Tuesday 21 February 2012

Croda International Plc

Preliminary results for the year to 31 December 2011 (unaudited)

RECORD RESULTS AND POSITIVE OUTLOOK

Highlights	**2011**	2010	Change
Sales - continuing operations	**£1,068.4m**	£1,001.9m	+6.6%
- Consumer Care	**£574.3m**	£516.4m	+11.2%
- Industrial Specialities	**£494.1m**	£485.5m	+1.8%
Operating profit - continuing operations	**£242.4m**	£198.6m	+22.1%
- Consumer Care	**£173.4m**	£136.5m	+27.0%
- Industrial Specialities	**£69.0m**	£62.1m	+11.1%
Profit before tax	**£242.2m**	£192.3m	+25.9%
Earnings per share - continuing operations	**122.5p**	95.4p	+28.4%
Earnings per share - basic	**123.7p**	96.1p	+28.7%
Dividends per share	**55.0p**	35.0p	+57.1%

- Profit before tax increased 25.9% to £242.2m
- Strong growth in Consumer Care and Industrial Specialities, reflecting leading positions in niche markets and continued demand for innovative, high performance products
- Return on sales up to 22.7% (2010: 19.8%)
- £50m share buyback programme completed
- Full year dividend increased by 57.1% to 55.0p in line with new dividend policy, payout ratio 45%
- Net debt increased by less than £11m to £231m despite returning £118m to shareholders via dividends and share buybacks
- New management structure, reporting segments and medium term targets announced for 2012 to maximise our focus and drive profitability improvements in all parts of the Group.

Commenting on these results, Martin Flower, Chairman said:

"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.

This long-established strategy has created a strong platform for future growth, underpinned by a robust business and expanding pipeline of new products, many more of which will come on stream this year.

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, as well as our increasing exposure to the growing economies of Asia and Latin America, give me great confidence in the future prospects of the Group."

Highlights – Fourth Quarter	**2011 £m**	2010 £m	Change
Consumer Care sales	**135.1**	123.8	+9.1%
Industrial Specialities sales	**108.1**	113.6	-4.8%
Total sales	**243.2**	237.4	+2.4%
Consumer Care operating profit	**42.9**	32.9	+30.4%
Industrial Specialities operating profit	**16.6**	16.5	+0.6%
Total operating profit	**59.5**	49.4	+20.4%
Interest	**0.5**	(0.5)	
Continuing pre-tax profit	**60.0**	48.9	+ 22.7%

- Growth was achieved across all business areas in Consumer Care and return on sales (ROS) rose to 31.8% (2010: 26.6%)
- Sales in Industrial Specialities declined against a strong fourth quarter in 2010, impacted by a slow December but operating profits increased and ROS reached a record 15.4% (2010: 14.5%)

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

Ben Foster, Pendomer Communications **Tel: 0203 603 5220**

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

CHAIRMAN'S STATEMENT

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.

Quarter Four Trading

We delivered good results in the final quarter of 2011 against a strong quarter in 2010, achieving operating profit growth in both our reporting sectors despite relatively sluggish sales in December. Pre-tax profit for the quarter rose 22.7% to £60.0m (2010: £48.9m), on sales up 2.4% to £243.2m (2010: £237.4m).

In Consumer Care**,** sales were up 9.1% to £135.1m (2010: £123.8m) and operating profit rose 30.4% to £42.9m (2010: £32.9m). All business areas within the sector saw growth in sales and profits. Return on sales (ROS) reached a record 31.8% (2010: 26.6%).

Industrial Specialities saw a marked slowdown in our European business in December, with many customers taking an extended Christmas break. As a result, sales in the sector were 4.8% lower than in the comparable period last year at £108.1m (2010: £113.6m). Despite this, operating profit rose 0.6% to £16.6m (2010: £16.5m) as we recorded our best ever ROS in the sector of 15.4% (2010: 14.5%).

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. 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 and 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.

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
Chairman

CHIEF EXECUTIVE'S REVIEW

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.

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**.

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 and 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.

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%).

Lubricants, Home Care and Coatings and 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 Polymers and Coatings, 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.

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 major 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 will be found in the Sustainability section of our Annual Report 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

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 £118 million 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 IAS19 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.

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 As reported
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%)

Sean Christie
Group Finance Director

Croda International Plc
Preliminary announcement of trading results for the year ended 31 December 2011
Group income statement

	Note	**2011 £m**	2010 £m
Continuing operations			
Revenue	2	**1,068.4**	1,001.9
Cost of sales		**(721.1)**	(684.4)
Gross profit		**347.3**	317.5
Operating expenses		**(104.9)**	(118.9)
Operating profit	2	**242.4**	198.6
Financial expenses	3	**(10.2)**	(10.7)
Financial income	3	**10.0**	4.4
Profit before tax		**242.2**	192.3
Tax	4	**(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		**167.5**	131.0
Attributable to:			
Non-controlling interests		**-**	0.2
Equity shareholders		**167.5**	130.8
		167.5	131.0
		pence per share	pence per share
Earnings per share (note 5)			
Basic			
Total		**123.7**	96.1
Total before exceptional items*		**122.5**	94.6
Continuing operations		**122.5**	95.4
Diluted			
Total		**121.6**	94.1
Continuing operations		**120.4**	93.4
Ordinary dividends (note 6)			
Interim		**24.75**	9.75
Final		**30.25**	25.25

* all exceptional items relate to discontinued operations.

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 (expense)/income:		
Currency translation differences	**(8.5)**	9.1
Movement in fair value of cash flow hedges	**-**	0.3
Actuarial movement on retirement benefit liabilities	**(75.8)**	3.7
Deferred tax on actuarial movement on retirement benefit liabilities	**21.6**	(1.2)
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		**205.0**	203.5
Property, plant and equipment		**340.2**	319.4
Investments		**15.4**	14.0
Deferred tax assets		**82.3**	68.1
		642.9	605.0
Current assets			
Inventories		**164.6**	164.6
Trade and other receivables		**145.7**	146.2
Cash and cash equivalents		**44.3**	64.8
Assets classified as held for sale		**-**	0.6
		354.6	376.2
Liabilities			
Current liabilities			
Trade and other payables		**(159.4)**	(178.5)
Borrowings and other financial liabilities		**(7.5)**	(3.3)
Provisions		**(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		**(267.9)**	(281.8)
Other payables		**(4.9)**	(4.8)
Retirement benefit liabilities	8	**(198.9)**	(147.8)
Provisions	8	**(14.9)**	(13.3)
Deferred tax liabilities		**(45.1)**	(43.0)
		(531.7)	(490.7)
Net assets		**266.2**	274.2
Equity shareholders' funds		**266.1**	273.1
Non-controlling interests in equity		**0.1**	1.1
Total equity		**266.2**	274.2

Group statement of changes in equity for the year ending 31 December 2011

	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 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
Other comprehensive income	-	-	-	-	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**
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	-	-	-	(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 comprise 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			
Continuing operations			
Operating profit		**242.4**	198.6
Adjustments for:			
Depreciation, amortisation and loss on disposal of fixed assets		**32.7**	34.1
Other provisions		**1.4**	1.5
Cash paid against operating provisions		**(6.7)**	(15.2)
Changes in working capital		**(23.7)**	(16.1)
Pension fund contributions in excess of service cost		**(17.4)**	(16.7)
Share based payments		**4.0**	8.2
Cash generated by continuing operations		**232.7**	194.4
Discontinued operations		**-**	(6.0)
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		**(55.9)**	(40.8)
Purchase of other intangible assets		**(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)		**1.0**	14.1
Cash paid against non-operating provisions		**(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		**(0.4)**	(0.5)
Net transactions in own shares		**(49.4)**	2.1
Dividends paid	6	**(67.7)**	(34.0)
Net cash absorbed by financing activities		**(128.3)**	(73.1)
Net movement in cash and cash equivalents		**(22.8)**	23.3
Cash and cash equivalents brought forward		**62.5**	37.2
Exchange differences		**(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
Reconciliation to net debt			
Net movement in cash and cash equivalents		**(22.8)**	23.3
Movement in debt and lease financing		**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		**(231.1)**	(220.3)

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 2011 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 2010, 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.

Changes in accounting policy and disclosures
(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 on 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
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 2011 and have not been early adopted - IAS 19 (revised), IFRS 9, IFRS 10, IFRS 12 and IFRS 13.

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.

2. Segmental information

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 Industrial Specialities segment.

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.

2. Segmental information (continued)

Income statement

	2011 £m	2010 £m
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
	1,068.4	1,001.9

	2011 £m	2010 £m
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
	242.4	198.6

Total assets

	2011 £m	2010 £m
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 assets	**997.5**	981.2

3. Net financial expense

	2011 £m	2010 £m
Financial expenses		
Bank and other interest payable	**(10.2)**	(10.7)
Financial income		
Bank and other interest receivable	**2.0**	2.1
Expected return on pension scheme assets less interest on scheme liabilities	**8.0**	2.3
	10.0	4.4
Net financial expense	**(0.2)**	(6.3)

4. Tax on continuing operations

	2011 £m	2010 £m
Analysis of tax charge for the year		
United Kingdom current tax	**12.9**	0.4
Overseas current tax	**51.9**	47.2
Deferred tax	**11.5**	14.9
	76.3	62.5

5. Earnings per share

	2011 p	2010 p
Earnings per share - continuing operations	**122.5**	95.4
Impact of discontinued operations' trading	**-**	(0.8)
Earnings per share before exceptional items	**122.5**	94.6
Impact of exceptional items	**1.2**	1.5
Earnings per share - basic	**123.7**	96.1

All exceptional items relate to discontinued operations.

6. Dividends paid

	Pence per share	2011 £m	2010 £m
Ordinary			
2009 Final – paid June 2010	**15.00**	**-**	20.4
2010 Interim – paid October 2010	**9.75**	**-**	13.3
2010 Final – paid June 2011	**25.25**	**34.5**	-
2011 Interim – paid October 2011	**24.75**	**33.1**	-
		67.6	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 (£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. The total proposed dividend for the year ended 31 December 2011 is 55p per share (£73.7m).

7. Discontinued operations and exceptional items

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 is as follows:

	2011 £m	2010 £m
Pre-tax operating loss from discontinued operations	**-**	(1.4)
Tax	**-**	0.5
Post-tax operating loss from discontinued operations	**-**	(0.9)
Profit before tax 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

8. 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 2011, the Group has an environmental provision of £14.0m (2010: £12.1m) in respect of soil and potential ground water contamination on a number of sites.

Based on environmental information currently available, the level of provision 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 lower discount rates, the IAS 19 gross pension deficit during the year ended 31 December 2011 has increased from £147.8m to £198.9m.

9. 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. These risks are: product innovation, merger and acquisition strategy, 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, working capital management and foreign currency exposure.

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 2011. 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.