CRODA

Tuesday 22 February 2011

Croda International Plc

Preliminary results for the year to 31 December 2010 (unaudited)

STRONG ORGANIC GROWTH IN ALL AREAS PRODUCES RECORD RESULTS

FURTHER PROGRESS EXPECTED IN 2011

Highlights – Year to December	**2010**	2009	Change
Sales - continuing operations	**£1,001.9m**	£827.5m	+21.1%
Profit before tax and exceptional items for continuing operations	**£192.3m**	£108.0m	+78.1%
Profit before tax	**£192.3m**	£90.8m	+111.8%
Earnings per share - continuing operations before exceptional items	**95.4p**	53.8p	+77.3%
Earnings per share - basic	**96.1p**	17.6p	+446.0%
Dividend per share	**35.0p**	21.5p	+62.8%

- **Consumer Care** growth driven by continued robust demand for high performance products
  - Operating profit* up 31.8% to £136.5m on sales increase of 14.0% to £516.4m
  - All business areas saw at least double digit sales growth with Personal Care and Crop Care particularly strong

- **Industrial Specialities** benefitted from the increased focus on higher value ingredients
  - Operating profit* more than trebled to £62.1m on sales up 29.7% to £485.5m

- Return on sales up to 19.8% (2009: 14.7%)

- Net debt reduced by £68.2m to £220.3m

- Active management of pension scheme reduced post tax deficit from £150.0m to £104.9m

- Share buyback programme announced

Highlights – Fourth Quarter	**2010 £m**	2009 £m	Change
Consumer Care sales	**123.8**	109.6	+13.0%
Industrial Specialities sales	**113.6**	100.3	+13.3%
Total sales	**237.4**	209.9	+13.1%
Consumer Care operating profit	**32.9**	26.2	+25.6%
Industrial Specialities operating profit	**16.5**	8.8	+87.5%
Operating profit	**49.4**	35.0	+41.1%
Interest	**(0.5)**	(3.3)	
Continuing pre-tax profit	**48.9**	31.7	+ 54.3%

- Double digit sales and strong profit growth in both segments despite challenging 2009 comparatives. Performance reflects the impact of tight cost control and the benefits of closing operation at Wilton in the first quarter of 2010.

Commenting on these results, Chairman, Martin Flower said:

“Croda has produced another year of strong sequential growth to end 2010 with record results and a continuing turnover of £1 billion for the first time in our history. This performance demonstrates the solid foundations on which this business is built and our focus on innovation and growth markets has provided a robust platform both in times of global recession and global prosperity.

In Industrial Specialities we have replicated our strategy in Consumer Care to focus on lower volume, high quality ingredients. As a result, Industrial Specialities beat its 10% return on sales target and has made significant progress towards the new 15% goal. Achieving a return at this level has always been a key criterion for Croda in evaluating businesses both internally and externally.

Growth across all parts of the business and all major geographies translated into significant cash generation which enabled us to increase the dividend by 62.8% to 35.0p. In addition, we have decided to initiate a share buyback programme in 2011 whilst continuing to monitor suitable acquisition opportunities.

2011 has started well and we are confident of making further progress in the current year.”

* For continuing operations before exceptional items

For further information, please contact:
Mike Humphrey, Group Chief Executive **Tel 01405 860551**
Sean Christie, Group Finance Director

Financial Dynamics **Tel 020 7269 7275**
Charlie Armitstead / Hazel Stevenson

The company will broadcast the meeting with analysts in a live webcast commencing at 9:30 AM on 22 February 2011 on the company’s website at www.croda.com.

Chairman's Statement

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

Introduction

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

Quarter Four Trading

We achieved an excellent result in the fourth quarter despite strong 2009 comparatives.

The fourth quarter usually has the lowest sales of the year and whilst this was the case in 2010, the results represented a very strong close to the year. Sales in the quarter were up 13.1% to £237.4m (2009: £209.9m) with both Consumer Care and Industrial Specialities seeing similar turnover growth.

Pre-tax profit was up 54.3% to £48.9m (2009: £31.7m), with a significant increase in operating profit boosted by lower borrowing costs.

Our continued tight control of costs and the benefits of the closure of our operations at Wilton meant that both sectors saw improved returns, with Consumer Care's operating profit up 25.6% to £32.9m (2009: £26.2m) and Industrial Specialities up 87.5% to £16.5m (2009: £8.8m). Both results were impressive, with Industrial Specialities return on sales rising to 14.5% with particularly strong sales of speciality products versus 2009 contributing to the mix improvement.

Full Year Results

Record turnover and profits were achieved in 2010.

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

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

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

Industrial Specialities turnover was up 29.7% to £485.5m (2009: £374.4m). Our strategy to focus on lower volume, high specification, high quality ingredients to our five markets was central to our progress. This further benefitted the operating profit where profits rose 246.9% to £62.1m (2009: £17.9m). The first half of 2009 had been adversely affected by customer destocking as a result of the recession but nevertheless this was a very pleasing result. Return on sales increased to 12.8% (2009: 4.8%), beating our previous 10% target and making good progress towards the new, more challenging 15% goal.

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

Disposals and Acquisitions

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

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

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

All these businesses were acquired with Uniqema in 2006.

Retirement Benefits

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

Dividend

Given the strong performance across all our businesses, the Board will propose an increase in the final dividend of 68.3% to 25.25p (2009: 15.00p). This will give a total dividend for the year of 35.0p, up 62.8% on 2009's 21.5p.

Share Buyback

With Croda's performance and prospects being so strong it makes sense to maximise our investment in the business through capital expenditure and acquisitions where appropriate. We expect to increase capital expenditure in 2011 to a higher level than that seen in recent years in order to increase capacity but there is a limit to what can be spent in any one year without disrupting operations.

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

Outlook

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

Operating Review

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

Performance and Prospects

Consumer Care

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

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

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

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

Industrial Specialities

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

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

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

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

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

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

Summary

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

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

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

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

Financial Review

Pre-tax Profit

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

Exceptional Items

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

Earnings per Share

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

Dividend

We propose to increase the final dividend by 68.3% to 25.25p (2009: 15.00p). This will give a total dividend for the year of 35.0p, up 62.8% on 2009's 21.5p. Dividend cover increases to 2.7x (2009: 2.5x).

Debt and Liquidity

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

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

Retirement Benefits

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

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

Financial KPIs

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

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

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

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

Croda International Plc
Preliminary announcement of trading results for the year ended 31 December 2010
Group income statement

	Note	2010 £m Before Exceptional items	2010 £m Exceptional items	2010 £m Total	2009 £m Before Exceptional items	2009 £m Exceptional items	2009 £m Total
Continuing operations							
Revenue	2	**1,001.9**	**-**	**1,001.9**	827.5	-	827.5
Cost of sales		**(684.4)**	**-**	**(684.4)**	(594.3)	(17.2)	(611.5)
Gross profit		**317.5**	**-**	**317.5**	233.2	(17.2)	216.0
Operating expenses		**(118.9)**	**-**	**(118.9)**	(111.7)	-	(111.7)
Operating profit	2	**198.6**	**-**	**198.6**	121.5	(17.2)	104.3
Financial expenses	3	**(10.7)**	**-**	**(10.7)**	(15.7)	-	(15.7)
Financial income	3	**4.4**	**-**	**4.4**	2.2	-	2.2
Profit before tax		**192.3**	**-**	**192.3**	108.0	(17.2)	90.8
Tax	4	**(62.5)**	**-**	**(62.5)**	(35.3)	2.1	(33.2)
Profit after tax from continuing operations		**129.8**	**-**	**129.8**	72.7	(15.1)	57.6
(Loss)/profit after tax from discontinued operations	7	**(0.9)**	**2.1**	**1.2**	(4.6)	(29.0)	(33.6)
Profit for the year		**128.9**	**2.1**	**131.0**	68.1	(44.1)	24.0
Attributable to:							
Non-controlling interests				**0.2**			0.2
Equity shareholders				**130.8**			23.8
				131.0			24.0
				pence per share			pence per share
Earnings per share (note 5)							
Basic							
Total				**96.1**			17.6
Total before exceptional items				**94.6**			50.2
Continuing operations				**95.4**			42.6
Continuing operations before exceptional items				**95.4**			53.8
Diluted							
Total				**94.1**			17.3
Continuing operations				**93.4**			41.9
Ordinary dividends (note 6)							
Interim				**9.75**			6.50
Final				**25.25**			15.00

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

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

Group balance sheet at 31 December 2010

	Note	**2010 £m**	2009 £m
Assets			
Non-current assets			
Intangible assets		**203.5**	202.0
Property, plant and equipment		**319.4**	341.8
Investments		**14.0**	12.5
Deferred tax assets		**68.1**	73.9
		605.0	630.2
Current assets			
Inventories		**164.6**	148.9
Trade and other receivables		**146.2**	159.0
Cash and cash equivalents		**64.8**	45.0
Assets classified as held for sale		**0.6**	-
		376.2	352.9
Liabilities			
Current liabilities			
Trade and other payables		**(178.5)**	(179.0)
Borrowings and other financial liabilities		**(3.3)**	(48.8)
Provisions		**(17.9)**	(30.6)
Current tax liabilities		**(16.6)**	(14.7)
		(216.3)	(273.1)
Net current assets		**159.9**	79.8
Non-current liabilities			
Borrowings and other financial liabilities		**(281.8)**	(285.0)
Other payables		**(4.8)**	(3.6)
Retirement benefit liabilities	9	**(147.8)**	(203.5)
Provisions		**(13.3)**	(24.5)
Deferred tax liabilities		**(43.0)**	(35.2)
		(490.7)	(551.8)
Net assets		**274.2**	158.2
Equity shareholders' funds		**273.1**	156.5
Non-controlling interests in equity		**1.1**	1.7
Total equity		**274.2**	158.2

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

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

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

Group statement of cash flows
for the year ended 31 December 2010

	Note	2010 £m	2009 £m
Cash flows from operating activities			
Continuing operations			
Operating profit		**198.6**	104.3
Adjustments for:			
Depreciation, amortisation and loss/profit on disposal of fixed assets		**34.1**	32.4
Exceptional items		**-**	17.2
Other provisions		**1.5**	0.7
Cash paid against operating provisions		**(15.2)**	(10.4)
Changes in working capital		**(16.1)**	58.7
Pension fund contributions in excess of service costs		**(16.7)**	(16.6)
Share based payments		**8.2**	4.3
Cash generated by continuing operations		**194.4**	190.6
Discontinued operations		**(6.0)**	6.3
Interest paid		**(10.7)**	(20.5)
Tax paid		**(45.9)**	(21.5)
Net cash generated by operating activities		**131.8**	154.9
Cash flows from investing activities			
Acquisition of non-controlling interest		**(1.0)**	-
Purchase of property, plant and equipment		**(40.8)**	(39.8)
Purchase of computer software		**(0.5)**	-
Proceeds from sale of property, plant and equipment		**0.5**	0.7
Proceeds from sale of businesses (net of costs)		**14.1**	2.7
Cash paid against non-operating provisions		**(8.5)**	(5.1)
Interest received		**0.8**	0.6
Net cash absorbed by investing activities		**(35.4)**	(40.9)
Cash flows from financing activities			
New borrowings		**284.0**	-
Repayment of borrowings		**(324.7)**	(66.9)
Capital element of finance lease repayments		**(0.5)**	(0.4)
Net transactions in own shares		**2.1**	1.6
Dividends paid	6	**(34.0)**	(27.4)
Net cash absorbed by financing activities		**(73.1)**	(93.1)
Net movement in cash and cash equivalents		**23.3**	20.9
Cash and cash equivalents brought forward		**37.2**	17.3
Exchange differences		**2.0**	(1.0)
Cash and cash equivalents carried forward		**62.5**	37.2
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		**64.8**	45.0
Bank overdrafts		**(2.3)**	(7.8)
		62.5	37.2

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

Notes to the preliminary announcement

1. Basis of preparation

In preparing this financial information, management has used the principal accounting policies that will be detailed in the Group's annual report and which are unchanged from the prior year. The results shown for 2010 are unaudited. The financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts of the Company in respect of the financial year ended 31 December 2009, upon which the Company's auditors have given a report which was unqualified and did not contain a statement under Section 237(2) of the Companies Act 2006, have been delivered to the Registrar of Companies.

The following new standards, amendments to existing standards or interpretations are mandatory for the first time for financial years beginning on or after 1 January 2010, and have been adopted by the Group effective from 1 January 2010;

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

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010 but do not have a significant impact on the Group: IFRIC 17 'Distributions of non-cash assets to owners', IFRIC 18 'Transfers of assets from customers', IFRIC 9 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', IFRIC 16 'Hedges of a net investment in a foreign operation', IAS 1 (amendment) 'Presentation of financial statements', IAS 36 (amendment) 'Impairment of assets', IFRS 2 (amendments) 'Group cash-settled share based payment transactions' and IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations'.

The following new standards, new interpretations, and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted – IFRS 9, IAS 24, IAS 32, IFRIC 14 and IFRIC 19.

2. Segmental information

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

2. Segmental information (continued)

Income statement

	2010 £m	2009 £m
Revenue – continuing operations		
Consumer Care	**516.4**	453.1
Industrial Specialities	**485.5**	374.4
	1,001.9	827.5
Operating profit – continuing operations before exceptional items		
Consumer Care	**136.5**	103.6
Industrial Specialities	**62.1**	17.9
	198.6	121.5

Total assets

	2010 £m	2009 £m
Consumer Care	**517.0**	481.7
Industrial Specialities	**316.7**	370.0
Total segment assets	**833.7**	851.7
Assets classified as held for sale	**0.6**	-
Tax assets	**68.1**	73.9
Cash, other financial assets and other investments	**78.8**	57.5
Total assets	**981.2**	983.1

3. Net financial expenses

	2010 £m	2009 £m
Financial expenses		
Bank interest payable	**(10.7)**	(15.7)
Financial income		
Bank and other interest receivable	**2.1**	1.5
Expected return on pension scheme assets less interest on scheme liabilities	**2.3**	0.7
	4.4	2.2
Net financial expenses	**(6.3)**	(13.5)

4. Tax on continuing operations

	2010 £m	2009 £m
Analysis of tax charge for the year		
United Kingdom current tax	**0.4**	0.3
Overseas current tax	**47.2**	27.2
Deferred tax	**14.9**	5.7
	62.5	33.2

5. Earnings per share

	2010 p	2009 p
Earnings per share - continuing operations before exceptional items	**95.4**	53.8
Impact of discontinued operations' trading	**(0.8)**	(3.6)
Earnings per share before exceptional items	**94.6**	50.2
Impact of exceptional items	**1.5**	(32.6)
Earnings per share - basic	**96.1**	17.6

6. Dividends paid

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

The directors are proposing a final dividend of 25.25p per share (£34.4m) in respect of the financial year ended 31 December 2010. It will be paid on 3 June 2011 to shareholders registered on 3 May 2011. The total proposed dividend for the year ended 31 December 2010 is 35.0p per share (£47.7m).

7. Discontinued operations and exceptional items

In May 2010, the Group sold its Emmerich site and associated business in Germany to KLK Emmerich GmbH, a subsidiary of the KLK Group (Kuala Lumpur Kepong Berhad), for €55.0m. The Emmerich site produced fatty acids and glycerine, most of which were sold into the Industrial Specialities market. The profit before tax on the sale of the site of £0.9m has been disclosed as exceptional. As part of the transaction, KLK assumed the IAS19 retirement benefit obligations relating to the business of €38.4m such that cash receivable by the Group was €16.6m. The sale represents a further exit from the oleochemicals sector and largely completes the Group's restructuring programme established following the 2006 acquisition of Uniqema.

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

Since the balance sheet date, in January 2011, the Group has completed the sale of its 60% holding in its Korean joint venture, Croda Woobang, to the Korean joint venture partners. The trading result of Croda Woobang has been classified as discontinued and the company's assets have been classified as 'held for sale' in the Group balance sheet.

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

	2010 **£m**	2009 £m
Pre-tax operating loss from discontinued operations	**(1.4)**	(6.7)
Tax	**0.5**	2.1
Post-tax operating loss from discontinued operations	**(0.9)**	(4.6)
Profit/(loss) before tax on disposal	**3.9**	(32.8)
Tax	**(1.8)**	3.8
Net exceptional profit/(loss) on disposal	**2.1**	(29.0)
Total profit/(loss) after tax from discontinued operations	**1.2**	(33.6)

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

8. Financial assets and liabilities

During 2006 the Group took out interest rate swaps with a notional value of £100m to fix a proportion of the floating rate acquisition funding and these were designated as cash flow hedges. The swaps expired on 31 January 2010. There is no intention at the current time to enter into any further interest rate swaps following the issue of a ten year fixed rate $100m loan note in January 2010.

9. Accounting estimates and judgements

The Group's critical accounting policies under IFRS have been established 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. Critical judgement has been required when preparing the Group’s accounts as follows:

Provisions

At 31 December 2010, the Group has an environmental provision of £12.1m in respect of soil and potential ground water contamination on a number of sites. Restructuring provisions, totalling £14.1m as at 31 December 2010, relate to the remaining costs associated with the ongoing plans to finalise the integration of the Uniqema business acquired in 2006 with the existing Croda businesses and the remaining costs associated with the closure of our Wilton site.

Based on environmental information currently available and the detailed plans established for the restructuring of the Group, the level of provisions is considered appropriate by the directors.

Goodwill and fair value of assets acquired

The Group tests annually whether goodwill has suffered any impairment and the carrying value of goodwill in the Group balance sheet 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 wide range of assumptions.

Retirement benefit liabilities

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, mortality rates, key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by management taking account of advice received from the schemes’ actuaries. As a result of the sale of Emmerich and stronger global equity markets, the IAS 19 gross pension deficit during the year ended 31 December 2010 has reduced from £203.5m to £147.8m.

10. Principal risks and uncertainties

Each division considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are updated at least annually. The principal risks and uncertainties for the Group are the same risks and uncertainties that will be referred to and discussed in the Group's annual report and which are unchanged from the prior year. These risks remain as: a major site event, loss of key personnel, interruption of raw material supply, major environmental incident, product liability, regulatory compliance, IT failure, management of pension fund assets and working capital management.

Responsibility Statement of the directors on the annual report

The Responsibility Statement below has been prepared in connection with the Company's full annual report for the year ended 31 December 2010. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.