 2 and 3
- Chief Executive's review on pages 4 to 7
- Financial review on pages 8 to 11
- Sustainability review on pages 12 to 21
- Principal risks and uncertainties as discussed in the Financial review section on pages 10 and 11.

Further information on Sustainability can be found in our full Sustainability report on our website at www.croda.com.

Pages 1 to 46 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 48. The directors are recommending a final dividend of 30.25p per share (2010: 25.25p). If approved by shareholders, total dividends for the year will amount to 55.0p per share (2010: 35.0p per share). Details of dividends are shown in note 9 on page 65 and details of the Company's Dividend Reinvestment Plan can be found on page 100.

Disposals

During the year Croda's 60% shareholding in its Korean joint venture was sold to the non-controlling shareholders. Further details appear in note 7 on page 63.

Directors

The Company's Articles of Association ("the Articles") give the directors power to appoint and replace directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board of directors. The present directors of the Company are shown on pages 22 and 23. In accordance with the UK Corporate Governance Code each director will be standing for election at the AGM. Details of the directors' service contracts are given in the directors' remuneration report on pages 30 to 42.

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 38.

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 24 to 29.

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.

Other disclosures

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 are 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 79 and 84
- details of employee share schemes are set out on pages 80 to 83.

Power to issue or buy back shares

At the 2011 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 2012 AGM to be held on 26 April 2012 and so the directors propose to renew them for a further year.

In February 2011 the Company announced that it intended to launch a share buyback programme later that year. At last year's AGM the members renewed the Company's authority to purchase up to 10% of its ordinary shares. Subsequently, during the year the Company purchased an aggregate of 2,805,225 ordinary shares of 10p each having a nominal value of £280,522.50 (representing 2.07% of the Company's issued share capital as at 1 January 2011) for an aggregate consideration of £50.1m at an average cost of 1782p per share. As a result of these purchases the number of shares in respect of which the Company is now authorised to make market purchases has been reduced to 8,853,802 ordinary shares of 10p each (representing approximately 6.54% of the present issued share capital of the Company).

The Company will be seeking to renew its authority to purchase its own shares at the 2012 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 17 February 2012, 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
AEGON Asset Management UK	4,074,691	2.99%	Direct 2.9%, Indirect 0.09%
Legal & General Group Plc	6,745,315	4.98%	Direct

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 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 2011 our employees each had an average of 24 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 2011 45% of our employees applied for options under one of our SAYE schemes.

Employees are kept informed of matters of concern to them in a variety of ways, including the Crodaway (the Company magazine), quarterly updates, Croda Connect (the Company intranet), team briefings, webinars 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. All regions have undertaken an employee survey since 2010. The largest of these targeting our European employees was completed during 2011.

Corporate Social Responsibility

Croda continues 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 on pages 12 to 21 of this report. Our separate Sustainability Report, available in print and online at www.croda.com/csr, expands on the core themes of Sustainability within Croda as well as providing more quantitative information on our performance against our CSR targets.

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 the strategic management of CSR within the Group, as well as ensuring all reporting obligations can be satisfied through the effective collation of robust data.

Community engagement

Community engagement is of great value within Croda and enables us to meet our business aims as well as satisfying our moral obligations to our employees and the local communities in which we live and operate. Community engagement extends across the three key areas of communication, involvement and education. The effects of our activities in these three areas combine to create beneficial outputs such as increased morale, better skills development/training, easier employee recruitment, enhanced public relations and a positive reputation with our stakeholders. In 2011 we embarked on an ambitious programme of improving our educational offering in the area of science by developing a programme aligned to the needs of pupils following the UK National Curriculum. This will be further developed in 2012 and we have an aim to see this extended into other geographies in the coming years.

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 2011, the Group had an average of 31.2 days (2010: 35.8 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 £11,000 (2010: £13,000). No donations were made for political purposes (2010: £Nil).

Other disclosures

Annual General Meeting

The AGM will be held at Carlton Towers, Carlton, Goole, East Yorkshire, DN14 9LZ on Thursday, 26 April 2012 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.

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 22 and 23 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 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
29 February 2012

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 2011 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, set out on page 46, 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. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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 IAS 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.

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 29, in relation to going concern;
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance 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 2011 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
29 February 2012

Group income statement

for the year ended 31 December 2011

	Note	2011 £m	2010 £m
Revenue	1	1,068.4	1,001.9
Cost of sales		(721.1)	(684.4)
Gross profit		347.3	317.5
Net operating expenses	2	(104.9)	(118.9)
Operating profit	1	242.4	198.6
Financial expenses	4	(10.2)	(10.7)
Financial income	4	10.0	4.4
Profit before tax		242.2	192.3
Tax	5	(76.3)	(62.5)
Profit after tax from continuing operations		165.9	129.8
Profit after tax from discontinued operations	7	1.6	1.2
Profit for the year	3	167.5	131.0
Attributable to:			
Non-controlling interests		–	0.2
Equity shareholders		167.5	130.8
		167.5	131.0

Earnings per 10p share		Pence per share	Pence per share
Basic			
Total	8	123.7	96.1
Continuing operations	8	122.5	95.4
Diluted			
Total	8	121.6	94.1
Continuing operations	8	120.4	93.4

Group statement of comprehensive income and expense

for the year ended 31 December 2011

	2011 £m	2010 £m
Profit for the year	167.5	131.0
Other comprehensive income/(expense):		
Exchange differences	(8.5)	9.1
Movement in fair value of cash flow hedges	–	0.3
Actuarial movement on retirement benefit liabilities (note 12)	(75.8)	3.7
Deferred tax on actuarial movement on retirement benefit liabilities (note 5)	21.6	(1.2)
	(62.7)	11.9
Total comprehensive income for the year	104.8	142.9
Attributable to:		
Non-controlling interests	0.1	0.3
Equity shareholders	104.7	142.6
	104.8	142.9

Group balance sheet
at 31 December 2011

	Note	2011 £m	2010 £m
Assets			
Non-current assets			
Intangible assets	13	205.0	203.5
Property, plant and equipment	14	340.2	319.4
Investments	16	15.4	14.0
Deferred tax assets	6	82.3	68.1
		642.9	605.0
Current assets			
Inventories	17	164.6	164.6
Trade and other receivables	18	145.7	146.2
Cash and cash equivalents		44.3	64.8
Assets classified as held for sale	7	–	0.6
		354.6	376.2
Liabilities			
Current liabilities			
Trade and other payables	19	(159.4)	(178.5)
Borrowings and other financial liabilities	20	(7.5)	(3.3)
Provisions	21	(8.8)	(17.9)
Current tax liabilities		(23.9)	(16.6)
		(199.6)	(216.3)
Net current assets		155.0	159.9
Non-current liabilities			
Borrowings and other financial liabilities	20	(267.9)	(281.8)
Other payables		(4.9)	(4.8)
Retirement benefit liabilities	12	(198.9)	(147.8)
Provisions	21	(14.9)	(13.3)
Deferred tax liabilities	6	(45.1)	(43.0)
		(531.7)	(490.7)
Net assets		266.2	274.2
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		157.7	164.7
Total shareholders' equity		266.1	273.1
Non-controlling interests in equity	26	0.1	1.1
Total equity		266.2	274.2

Signed on behalf of the Board who approved the financial statements on 29 February 2012.

Martin Flower
Non-executive Chairman

Sean Christie
Group Finance Director

Group statement of changes in equity

for the year ended 31 December 2011

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non–controlling interests £m	Total £m
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 expense		–	–	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
Other comprehensive income		–	–	–	–	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**
At 1 January 2011		15.1	93.3	36.1	128.6	1.1	274.2
Profit for the year attributable to equity shareholders		–	–	–	167.5	–	167.5
Other comprehensive expense		–	–	(8.6)	(54.2)	–	(62.8)
Transactions with owners:							
Dividends on equity shares	9	–	–	–	(67.7)	–	(67.7)
Share based payments		–	–	–	4.3	–	4.3
Consideration received for sale of own shares held in trust		–	–	–	1.0	–	1.0
Purchase of treasury shares		–	–	–	(50.4)	–	(50.4)
Total transactions with owners		–	–	–	(112.8)	–	(112.8)
Transactions with non–controlling interests:							
Other comprehensive income		–	–	–	–	0.1	0.1
Transfer of non–controlling interest on disposal		–	–	–	1.1	(1.1)	–
Total transactions with non–controlling interests		–	–	–	1.1	(1.0)	0.1
Total equity at 31 December 2011		**15.1**	**93.3**	**27.5**	**130.2**	**0.1**	**266.2**

Other reserves include the Capital Redemption Reserve of £0.9m (2010: £0.9m) and the Translation Reserve of £26.6m (2010: £35.2m).

Group statement of cash flows

for the year ended 31 December 2011

	Note	2011 £m	2010 £m
Cash flows from operating activities			
Cash generated by operations	ii	232.7	188.4
Interest paid		(11.0)	(10.7)
Tax paid		(57.7)	(45.9)
Net cash generated by operating activities		164.0	131.8
Cash flows from investing activities			
Acquisition of non-controlling interest		–	(1.0)
Purchase of property, plant and equipment	14	(55.9)	(40.8)
Purchase of other intangible assets	13	(2.4)	(0.5)
Proceeds from sale of property, plant and equipment		0.1	0.5
Proceeds from sale of businesses (net of costs and cash in businesses)	7	1.0	14.1
Cash paid against non-operating provisions	21	(2.2)	(8.5)
Interest received		0.9	0.8
Net cash absorbed by investing activities		(58.5)	(35.4)
Cash flows from financing activities			
New borrowings		15.6	284.0
Repayment of borrowings		(26.4)	(324.7)
Capital element of finance lease repayments	iii	(0.4)	(0.5)
Net transactions in own shares	22,25	(49.4)	2.1
Dividends paid to equity shareholders	9	(67.7)	(33.8)
Dividends paid to non-controlling interests	9	–	(0.2)
Net cash absorbed by financing activities		(128.3)	(73.1)
Net movement in cash and cash equivalents	i,iii	(22.8)	23.3
Cash and cash equivalents brought forward		62.5	37.2
Exchange differences	iii	(2.2)	2.0
Cash and cash equivalents carried forward		37.5	62.5
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		44.3	64.8
Bank overdrafts		(6.8)	(2.3)
		37.5	62.5

Group cash flow notes

for the year ended 31 December 2011

(i) Reconciliation to net debt	Note	2011 £m	2010 £m
Movement in cash and cash equivalents	iii	(22.8)	23.3
Movement in debt and lease financing	iii	11.2	41.2
Change in net debt from cash flows		(11.6)	64.5
Loans in disposed businesses		2.2	–
New finance lease contracts		(0.3)	(0.4)
Exchange differences		(1.1)	4.1
		(10.8)	68.2
Net debt brought forward		(220.3)	(288.5)
Net debt carried forward	iii	(231.1)	(220.3)

(ii) Cash generated by operations	2011 £m	2010 £m
Continuing operations		
Operating profit	242.4	198.6
Adjustments for:		
Depreciation and amortisation	32.2	33.2
Loss on disposal of property, plant & equipment	0.5	0.9
Other provisions charged (note 21)	1.4	1.5
Share based payments	4.0	8.2
Cash paid against operating provisions (note 21)	(6.7)	(15.2)
Pension fund contributions in excess of service cost	(17.4)	(16.7)
Movement in inventories	(2.9)	(26.2)
Movement in receivables	(5.1)	15.6
Movement in payables	(15.7)	(5.5)
Cash generated by continuing operations	232.7	194.4
Discontinued operations	–	(6.0)
	232.7	188.4

(iii) Analysis of net debt	2011 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2010 £m
Cash and cash equivalents	44.3	(18.4)	(2.1)		64.8
Bank overdrafts	(6.8)	(4.4)	(0.1)		(2.3)
Movement in cash and cash equivalents		(22.8)	(2.2)		
Borrowings repayable within one year	(0.4)	0.2	–		(0.6)
Borrowings repayable after more than one year	(267.6)	10.6	1.0	2.2	(281.4)
Finance leases	(0.6)	0.4	0.1	(0.3)	(0.8)
Movement in borrowings and other financial liabilities		11.2			
Total net debt	(231.1)	(11.6)	(1.1)	1.9	(220.3)

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 (February 2012). 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 provision for potential environmental liabilities. The rationale behind this 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. For each 0.1% change in the discount rate net of inflation, the carrying amount of pension obligations would change by an estimated £11m.

New IFRS standards, amendments and interpretations effective in 2011

(a) New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2011 that would be expected to have a material impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

(i) IAS 19, "Employee benefits" was amended in June 2011. The impact on the Group will be as follows: to recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The Group is yet to assess the full impact of the amendments.

(ii) IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and is applicable from 1 January 2015. IFRS 9 is not expected to have a material impact on the financial statements.

(iii) IFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is not expected to have a material impact on the financial statements.

(iv) IFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is not expected to have a material impact on the financial statements.

(v) IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning 1 January 2013, subject to endorsement by the EU.

(vi) IFRS 11, "Joint arrangements". IFRS 11 is not expected to have a material impact on the financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Group accounting policies

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.

Associates

Associated undertakings are those companies in which the Group has a beneficial interest of between 20% and 50% in the equity capital and where the Group exercises significant influence over commercial and financial policy decisions. The consolidated income statement includes the Group's share of post-acquisition profits after tax, the consolidated statement of recognised income and expense includes the Group's share of other recognised gains and losses, and the consolidated balance sheet includes the Group's share of the underlying net tangible assets of associated undertakings.

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 the income statement in the year in which it is incurred. Internal development expenditure, whereby research findings are applied to a plan for the production of new or substantially improved products or processes, is charged to the income statement in the year in which it is incurred unless it meets the recognition criteria of IAS 38 'Intangible Assets'. Measurement and other uncertainties generally mean that such criteria are not met. Where, however, the recognition criteria are met, research and development costs are capitalised and amortised over their useful economic lives from product launch. Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off immediately to income.

Computer software

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

Revenue recognition

Sale of goods

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

The Group supplies products to customers from its various manufacturing sites and warehouses and in some limited instances from consignment inventory held on customer sites, under 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 Maker, which has been identified as the 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 to 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 recorded in the income statement. These obligations are valued annually by independent qualified actuaries.

Termination benefits

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

Share based payments

The Group operates a number of cash and equity-settled share-based incentive schemes. These are accounted for in accordance with IFRS 2 "Share based payments", which requires an expense to be recognised in the income statement over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black-Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting, as the Group does not use market-based performance criteria.

Currency translations

Functional and presentation currency

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

Transactions and balances

Monetary assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the Group income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

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

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

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

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

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

Group accounting policies

Taxation

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

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

Exceptional items

Exceptional items are 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 lower of the present value of future rentals and the fair value of the asset and are depreciated over the shorter of the lease term and their estimated useful lives. The capital element of future lease rentals is included in borrowings. Finance charges are allocated to the income statement each year in proportion to the capital element outstanding. The cost of operating leases is charged to the income statement 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.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Trade and other payables

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

Share capital

(a) Investment in own shares

Employee Share Ownership Trusts

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

Treasury shares

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

(b) Preference share capital

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

(c) Dividends

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

Investments

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

Notes to the Group accounts

1. Segmental analysis

At 31 December 2011 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.

With effect from 1 January 2012, the Group's reportable segments have been redefined to reflect a change in the Group's organisational structure. From this date, the Group's Process Additives business, previously one of the business areas aggregated into the Industrial Specialities segment, is to be reported as a separate segment and will be renamed Industrial Chemicals. The remainder of the segment previously reported as Industrial Specialities will be renamed Performance Technologies going forward.

The resulting three segments, Consumer Care, Performance Technologies and Industrial Chemicals will form the basis of the Group's internal reporting from 1 January 2012 onwards. In the table below, financial information in respect of the new segment is shown as part of the existing segments.

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.

	2011 £m	2010 £m
Income statement		
Revenue – continuing operations		
Consumer Care	574.3	516.4
Industrial Specialities		
Performance Technologies	389.2	379.4
Industrial Chemicals	104.9	106.1
Total	494.1	485.5
Total Group revenue	1,068.4	1,001.9
Operating profit – continuing operations		
Consumer Care	173.4	136.5
Industrial Specialities		
Performance Technologies	60.1	51.2
Industrial Chemicals	8.9	10.9
Total	69.0	62.1
Total Group operating profit	242.4	198.6
Balance sheet		
Total assets		
Segment total assets:		
Consumer Care	564.7	535.9
Industrial Specialities		
Performance Technologies	224.8	242.3
Industrial Chemicals	66.0	55.5
Total	290.8	297.8
Total segment assets	855.5	833.7
Assets classified as held for sale	–	0.6
Tax assets	82.3	68.1
Cash and investments	59.7	78.8
Total Group assets	997.5	981.2

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.

The Group's revenue from external customers in the UK is £51.2m (2010: £53.3m), in Germany is £123.5m (2010: £106.5m), in the US is £233.3m (2010: £221.8m) and the total revenue from external customers from other countries is £660.4m (2010: £620.2m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £85.9m (2010: £74.2m), and the total of the non-current assets located in other countries is £274.8m (2010: £262.9m). Goodwill has not been split by geography as this asset is not attributable to a geographical area.

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

2. Net operating expenses

	2011 £m	2010 £m
Analysis of net operating expenses by function:		
Distribution costs	38.4	42.3
Administrative expenses	66.5	76.6
	104.9	118.9

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

3. Profit for the year

	2011 £m	2010 £m
The Group profit for the year is stated after charging:		
Depreciation and amortisation (note 13 & 14)	32.2	34.2
Employee costs (note 10)	171.2	182.2
Redundancy costs		
Non-exceptional	1.2	0.6
Inventories		
Cost recognised as expense in cost of sales	665.2	659.4
Provision (release)/charge in year	(3.1)	5.6
Loss on disposal and write off of property, plant & equipment	0.5	0.9
Research and development	23.9	21.0
Hire of plant and machinery	1.7	1.8
Other operating lease rentals	3.8	4.8
Net foreign exchange	1.8	1.0
Bad debt (release)/expense (note 18)	(1.4)	1.6

Notes to the Group accounts

3. Profit for the year (continued)

	2011 £m	2010 £m
Services provided by the Group's auditors		
Audit services		
Fees payable to the Company auditor for the audit of parent company and consolidated financial statements	0.1	0.1
Fees payable to the Company auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	0.6	0.7
Other audit services		
Fees payable to the Company auditor and its associates for other services:		
Tax services	0.4	0.3
Advisory services	0.1	0.1
	1.2	1.2

Advisory services predominantly relate to amounts charged to the income statement in respect of a computer system implementation in India. In addition to the amounts above, included within other intangibles are £0.7m of capitalised costs from the Group's auditors relating to computer system implementations in various other smaller locations across the Group. These capitalised costs include £0.1m in respect of out-of-pocket expenses, primarily air fares. Further detail can be found in the Corporate Governance Report.

4. Net financial expenses

	2011 £m	2010 £m
Financial expenses		
Syndicated acquisition funding	–	3.4
$100m US loan note due 2020	3.7	3.5
2010 Club facility due 2015	5.7	0.6
Other bank loans and overdrafts	0.8	3.2
	10.2	10.7
Financial income		
Expected return on pension scheme assets less interest on scheme liabilities (note 12)	(8.0)	(2.3)
H.I.G. Capital LLC loan note	(1.2)	(1.2)
Bank interest receivable and similar income	(0.8)	(0.9)
	(10.0)	(4.4)
Net financial expenses	0.2	6.3

5. Tax

	2011 £m	2010 £m
(a) Analysis of tax charge for the year		
Continuing operations		
United Kingdom current corporate tax	12.9	0.4
Overseas current corporate taxes	51.9	47.2
Current tax	64.8	47.6
Deferred tax (note 6)	11.5	14.9
	76.3	62.5
(b) Tax on items charged to equity		
Deferred tax on actuarial movement on retirement benefit liabilities	(21.6)	1.2
Deferred tax on share based payments	(1.6)	(3.7)
	(23.2)	(2.5)
(c) Factors affecting the tax charge for the year		
Profit before tax from continuing operations	242.2	192.3
Tax at the standard rate of corporation tax in the UK, 26.5% (2010: 28.0%)	64.2	53.8
Effect of:		
Prior years' over provisions	(0.3)	(0.6)
Tax cost of remitting overseas income to the UK	0.4	0.4
Expenses and write offs not deductible for tax purposes	0.1	0.1
Effect of higher overseas tax rates	11.9	8.8
	76.3	62.5

Notes to the Group accounts

6. Deferred tax

	2011 £m	2010 £m
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Retirement benefit obligations	57.3	42.9
Provisions	25.0	25.2
	82.3	68.1
Deferred tax liabilities		
Excess of capital allowances over depreciation	41.9	39.7
Revaluation gains	1.9	1.9
Other	1.3	1.4
	45.1	43.0
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax charged through income statement		
Continuing operations before exceptional items	(11.5)	(14.9)
Exceptional items	–	(1.3)
Deferred tax credited directly to equity (note 5b)	23.2	2.5
Exchange differences	0.4	0.1
	12.1	(13.6)
Net balance brought forward	25.1	38.7
Net balance carried forward	37.2	25.1
Deferred tax charged through the income statement relates to the following:		
Restructuring provisions	–	(2.0)
Retirement benefit obligations	(7.4)	(7.3)
Excess of capital allowances over depreciation	(2.3)	(8.3)
Exceptional items	–	(1.3)
Other	(1.8)	2.7
	(11.5)	(16.2)

Deferred tax is calculated in full on temporary differences under the liability method at a rate of 25% (2010: 27%) in the United Kingdom and at rates appropriate to each overseas subsidiary.

During the year, as a result of the change in the UK corporation tax rate from 26% to 25% that was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the year to 31 December 2012 and beyond has been measured using the 25% rate.

Further reductions to the UK tax rate have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

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 £1.8m (2010: £2.1m) of tax would be payable.

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

7. Discontinued operations

In January 2011, the Group 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, generating a profit on disposal of £0.6m.

The Group closed its Bromborough site in 2009. During 2011 deferred consideration of £1.0m was received in relation to the disposal of the site. There was an exceptional pre-tax credit of £3.0m in 2010 in relation to this discontinued business.

In May 2010, the Group sold its Emmerich site and associated business in Germany to KLK Emmerich GmbH. The profit before tax on the sale of the site of £0.9m was disclosed as exceptional.

The impact of the operations discontinued in 2011 and 2010, which resided entirely within the Industrial Specialities segment, is as follows:

	2011 £m	2010 £m
Revenue	–	46.6
Net operating expenses	–	(48.0)
Pre tax operating results from discontinued operations	–	(1.4)
Tax	–	0.5
Post tax operating results from discontinued operations	–	(0.9)
Profit on disposal	1.6	3.9
Tax	–	(1.8)
Net exceptional profit on disposal	1.6	2.1
Total profit after tax from discontinued operations	1.6	1.2
Cash flows from discontinued operations		
Net cash flows from operating activities	–	(6.0)
Net cash flows from investing activities	1.0	14.1
	1.0	8.1

Notes to the Group accounts

8. Earnings per share

	Total 2011 £m	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2010 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m
Profit for the year before exceptional items	165.9	165.9	–	128.9	129.8	(0.9)
Exceptional items	1.6	–	1.6	2.1	–	2.1
Non-controlling interests and preference dividend	(0.1)	(0.1)	–	(0.3)	(0.1)	(0.2)
	167.4	165.8	1.6	130.7	129.7	1.0
	Number m	Number m	Number m	Number m	Number m	Number m
Weighted average number of 10p ordinary shares in issue for basic calculation	135.3	135.3	135.3	136.0	136.0	136.0
Deemed issue of potentially dilutive shares	2.4	2.4	2.4	2.9	2.9	2.9
Average number of 10p ordinary shares for diluted calculation	137.7	137.7	137.7	138.9	138.9	138.9
	Pence	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	123.7			96.1		
Basic earnings per share before exceptional items	122.5			94.6		
Basic earnings per share from continuing operations		122.5			95.4	
Basic earnings per share from discontinued operations			1.2			0.7
Diluted earnings per share	121.6			94.1		
Diluted earnings per share before exceptional items	120.4			92.6		
Diluted earnings per share from continuing operations		120.4			93.4	
Diluted earnings per share from discontinued operations			1.2			0.7

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.

9. Dividends

	2011 Pence per share	2011 £m	2010 Pence per share	2010 £m
Ordinary				
Interim				
2010 interim, paid October 2010	–	–	9.75	13.3
2011 interim, paid October 2011	24.75	33.1	–	–
Final				
2009 final, paid June 2010	–	–	15.00	20.4
2010 final, paid June 2011	25.25	34.5	–	–
	50.00	67.6	24.75	33.7
Preference (paid June and December)		0.1		0.1
Dividends paid to non-controlling interests		–		0.2
		67.7		34.0

The directors are proposing a final dividend of 30.25p per share, amounting to a total dividend of £40.6m, in respect of the financial year ended 31 December 2011.

Subject to shareholder approval, the dividend will be paid on 1 June 2012 to shareholders registered on 4 May 2012 and has not been accrued in these financial statements. The total dividend for the year ended 31 December 2011 is 55.0p per share (£73.7m).

10. Employees

	2011 £m	2010 £m
Group employment costs including directors		
Wages and salaries	127.5	131.8
Share based payment charges (note 23)	10.5	15.8
Social security costs	21.4	20.6
Other pension costs (note 12)	11.8	14.0
Redundancy costs	1.2	0.6
	172.4	182.8

	Number	Number
Average employee numbers by function		
Production	2,006	2,115
Selling and distribution	761	759
Administration	423	429
	3,190	3,303

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 2011, the Group had 3,213 (2010: 3,174) employees in total.

Notes to the Group accounts

10. Employees (continued)

	2011 £m	2010 £m
Key management compensation including directors		
Wages and salaries	5.9	5.8
Share based payment charges	1.8	1.8
Social security costs	1.0	0.9
Other pension costs	0.5	0.5
	9.2	9.0

Key management comprises the members of the main Board, Group Executive Committee and 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 30 to 42 which form part of the annual report.

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:

	2011 £m	2010 £m
Present value of retirement benefit liabilities		
UK - pension schemes	(641.6)	(603.4)
US - pension and medical schemes	(123.3)	(106.4)
Rest of world	(81.5)	(79.9)
	(846.4)	(789.7)
Fair value of schemes' assets		
UK pension schemes	498.6	503.4
US pension and medical schemes	72.6	66.6
Rest of world	76.3	71.9
	647.5	641.9
Net liability	(198.9)	(147.8)

The gross and net liability above includes an amount of £22.8m in respect of unfunded schemes (2010: £22.6m).

	2011 £m	2010 £m
Movement in present value of retirement benefit liabilities in the year:		
Opening balance	789.7	780.5
Current service cost	9.7	10.8
Past service cost	–	0.1
Settlements on restructuring and disposal of businesses	(0.2)	(33.2)
Interest cost	42.4	42.1
Actuarial loss	32.7	17.5
Contributions paid in		
Employee	2.5	2.2
Benefits paid	(30.3)	(28.5)
Exchange differences on overseas schemes	(0.1)	(1.8)
	846.4	789.7
Movement in fair value of schemes' assets in the year:		
Opening balance	641.9	577.0
Expected return	50.4	44.4
Transfer on disposal of business	–	(0.4)
Actuarial (loss)/gain	(43.1)	21.2
Contributions paid in		
Employee	2.5	2.2
Employer	27.1	27.6
Benefits paid out	(30.3)	(28.5)
Exchange differences on overseas schemes	(1.0)	(1.6)
	647.5	641.9

The actual return on scheme assets in the year was £7.3m (2010: £65.6m).

	2011 £m	2010 £m
Cumulative actuarial losses recognised in equity:		
Opening balance	93.5	96.0
Net actuarial losses/(gains) charged in year	54.2	(2.5)
	147.7	93.5

Total employer contributions to the schemes in 2012 are expected to be £23.1m.

Notes to the Group accounts

12. Retirement benefit liabilities (continued)

	2011 £m	2010 £m
Analysis of amounts recognised in income statement:		
Charged to operating profit		
Current service cost	9.7	10.8
Past service cost	–	0.1
	9.7	10.9
Credited to net financial expenses		
Interest on scheme liabilities	42.4	42.1
Expected return on assets	(50.4)	(44.4)
	(8.0)	(2.3)
Net charge to income statement before tax	1.7	8.6

Of the amount charged to operating profit, £7.8m (2010: £8.7m) was included in cost of sales and £1.9m (2010: £2.2m) 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: 2000 series tables projected to 2008 plus an additional allowance for future projected mortality improvements; USA: RP 2000 projected to 2012 by Scale AA; Netherlands: AG Prognosetafel 2010-2060.

UK pension schemes

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

	2011	2010
Valuation method	Projected unit	Projected unit
Discount rate	4.8%	5.5%
Inflation rate - RPI	3.3%	3.8%
Inflation rate - CPI	2.2%	2.7%
Rate of increase in salaries	4.3%	4.8%
Rate of increase for pensions in payment	3.1%	3.6%
Expected return on scheme assets	7.3%	8.0%

The assets in the schemes comprised:	2011 % of fair value	2010 % of fair value
Equities	49.9	42.5
Bonds	19.5	20.9
Property	8.2	7.7
Other	22.4	28.9
	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:	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of retirement benefit liabilities	(641.6)	(603.4)	(569.7)	(397.2)	(483.4)
Fair value of scheme assets	498.6	503.4	453.2	399.0	475.9
Net (liability)/asset	(143.0)	(100.0)	(116.5)	1.8	(7.5)
Experience (loss)/gain on assets	(40.4)	13.6	23.6	(109.9)	(12.1)
Experience (loss)/gain on liabilities	(20.3)	(12.1)	(165.9)	103.7	(8.9)

US pension and post-retirement medical schemes

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

	2011	2010
Valuation method	Projected unit	Projected unit
Discount rate	4.4%	5.4%
Rate of increase in salaries	4.0%	4.0%
Expected return on scheme assets	7.8%	8.3%
Medical cost inflation rate	8.0%	8.0%

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:	2011 % of fair value	2010 % of fair value
Equities	45.0	42.1
Government bonds	45.0	39.8
Other	10.0	18.1
	100.0	100.0

History of US schemes' deficits and experience gains and losses:	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of retirement benefit liabilities	(123.3)	(106.4)	(99.4)	(102.9)	(76.5)
Fair value of scheme assets	72.6	66.6	57.8	59.7	56.2
Net liability	(50.7)	(39.8)	(41.6)	(43.2)	(20.3)
Experience (loss)/gain on assets	(3.2)	3.6	6.0	(14.9)	(2.4)
Experience (loss)/gain on liabilities	(13.9)	(4.0)	(5.4)	2.5	(9.5)

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 surplus of £2.0m (2010: £0.5m liability) comprising a gross liability of £71.6m and assets of £73.6m.

The financial assumptions used to assess the Dutch scheme liabilities were:

	2011	2010
Valuation method	Projected unit	Projected unit
Discount rate	5.7%	5.7%
Inflation rate	2.3%	2.3%
Rate of increase in salaries	2.8%	3.0%
Rate of increase for pensions in payment	2.3%	2.3%
Expected return on scheme assets	5.7%	6.2%

Defined contribution schemes	2011 £m	2010 £m
Contributions paid charged to operating profit	2.1	3.1

Notes to the Group accounts

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 reporting 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% (2010: 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 7.8% before tax (2010: 7.5%).

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 reasonably probable significant changes in assumptions which would give rise to an impairment charge in the year.

	Goodwill £m	Other intangibles £m	Total £m
Cost			
At 1 January 2010	199.9	2.4	202.3
Additions	–	0.5	0.5
Reclassified from property, plant & equipment	–	4.2	4.2
Disposals and write offs	–	(0.7)	(0.7)
At 31 December 2010	**199.9**	**6.4**	**206.3**
At 1 January 2011	199.9	6.4	206.3
Exchange differences	–	(0.2)	(0.2)
Additions	–	2.4	2.4
At 31 December 2011	**199.9**	**8.6**	**208.5**
Amortisation and impairment losses			
At 1 January 2010	–	0.3	0.3
Exchange differences	–	(0.1)	(0.1)
Charge for the year (note 3)	–	1.3	1.3
Reclassified from property, plant & equipment	–	1.6	1.6
Disposals and write offs	–	(0.3)	(0.3)
At 31 December 2010	**–**	**2.8**	**2.8**
At 1 January 2011	–	2.8	2.8
Exchange differences	–	(0.2)	(0.2)
Charge for the year (note 3)	–	0.9	0.9
At 31 December 2011	**–**	**3.5**	**3.5**
Net carrying amount			
At 31 December 2011	**199.9**	**5.1**	**205.0**
At 31 December 2010	199.9	3.6	203.5
At 1 January 2010	199.9	2.1	202.0

14. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
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	–	(2.9)	(2.9)
At 31 December 2010	**121.9**	**396.9**	**518.8**
At 1 January 2011	121.9	396.9	518.8
Exchange differences	(1.9)	(6.5)	(8.4)
Additions	4.9	51.3	56.2
Other disposals and write offs	(1.4)	(2.0)	(3.4)
At 31 December 2011	**123.5**	**439.7**	**563.2**
Depreciation and impairment losses			
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	–	(2.3)	(2.3)
At 31 December 2010	**38.3**	**161.1**	**199.4**
At 1 January 2011	38.3	161.1	199.4
Exchange differences	(0.9)	(4.1)	(5.0)
Charge for the year	3.9	27.4	31.3
Other disposals and write offs	(0.7)	(2.0)	(2.7)
At 31 December 2011	**40.6**	**182.4**	**223.0**
Net book amount			
At 31 December 2011	**82.9**	**257.3**	**340.2**
At 31 December 2010	83.6	235.8	319.4
At 1 January 2010	89.3	252.5	341.8

The net book value of assets held by the Group under finance leases for plant and equipment at 31 December 2011 was £0.7m (2010: £0.7m). The leased equipment secures the lease obligations in note 20. No other fixed assets have been pledged as security for liabilities.

Notes to the Group accounts

15. Future commitments

	2011 £m	2010 £m
Group capital projects		
At 31 December the directors had authorised the following expenditure on capital projects:		
Contracted but not provided for		
Property, plant and equipment	12.1	8.2
Intangible assets	0.1	0.1
Authorised but not contracted for		
Property, plant and equipment	34.1	42.7
Intangible assets	0.9	0.1
	47.2	51.1
Operating leases - minimum lease payments		
At 31 December the Group's future minimum lease commitments were due as follows:		
Within one year	2.2	2.1
From one to five years	4.5	4.9
After five years	3.4	3.4
	10.1	10.4

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

	2011 £m	2010 £m
H.I.G. Capital LLC loan note	14.5	13.1
Other investments	0.9	0.9
	15.4	14.0

Loan note

The Group received a US dollar 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 dollar balance is translated to Sterling at the prevailing year end exchange rate. The loan was repaid in January 2012 following the onward sale of the ex-Croda business by the issuer and the repayment will lead to a small financing gain in 2012.

Other investments

Other investments of £0.9m (2010: £0.9m) 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.

17. Inventories

	2011 £m	2010 £m
Raw materials	28.0	29.5
Work in progress	27.7	27.4
Finished goods	108.9	107.7
	164.6	164.6

The Group consumed £665.2m (2010: £659.4m) of inventories during the period.

18. Trade and other receivables

	2011 £m	2010 £m
Amounts falling due within one year		
Trade receivables	129.4	133.6
Less: provision for impairment of receivables	(4.6)	(6.7)
Trade receivables - net	124.8	126.9
Other receivables	17.5	15.5
Prepayments	3.4	3.8
	145.7	146.2

The ageing of the Group's year end overdue receivables against which no provision has been made is as follows:	2011 £m	2010 £m
Not impaired		
Less than 3 months	19.4	12.1
3 to 6 months	0.3	0.3
Over 6 months	0.1	–
	19.8	12.4

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

The carrying amounts of the Group's receivables are denominated in the following currencies:	2011 £m	2010 £m
Sterling	10.7	13.2
US Dollar	44.0	39.9
Euro	55.7	59.7
Other	35.3	33.4
	145.7	146.2

Movements on the Group's provision for impairment of trade receivables are as follows:	2011 £m	2010 £m
At 1 January	6.7	5.2
Exchange differences	(0.1)	0.2
(Released)/charged to income statement	(1.4)	1.6
Net write off of uncollectible receivables	(0.6)	(0.3)
At 31 December	4.6	6.7

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

Notes to the Group accounts

19. Trade and other payables

	2011 £m	2010 £m
Trade payables	58.1	61.7
Taxation and social security	12.3	11.0
Other payables	22.0	24.4
Accruals and deferred income	67.0	81.4
	159.4	178.5

20. Borrowings, other financial liabilities and other financial assets

This note should be read in conjunction with the further liquidity disclosures in the Financial review.

	2011 £m	2010 £m
Current		
Assets		
Trade and other receivables (excluding prepayments)	142.3	142.4
Liabilities		
Trade and other payables (excluding taxation, social security, accruals and deferred income)	80.1	86.1
Other unsecured bank loans and overdrafts due within one year or on demand	7.2	2.9
Obligations under finance leases	0.3	0.4
	87.6	89.4
Non-current		
Liabilities		
2010 Club facility due 2015	182.4	210.6
$100m fixed rate 10 year bond	64.5	63.7
Other unsecured bank loans	20.7	7.1
Obligations under finance leases	0.3	0.4
	267.9	281.8

The Club facility was put in place in November 2010 and falls due for repayment upon expiry of the agreement in May 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.

	2011 £m	2010 £m
Maturity profile of financial liabilities		
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	7.2	2.9
Obligations under finance leases	0.3	0.4
	7.5	3.3
After more than one year		
Loans repayable		
Within one to two years	–	0.4
Within two to five years	203.1	217.3
Five years and over	64.5	63.7
Obligations under finance leases payable between years two and five	0.3	0.4
	267.9	281.8
The minimum lease payments under finance leases fall due as follows:		
Within one year	0.3	0.4
Within two to five years	0.4	0.5
	0.7	0.9
Future finance charges on finance leases	(0.1)	(0.1)
Present value of finance lease liabilities	0.6	0.8
Undiscounted maturity analysis of financial liabilities		
Within one year		
Bank loans and overdrafts	7.4	3.0
Obligations under finance leases	0.3	0.4
	7.7	3.4
After more than one year		
Loans repayable		
Within one to two years	–	0.4
Within two to five years	216.7	235.8
Five years and over	94.9	94.1
Obligations under finance leases	0.4	0.5
	312.0	330.8

The analysis above includes estimated interest payable to maturity on the underlying loans. For the loans due after more than one year £7.8m (2010: £8.0m) of the interest falls due within one year of the balance sheet date, £7.9m (2010: £8.1m) within one to two years, £17.0m (2010: £21.5m) within two to five years and £11.4m (2010: £11.4m) beyond five years.

Notes to the Group accounts

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	88.3	–	88.3	–	–
US Dollar	92.9	64.5	28.4	5.94	8.1
Euro	92.3	–	92.3	–	–
Other	1.9	–	1.9	–	–
At 31 December 2011	275.4	64.5	210.9	5.94	8.1
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

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 2011 £m	Fair value 2011 £m	Book value 2010 £m	Fair value 2010 £m
Cash deposits	44.3	44.3	64.8	64.8
Other investments	15.4	15.4	14.0	14.0
2010 Club facility due 2015	(182.4)	(182.4)	(210.6)	(210.6)
$100m fixed rate 10 year bond	(64.5)	(74.1)	(63.7)	(65.7)
Other bank borrowings	(27.9)	(27.9)	(10.0)	(10.0)
Obligations under finance leases	(0.6)	(0.6)	(0.8)	(0.8)

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 77, 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 2011 was £(0.3)m (2010: £0.2m).

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)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

With the exception of the HIG Capital Loan note (note 16) which is categorised as Level 1, all financial assets and liabilities are Level 2.

Borrowing facilities

As at 31 December 2011, the Group had undrawn committed facilities of £201.5m (2010: £194.1m), all expiring in more than two years. In addition the Group had other undrawn facilities of £65.5m (2010: £67.8m) available.

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 2011, 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 £11m (2010: £10m) 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 £20m (2010: £19m) 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 2011 over 75% of Group borrowings were at floating rates. During 2010, to manage the Group's interest rate exposure, the Group issued a ten year fixed rate $100m loan note. The loan note is repayable in 2020 and carries a fixed rate of 5.94%.

As at 31 December 2011, 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 2011, the Group's fixed rate debt was at a weighted average rate of 5.94% (2010: 5.94%). The Group's floating rate liabilities are predominantly based on LIBOR and its overseas equivalents.

Based on the above, had interest rates moved by 10 basis points in the territories where the Group has substantial borrowings, post tax profits would have moved by £0.2m (2010: £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. The Group has substantial committed, unused facilities and the directors are confident this situation will remain the case for the foreseeable future.

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

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

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

Given the Group's strong balance sheet and sustained trading growth, the Group announced a new dividend policy in July 2011 of increasing the annual dividend to between 40% and 50% of sustainable earnings. Further details of the dividend policy can be found in the Chairman's statement on pages 2 and 3.

During 2011, given the levels of surplus cash generated from strong trading, the Group repaid a further £50m to shareholders by means of a share buyback. Should further organic investment be required or acquisition opportunities arise, less cash would be available for future buybacks.

Underlying growth coupled to Return on Invested Capital (ROIC*) is the key perceived driver of shareholder value within the Group. The acquisition of Uniqema in 2006 reduced the ROIC, but also reduced Weighted Average Cost of Capital (WACC†) since the deal was predominantly financed through debt. The Group's ROIC has grown steadily since the acquisition and now stands at 23.7% against a WACC of 7.8%, thus hitting the Group's target of maintaining ROIC at a higher level than the WACC.

In addition, the Group employs two widely used ratios to measure our ability to service our debt. Both net debt/EBITDA and EBITDA interest cover were well ahead of target in 2011.

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 9.

*ROIC = Group profit after tax (before exceptional items)/average invested capital**.

†WACC = weighted average cost of servicing the Group's net debt and its equity share capital.

** Average invested capital = average net assets of the Group (as at the start and end of the year) adjusted to add back net debt, retirement benefit liabilities, tax balances and provisions.

Notes to the Group accounts

21. Provisions

	Environmental £m	Restructuring £m	Other £m	Total £m
At 1 January 2011	12.1	14.1	5.0	31.2
Charged/(released) to income statement	3.1	(2.9)	1.2	1.4
Cash paid against provisions	(1.2)	(6.7)	(1.0)	(8.9)
At 31 December 2011	**14.0**	**4.5**	**5.2**	**23.7**

Analysis of total provisions	2011 £m	2010 £m
Current	8.8	17.9
Non-current	14.9	13.3
	23.7	31.2

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

The environmental provision relates to soil and potential ground water contamination at a number of sites, both currently in use and previously occupied, in Europe and the Americas. Restructuring provisions relate to the remaining employee and property costs associated with the final elements of the Uniqema integration plan.

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 fully utilised by 2014. 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	2011 £m	2010 £m
Authorised at 1 January and 31 December		
230,744,890 ordinary shares of 10p each (2010: 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 (2010: 139,949,969)	14.0	14.0

During the year, the Company purchased a further 2,805,225 shares on the open market. The total amount paid to acquire the shares was £50.4m. The shares are held as "treasury shares". The Company has the right to re-issue these shares at a later date.

In 2011 options were granted to employees under the Croda Savings-Related Share Option Scheme to subscribe for 88,371 ordinary shares at an option price of 1432p per share and under the Croda International Overseas Sharesave Scheme to subscribe for a notional 224,897 shares at an option price of 1432p per share. No options were granted in 2011 under the Senior Executive Share Option Scheme. No-cost options to subscribe for 144,487 ordinary shares were granted under the Long Term Incentive Plan during the year and no-cost options over a further 203,978 shares were granted under the Bonus Co-Investment Plan.

During the year consideration of £1.0m was received on the exercise of options over 227,803 shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 10,390 shares have been transferred from the schemes.

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

	Year option granted	Number of shares	Price	Options exercisable from
Croda Savings-Related	2008	4,722	509p	1 November 2011 to 30 April 2012
Share Option Scheme	2009	148,780	533p	1 November 2012 to 30 April 2013
	2010	89,364	1144p	1 November 2013 to 30 April 2014
	2011	86,733	1432p	1 November 2014 to 30 April 2015
Croda International Overseas	2009	282,113	533p	1 November 2012 to 30 November 2012
Sharesave Scheme	2010	295,084	1144p	1 November 2013 to 30 November 2013
	2011	223,041	1432p	1 November 2014 to 30 November 2014
Croda International Senior	2003	90,840	230p	5 March 2006 to 4 March 2013
Executive Share Option Scheme				
Croda International Long-term	2009	287,243	Nil	18 February 2012 to 17 February 2013
Incentive Plan	2010	212,991	Nil	24 February 2013 to 23 February 2014
	2011	144,487	Nil	23 February 2014 to 22 February 2015
Croda International Bonus	2009	337,923	Nil	30 April 2012
Co-Investment Plan	2010	220,121	Nil	29 April 2013
	2011	201,422	Nil	3 May 2014
	2011	2,556	Nil	27 May 2014

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:	2011 £m	2010 £m
Analysis of amounts recognised in income statement:		
Charged in respect of equity-settled share based payment transactions	3.3	2.9
Charged in respect of cash-settled share based payment transactions	7.2	12.9
	10.5	15.8
Analysis of amounts recognised in balance sheet:		
Liability in respect of cash-settled share based payment transactions	11.9	10.5

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 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	2011	2010
Share price at grant date	1789p	1431p
Exercise price	1432p	1144p
Number of employees	436	370
Shares under option	88,371	94,501
Vesting period	3 years	3 years
Expected volatility	35%	35%
Option life	6 months	6 months
Expected life	–	–
Risk free rate	0.8%	1.3%
Dividend yield	2.8%	1.7%
Possibility of forfeiture	7.5% p.a.	7.5% p.a.
Fair value per option at grant date	520p	443p
Option pricing model	Black Scholes	Black Scholes

A reconciliation of option movements over the period is as follows:	Number	2011 Weighted average exercise price (p)	Number	2010 Weighted average exercise price (p)
Outstanding at 1 January	403,639	664	733,806	478
Granted	88,371	1432	94,501	1144
Forfeited	(15,421)	732	(30,207)	519
Exercised	(144,168)	504	(394,461)	444
Outstanding at 31 December	332,421	934	403,639	664
Exercisable at 31 December	4,722		16,938	
For options exercised in year, weighted average share price at date of exercise		1703		1387
Weighted average remaining life at 31 December (years)	2.1		2.2	

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	2011	2010
Share price at grant date	1789p	1431p
Exercise price	1432p	1144p
Number of employees	1,021	975
Shares under option	224,897	308,455
Vesting period	3 years	3 years
Expected volatility	30%	35%
Option life	1 month	1 month
Expected life	–	–
Risk free rate	0.4%	1.0%
Dividend yield	2.8%	1.5%
Possibility of forfeiture	7.5% p.a.	7.5% p.a.
Fair value per option at 31 December	453p	579p
Option pricing model	Black Scholes	Black Scholes

A reconciliation of option movements over the period is as follows:	Number	2011 Weighted average exercise price (p)	Number	2010 Weighted average exercise price (p)
Outstanding at 1 January	815,529	756	1,215,119	257
Granted	224,897	1432	308,455	1144
Forfeited	(39,361)	681	(73,242)	529
Exercised	(198,293)	512	(634,803)	475
Outstanding at 31 December	802,772	1009	815,529	756
For options exercised in year, weighted average share price at date of exercise		1705		1399
Weighted average remaining life at 31 December (years)	1.8		2.0	

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 36). 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	2011 Weighted average exercise price (p)	Number	2010 Weighted average exercise price (p)
Outstanding at 1 January	297,045	234	451,813	238
Exercised	(133,635)	235	(154,768)	245
Outstanding at 31 December	163,410	233	297,045	234
Exercisable at 31 December	163,410		297,045	
For options exercised in year, weighted average share price at date of exercise		1704		963
Weighted average remaining life at 31 December (years)	1.1		2.0	

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 35). 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:

	2011		2010	
	Market condition	Non-market condition	Market condition	Non-market condition
Grant date	23 February 2011	23 February 2011	24 February 2010	24 February 2010
Share price at grant date	1588p	1588p	900p	900p
Number of employees	20	20	11	11
Shares under option	72,243	72,244	106,495	106,496
Vesting period	3 years	3 years	3 years	3 years
Option life	1 year	1 year	1 year	1 year
Expected life	–	–	–	–
Dividend yield	2.2%	2.2%	2.4%	2.4%
Possibility of forfeiture	3.5%	3.5%	3.5%	3.5%
Fair value per option at grant date	924p	1488p	521p	838p
Option pricing model	Closed form valuation	Closed form valuation	Closed form valuation	Closed form valuation

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

	Number	2011 Weighted average exercise price (p)	Number	2010 Weighted average exercise price (p)
Outstanding at 1 January	845,701	–	862,611	–
Granted	144,487	–	212,991	–
Exercised	(303,191)	–	(229,901)	–
Outstanding at 31 December	686,997	–	845,701	–
For options exercised in year, weighted average share price at date of exercise		1805		918
Weighted average remaining life at 31 December (years)	1.9		2.0	

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 34 and 35). 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	3 May 2011	29 April 2010
Share price at grant date	1881p	990p
Number of employees	67	62
Shares under option	203,978	220,121
Vesting period	3 years	3 years
Dividend yield	1.9%	2.2%
Possibility of forfeiture	5.0%	5.0%
Fair value per option at grant date	1787p	941p

A reconciliation of option movements over the period is as follows:	Number	2011 Weighted average exercise price (p)	Number	2010 Weighted average exercise price (p)
Outstanding at 1 January	750,801	–	627,609	–
Granted	203,978	–	220,121	–
Forfeited	(7,177)	–	(12,676)	–
Exercised	(185,580)	–	(84,253)	–
Outstanding at 31 December	762,022	–	750,801	–
For options exercised in year, weighted average share price at date of exercise		1881		962
Weighted average remaining life at 31 December (years)	1.2		1.4	

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

	2011 £000	2010 £000
The authorised, issued and fully paid preference share capital comprises:		
615,562 5.9% preference shares of £1	616	616
499,174 6.6% preference shares of £1	499	499
21,900 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' equity

Investments in own shares represent the Croda International Plc Qualifying Share Ownership Trust (QUEST), the Croda International Plc Employee Benefit Trust (CIPEBT) and the Croda International Plc AESOP Trust (AESOP), which each hold shares purchased on the open market or transferred from treasury shares to satisfy the future issue of shares under the Group's share option schemes. As at 31 December 2011 the QUEST had a net amount due from the Company of £0.3m (2010: £0.4m due to the Company) and held 0.2m (2010: 0.1m) shares transferred at nil cost (2010: cost £0.4m) with a market value of £4.3m (2010: £1.9m). As at 31 December 2011 the CIPEBT was financed by a repayable on demand loan from the Company of £4.3m (2010: £4.6m) and held 0.9m (2010: 0.8m) shares at a cost of £4.3m (2010: £4.6m) with a market value of £15.4m (2010: £13.6m).

As at 31 December 2011 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 2011 and, except for a nominal amount, the right to receive dividends has been waived.

26. Non-controlling interests

	2011 £000	2010 £000
At 1 January	1.1	1.7
Exchange differences	0.1	0.1
Profit for the year	–	0.2
Disposals	(1.1)	–
Transfer to fully owned	–	(0.7)
Dividends paid to non-controlling interests	–	(0.2)
At 31 December	0.1	1.1

In January 2011, the Group completed the sale of Croda Woobang, its 60% owned Korean joint venture, to the non-controlling shareholders.

In November 2010, the Group purchased the joint venture partners' 40% share in PT Croda Indonesia Ltd for a cash consideration of US$1.6m.

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.

Parent company financial statements

Pages 86 to 97 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 2011 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 set out on page 46, 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. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011;
- 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.

Richard Bunter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
29 February 2012

Company balance sheet

at 31 December 2011

	Note	2011 £m	2010 £m
Fixed assets			
Tangible assets	C	1.7	1.5
Investments			
Subsidiary undertakings	D	573.1	418.5
Other	E	0.6	0.6
		575.4	420.6
Current assets			
Debtors	F	10.1	12.6
Cash at bank and in hand		3.7	9.6
		13.8	22.2
Creditors: Amounts falling due within one year	G	(40.5)	(51.8)
Net current liabilities		(26.7)	(29.6)
Total assets less current liabilities		548.7	391.0
Creditors: Amounts falling due after more than one year	G	(260.2)	(242.7)
Net assets		288.5	148.3
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	180.1	39.9
Shareholders' funds		288.5	148.3

Signed on behalf of the Board who approved the accounts on 29 February 2012

Martin Flower
Non-executive 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 profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

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

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

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 FRS 20 "Share based payments", which requires an expense to be recognised in the profit and loss account over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black-Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting, 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 profit and loss account over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other debtors

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

Investments

Shares in subsidiary undertakings

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

Unquoted securities

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

Financial risk factors

The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 76 and 77.

Notes to the Company accounts

A. Profit and loss account

Of the Group's profit for the year, £256.9m (2010: £38.5m) is dealt with in the profit and loss account of the Company which was approved by the Board on 29 February 2012 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 (2010: £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 scheme, 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 scheme would not be significantly different. As the Company is unable to identify its share of the underlying assets and liabilities of of the scheme, due mainly to changes in the Group's corporate structure over the years, the Company has accounted as though the scheme was a 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 2011	2.1	1.4	3.5
Additions	–	0.4	0.4
Disposals	–	(0.2)	(0.2)
At 31 December 2011	**2.1**	**1.6**	**3.7**
Depreciation			
At 1 January 2011	1.3	0.7	2.0
Charge for year	–	0.2	0.2
Disposals	–	(0.2)	(0.2)
At 31 December 2011	**1.3**	**0.7**	**2.0**
Net book amount			
At 31 December 2011	**0.8**	**0.9**	**1.7**
At 31 December 2010	0.8	0.7	1.5

	2011 £m	2010 £m
Net book amount of land and buildings		
Freehold	**0.8**	0.8
Historical cost of land and buildings		
Cost	**0.3**	0.3
1988 valuations	**1.8**	1.8
At 31 December	**2.1**	2.1
Revaluation surpluses	**(1.1)**	(1.1)
Restated to historical cost	**1.0**	1.0
Depreciation	**(0.8)**	(0.8)
Historical net book amount		
At 31 December	**0.2**	0.2

D. Subsidiary undertakings

	Shares £m	Loans £m	Total £m
Cost less amounts written off			
At 1 January 2011	270.0	148.5	418.5
Exchange differences	–	(5.5)	(5.5)
Additions	75.3	88.4	163.7
Amounts repaid	–	(3.6)	(3.6)
At 31 December 2011	**345.3**	**227.8**	**573.1**

The principal subsidiary undertakings are listed on page 98.

During 2011 the investment in Croda Japan KK was transferred from another Group company to Croda International Plc. This movement is shown as an addition in shares.

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 2011 and **31 December 2011**	**0.6**

Other investments comprise unlisted investments included at directors' valuation based on appropriate attributable net assets.

F. Debtors

	2011 £m	2010 £m
Amounts owed by Group undertakings	1.0	1.6
Corporate taxation	8.3	9.6
Other debtors	0.4	1.0
Prepayments	0.4	0.4
	10.1	12.6

G. Creditors

	2011 £m	2010 £m
Amounts falling due within one year		
Borrowings (note H)	27.4	38.3
Trade creditors	0.3	0.3
Taxation and social security	2.1	0.8
Other creditors	4.8	5.9
Accruals and deferred income	3.7	4.3
Amounts owed to Group undertakings	2.2	2.2
	40.5	51.8
Amounts falling due after one year		
Borrowings (note H)	182.4	210.6
Amounts owed to Group undertakings	77.8	32.1
	260.2	242.7

Notes to the Company accounts

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 88 which forms part of the annual report. Short term debtors and creditors have been excluded from all of the following disclosures.

	2011 £m	2010 £m
Maturity profile of financial liabilities		
2010 Club facility due 2015	182.4	210.6
Bank loans and overdrafts repayable on demand	27.4	38.3
	209.8	248.9
Repayments fall due as follows		
Within one year		
Bank loans and overdrafts	27.4	38.3
	27.4	38.3
After more than one year		
Loans repayable		
Within two to five years	182.4	210.6
	182.4	210.6

I. Share based payments

The total charge for the year in respect of share based remuneration schemes was £3.5m (2010: £3.4m). 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 profit and loss account 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 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 FRS 20 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	2011	2010
Share price at grant date	1789p	1431p
Exercise price	1432p	1144p
Number of employees	436	370
Shares under option	88,371	94,501
Vesting period	3 years	3 years
Expected volatility	35%	35%
Option life	6 months	6 months
Expected life	–	–
Risk free rate	0.8%	1.3%
Dividend yield	2.8%	1.7%
Possibility of forfeiture	7.5% p.a.	7.5% p.a.
Fair value per option at grant date	520p	443p
Option pricing model	Black Scholes	Black Scholes

A reconciliation of option movements over the period is as follows:	2011 Number	2011 Weighted average exercise price (p)	2010 Number	2010 Weighted average exercise price (p)
Outstanding at 1 January	403,639	664	733,806	478
Granted	88,371	1432	94,501	1144
Forfeited	(15,421)	732	(30,207)	519
Exercised	(144,168)	504	(394,461)	444
Outstanding at 31 December	332,421	934	403,639	664
Exercisable at 31 December	4,722		16,938	
For options exercised in year, weighted average share price at date of exercise		1703		1387
Weighted average remaining life at 31 December (years)	2.1		2.2	

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	2011	2010
Share price at grant date	1789p	1431p
Exercise price	1432p	1144p
Number of employees	1,021	975
Shares under option	224,897	308,455
Vesting period	3 years	3 years
Expected volatility	30%	35%
Option life	1 month	1 month
Expected life	–	–
Risk free rate	0.4%	1.0%
Dividend yield	2.8%	1.5%
Possibility of forfeiture	7.5% p.a.	7.5% p.a.
Fair value per option at 31 December	453p	579p
Option pricing model	Black Scholes	Black Scholes

A reconciliation of option movements over the period is as follows:	2011 Number	2011 Weighted average exercise price (p)	2010 Number	2010 Weighted average exercise price (p)
Outstanding at 1 January	815,529	756	1,215,119	257
Granted	224,897	1432	308,455	1144
Forfeited	(39,361)	681	(73,242)	529
Exercised	(198,293)	512	(634,803)	475
Outstanding at 31 December	802,772	1009	815,529	756
For options exercised in year, weighted average share price at date of exercise		1705		1399
Weighted average remaining life at 31 December (years)	1.8		2.0	

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 36). 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:

	2011 Number	2011 Weighted average exercise price (p)	2010 Number	2010 Weighted average exercise price (p)
Outstanding at 1 January	297,045	234	451,813	238
Exercised	(133,635)	235	(154,768)	245
Outstanding at 31 December	163,410	233	297,045	234
Exercisable at 31 December	163,410		297,045	
For options exercised in year, weighted average share price at date of exercise		1704		963
Weighted average remaining life at 31 December (years)	1.1		2.0	

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 35). 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:

	2011		2010	
	Market condition	Non-market condition	Market condition	Non-market condition
Grant date	23 February 2011	23 February 2011	24 February 2010	24 February 2010
Share price at grant date	1588p	1588p	900p	900p
Number of employees	20	20	11	11
Shares under option	72,243	72,244	106,495	106,495
Vesting period	3 years	3 years	3 years	3 years
Option life	1 year	1 year	1 year	1 year
Expected life	–	–	–	–
Dividend yield	2.2%	2.2%	2.4%	2.4%
Possibility of forfeiture	3.5%	3.5%	3.5%	3.5%
Fair value per option at grant date	924p	1488p	521p	838p
Option pricing model	Closed form valuation	Closed form valuation	Closed form valuation	Closed form valuation

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

	2011 Number	2011 Weighted average exercise price (p)	2010 Number	2010 Weighted average exercise price (p)
Outstanding at 1 January	845,701	–	862,611	–
Granted	144,487	–	212,991	–
Exercised	(303,191)	–	(229,901)	–
Outstanding at 31 December	686,997	–	845,701	–
Exercisable at 31 December	–		–	
For options exercised in year, weighted average share price at date of exercise		1805		918
Weighted average remaining life at 31 December (years)	1.9		2.0	

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 34 and 35). 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	3 May 2011	29 April 2010
Share price at grant date	1881p	990p
Number of employees	67	62
Shares under option	203,978	220,121
Vesting period	3 years	3 years
Dividend yield	1.9%	2.2%
Possibility of forfeiture	5.0%	5.0%
Fair value per option at grant date	1787p	941p

A reconciliation of option movements over the period is as follows:	Number	2011 Weighted average exercise price (p)	Number	2010 Weighted average exercise price (p)
Outstanding at 1 January	750,801	–	627,609	–
Granted	203,978	–	220,121	–
Forfeited	(7,177)	–	(12,676)	–
Exercised	(185,580)	–	(84,253)	–
Outstanding at 31 December	762,022	–	750,801	–
For options exercised in year, weighted average share price at date of exercise		1881		962
Weighted average remaining life at 31 December (years)	1.2		1.4	

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 2011	93.3	0.9	2.1	36.9	133.2
Profit for the financial year	–	–	–	256.9	256.9
Other gains and losses	–	–	–	(3.4)	(3.4)
Dividends	–	–	–	(67.7)	(67.7)
Share based payments	–	–	–	3.8	3.8
Purchase of treasury shares	–	–	–	(50.4)	(50.4)
Consideration received for sale of own shares (held in trust)	–	–	–	1.0	1.0
At 31 December 2011	**93.3**	**0.9**	**2.1**	**177.1**	**273.4**

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

During the year the Company purchased a further 2,805,225 shares on the open market. The total amount paid to acquire the shares was £50.4m. The shares are held as "treasury shares". The Company has the right to re-issue these shares at a later date.

K. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £85.2m (2010: £69.1m).

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 Kimya Ticaret Şirketi	Turkey	100
Croda Middle East	UAE	100
Croda Inc†	USA	100

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

* Companies owned directly by Croda International Plc.
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
Sandra Breene	President - Consumer Care Europe
Kevin Gallagher	President - North America
Maarten Heybroek	President – Performance Technologies & Industrial Chemicals Europe
Kevin Nutbrown	President - Global Operations

Corporate calendar

2012 Annual General Meeting	26 April 2012
2011 Final ordinary dividend payment	1 June 2012
2012 Half year results announcement	24 July 2012
2012 Interim ordinary dividend payment	4 October 2012
2012 Preference dividend payments	30 June 2012
	31 December 2012
2012 Full year results announcement	February 2013

Analysis of ordinary shareholders as at 21 February 2012

	Number of holders	Number of shares	% of issued capital
By size of holding			
1 – 1,000	2,141	521,737	0.37
1,001 – 5,000	2,091	2,226,913	1.59
5,001 – 10,000	675	2,138,676	1.53
10,001 – 50,000	211	1,471,444	1.05
50,001 – 100,000	245	5,567,990	3.98
100,001 – 500,000	97	7,167,653	5.12
500,001 – upwards	201	120,855,556	86.36
	5,661	139,949,969	100.00
By type of holder			
Private holders	3,363	7,853,553	5.61
Institutional and corporate holders	2,294	125,733,223	89.84
Treasury shares	1	4,646,198	3.32
Shares held in Croda trusts	3	1,716,995	1.23
	5,661	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 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 30 December 2011, or last date traded*, were as follows

Ordinary shares	1804p
5.9% preference shares	75p*
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 0385 (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)
Cowick Hall, Snaith, Goole, East Yorkshire DN14 9AA
Tel: +44 (0)1405 860551
Fax: +44 (0)1405 861767
Website: www.croda.com
Registered in England number 206132

Registrars

Capita 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

Stockbrokers

UBS Limited
Morgan Stanley & Co. International plc

Solicitors

Eversheds LLP

Consulting actuaries

Towers Watson

Financial PR advisors

Pendomer Communications LLP

Five year record

Earnings	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Turnover	**1,068.4**	1,001.9	827.5	911.1	804.8
Operating profit	**242.4**	198.6	121.5	112.6	83.0
Profit before tax	**242.2**	192.3	108.0	96.3	60.8
Profit after tax	**165.9**	129.8	72.7	64.8	40.2
Profit attributable to ordinary shareholders *	**167.4**	130.7	23.7	60.9	87.2

	%	%	%	%	%
Operating profit as a % of turnover	**22.7**	19.8	14.7	12.4	10.3
Return on invested capital (ROIC)	**23.7**	19.3	10.5	9.8	8.1
Effective tax rate	**31.5**	32.5	32.7	32.0	33.9

	pence	pence	pence	pence	pence
Earnings per share *	**122.5**	94.6	50.2	51.7	37.1
Dividends per share	**55.00**	35.00	21.50	19.75	15.75

	times	times	times	times	times
Net debt/EBITDA	**0.8**	1.0	1.9	2.6	2.8
EBITDA interest cover **	**33.5**	26.9	9.9	6.4	4.0

* Total Group figures, all other figures are continuing operations only.
** excluding pension scheme net financial income

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

Summarised balance sheet	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Intangible assets, property plant & equipment and investments	**560.6**	536.9	556.3	608.5	555.8
Inventories	**164.6**	164.6	148.9	201.9	161.4
Trade and other receivables	**145.7**	146.2	159.0	185.8	186.4
Trade and other payables	**(164.3)**	(183.3)	(182.9)	(184.5)	(178.8)
Other	**–**	0.6	–	1.1	1.6
Capital employed	**706.6**	665.0	681.3	812.8	726.4
Tax, provisions and other	**(10.4)**	(22.7)	(31.1)	(60.9)	(81.4)
Retirement benefit liabilities	**(198.9)**	(147.8)	(203.5)	(88.5)	(59.3)
	497.3	494.5	446.7	663.4	585.7
Shareholders funds	**266.1**	273.1	156.5	263.3	218.0
Non-controlling interests	**0.1**	1.1	1.7	2.0	1.7
	266.2	274.2	158.2	265.3	219.7
Net debt	**231.1**	220.3	288.5	398.1	366.0
	497.3	494.5	446.7	663.4	585.7
Gearing (%)	**86.8**	80.3	182.4	150.1	166.6

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