CRODA

Tuesday, 27 July 2010

Croda International Plc

Interim results for the Six Months to 30 June 2010

PRE TAX PROFIT DOUBLED ON STRONG GROUP PERFORMANCE

Highlights	**H1 2010**	**H1 2009**	**% Change**
Sales – continuing operations	**£516.1m**	£404.5m	+27.6
- Consumer Care	**£264.3m**	£232.4m	+13.7
- Industrial Specialities	**£251.8m**	£172.1m	+46.3
Operating profit – continuing operations	**£100.8m**	£53.7m	+87.7
- Consumer Care	**£71.2m**	£52.8m	+34.8
- Industrial Specialities	**£29.6m**	£0.9m	n/a
Profit before tax and exceptional items			
- Continuing	**£96.2m**	£46.3m	+107.8
- Including discontinued activities	**£94.3m**	£40.6m	+132.3
EPS – continuing operations	**47.2p**	22.3p	+111.7
Dividend per share	**9.75p**	6.5p	+50.0

- Record results from both divisions
  - Strong growth in personal care ingredients business drives Consumer Care profit increase
  - Industrial Specialities impressive performance after a challenging first half in 2009

- Emmerich Oleochemicals business sold for €60.5m, largely completing the restructuring programme initiated following the acquisition of Uniqema

- Net debt reduced by a further £18.8m to £269.7m

Commenting on the results Martin Flower, Chairman, said:

“This is another very impressive performance that highlights once again the quality of the business. Record results in both Consumer Care and Industrial Specialities, with all business areas and all major geographies contributing to the increased profits, demonstrate Croda’s resilience and strong market position.

The Group is now benefiting in full from the acquisition of Uniqema in 2006 as well as from the initiatives taken to reduce costs. Whilst prior year comparatives do get tougher in the second half, we expect to make further profit progress throughout the rest of the year”.

The company will broadcast the meeting with analysts live in a webcast commencing at 09:30AM on the company’s website at www.croda.com.

Croda International plc
Interim results for the six months to 30 June 2010

Sales were up 27.6% to £516.1m (2009: £404.5m) reflecting strong performances in both the Consumer Care and Industrial Specialities divisions and continued growth in all our main markets. A 29.8% increase in volumes was impacted by a small currency movement of 0.5% and a changed sales mix as Industrial Specialities grew at an even faster rate than Consumer Care during the period.

Continuing operating profit increased by 87.7% to £100.8m (2009: £53.7m). Return on sales rose to 19.5%, well above our long term target of 15%. This significant increase was the result of record operating profits in both Consumer Care and Industrial Specialities.

Interest costs fell as a result of lower borrowings and this, allied to the operating results described above, took continuing pre-tax profits for the Group to £96.2m, up 107.8% on the £46.3m achieved in 2009.

Earnings per share increased 111.7% to 47.2p (2009: 22.3p) on a continuing basis, with the benefit of a slightly reduced tax rate enhancing the underlying results.

Net debt was reduced by a further £18.8m to £269.7m, despite an increase in working capital due to the higher activity levels. The underlying cash flow was boosted by the disposal proceeds from the sale of Emmerich less the cash closure costs relating to Bromborough and Wilton and a favourable currency movement of £3.6m.

Divisional performance

Both Consumer Care and Industrial Specialities saw strong sales growth and record turnover in the first half. Consumer Care sales were up 13.7% to £264.3m (2009: £232.4m) with Personal Care showing the biggest increase of the three business areas within the segment. Industrial Specialities sales grew 46.3% to £251.8m (2009: £172.1m). The Industrial Specialities result shows a strong recovery from last year's recession and whilst there may be some increase in customer work in progress inventory behind the sales uplift, there is little evidence of an expansion in finished product stock levels. Importantly, this sales increase puts Industrial Specialities back to the level anticipated in our long term plan. All business areas within Industrial Specialities contributed to the increase in turnover.

Record operating profits were achieved in both divisions with Consumer Care profits of £71.2m, up 34.8% on last year's £52.8m. Industrial Specialities saw an even more dramatic increase with profits of £29.6m versus only £0.9m in 2009. Both divisions benefitted from significant incremental cost savings still accruing from the integration of Uniqema.

Our current growth and margin targets are:

- Underlying sales growth 5-10%
- Organic profit growth to exceed sales growth
- Consumer Care return on sales 20%+
- Industrial Specialities return on sales 15%+

Dividend

We will increase the interim dividend by 50% to 9.75p (2009: 6.5p).

Second quarter trading

Trading in the second quarter was even stronger than that seen in the first quarter with sales up 38.4% to £268.6m (2009: £194.1m). Consumer Care sales were much stronger in quarter two as Crop Care passed the tough 2009 comparatives seen in the first quarter. All other Consumer Care and Industrial Speciality business areas saw similar trading trends in the second quarter to those seen in quarter one. Operating profits increased 114.6% to £54.5m versus £25.4m in 2009. The operating margin rose to

20.6%. Pre-tax profit grew even faster, as a result of reduced debt, to a record £51.6m (2009: £22.6m), an uplift of 128.3% on the corresponding period in 2009.

The overall quality of our business is further demonstrated by the fact that both reporting segments, all business areas within the segments and all major geographies contributed to the increases in turnover and profitability.

Balance Sheet

Net debt fell to £269.7m. In January we put in place a $100m fixed rate 10 year bond and we will renegotiate our other facilities over the coming months, well ahead of their expiry in June 2011. Net debt to our last twelve month's EBITDA stood at 1.3 times versus a covenant of 3 times. A higher deferred tax credit and the sale of Emmerich reduced the post tax IAS19 pension deficit to £138.0m (2009: £150.0m), despite further adverse trends in discount rates. We have made some changes to our pension schemes in the UK effective from September 2010 with new employees accruing pension benefits at 1/80th of salary per annum. Existing employees can retain their 1/60th accrual rate but their contribution would increase to 8% of salary.

Sale of Emmerich Oleochemicals

On 10 May 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 €60.5m. As part of the transaction the purchaser assumed the IAS19 retirement benefit obligations relating to the business of approximately €35.2 million such that cash payable at completion was €25.3m.

The Emmerich Site produces fatty acids and glycerine, most of which were sold into Croda's Industrial Specialities market. Croda acquired the Emmerich site as part of the Uniqema acquisition in 2006. On a pro-forma basis the business had sales of £90.4m and made an operating loss of £2.1m in 2009, with net operating assets of £37.7m at 31 December 2009. There was an exceptional profit before tax on the sale of £2.1m.

The disposal largely completes the restructuring programme we entered into following the acquisition of Uniqema. In the last four years we have sold six businesses with a combined turnover of £262.1m and combined EBITDA of £14.6m. Aggregate proceeds from these disposals were £188.5m. In addition we have cancelled the majority of distributor arrangements, closed two factories in the UK, shut three head offices across the globe and reduced our cost base in most other areas. We estimate the cost savings from these actions to be at least £50m. Our sales are growing as we increasingly use our own global sales force to sell Uniqema products.

Board Appointments

We announced two Board appointments on 1 July 2010. Steve Williams joins the Board as a non-executive director. Steve has recently retired as General Counsel and Chief Legal Officer of Unilever plc and Unilever NV. Steve Foots, President of Croda Europe, joins the Board as an executive director. Steve has been a member of Croda's Executive Committee since January 2007. We are delighted to welcome both Steve Williams and Steve Foots to the Croda Board. Their extensive experience will strengthen the Board as we continue with Croda's successful development.

Outlook

The strong trading across the business described above has continued into the first weeks of the second half. However, with only six to eight weeks of visibility in our order books, it is hard to predict whether this trend will continue over the medium term. Raw material prices are rising and in addition to the price increases implemented at the start of the year, we increased prices globally on 1 July. While we would normally expect to see volumes in the second half below those seen in the first half due to holiday shutdowns in our customers' operations, we remain confident of making further profit progress throughout the rest of the year.

Statement of directors' responsibilities

The directors' confirm that, to the best of their knowledge, these consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

The directors of Croda International Plc at 30 June 2010 are listed in the Group's financial statements for the year ended 31 December 2009. A list of current directors is maintained on the Croda website: www.croda.com.

By order of the Board

Mike Humphrey
Group Chief Executive

Sean Christie
Group Finance Director

Independent review report to Croda International plc

Introduction

We have been engaged by the company to review the financial statements in the half-yearly financial report for the six months ended 30 June 2010, which comprises the Group income statement, the Group statement of comprehensive income and expense, the Group balance sheet, the Group statement of changes in equity, the Group statement of cash flows, and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.
As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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 review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Note

The maintenance and integrity of the Croda International plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial report since it was initially presented on the web site."

PricewaterhouseCoopers LLP
Chartered Accountants
27 July 2010
Leeds

Group income statement

Unaudited £m	Note	**2010 First half**	2009 First half	2009 Full year Before exceptional items	2009 Full year Exceptional items	2009 Full year Total
				Audited		
Continuing operations						
Revenue	2	**516.1**	404.5	825.8	-	825.8
Cost of sales		**(346.9)**	(300.3)	(590.4)	(17.2)	(607.6)
Gross profit/(loss)		**169.2**	104.2	235.4	(17.2)	218.2
Operating expenses		**(68.4)**	(50.5)	(113.4)	-	(113.4)
Operating profit/(loss)	2	**100.8**	53.7	122.0	(17.2)	104.8
Financial expenses	3	**(5.3)**	(8.1)	(15.7)	-	(15.7)
Financial income	3	**0.7**	0.7	2.2	-	2.2
Profit/(loss) before tax		**96.2**	46.3	108.5	(17.2)	91.3
Tax		**(31.9)**	(16.1)	(35.3)	2.1	(33.2)
Profit/(loss) after tax continuing operations		**64.3**	30.2	73.2	(15.1)	58.1
Discontinued operations						
Non-exceptional loss after tax		**(1.3)**	(4.9)	(5.1)	-	(5.1)
Exceptional profit/(loss) after tax		**0.9**	(34.2)	-	(29.0)	(29.0)
	5	**(0.4)**	(39.1)	(5.1)	(29.0)	(34.1)
Profit/(loss) for the period		**63.9**	(8.9)	68.1	(44.1)	24.0
Attributable to:						
Non-controlling interest		**0.2**	0.2			0.2
Equity shareholders		**63.7**	(9.1)			23.8
		63.9	(8.9)			24.0
		pence per share	pence per share	pence per share		pence per share
Earnings/(loss) per share of 10p						
Basic						
Total		**46.9**	(6.8)	50.2		17.6
Continuing operations		**47.2**	22.3	54.0		42.8
Diluted						
Total		**45.9**	(6.8)	49.4		17.3
Continuing operations		**46.4**	21.9	53.1		42.1
Ordinary dividends						
Interim		**9.75**	6.50			6.50
Final						15.00

Group statement of comprehensive income and expense

Unaudited £m	**2010 First half**	2009 First half	Audited 2009 Full year
Profit/(loss) for the period	**63.9**	(8.9)	24.0
Other comprehensive income/(expense)			
Currency translation differences	**2.9**	(12.0)	(7.1)
Movement in fair value of cash flow hedges	**0.3**	(0.8)	2.1
Actuarial movement on retirement benefit liabilities	**(35.6)**	(116.1)	(141.8)
Deferred tax on actuarial movement on retirement benefit liabilities	**11.1**	33.8	38.5
Total comprehensive income/(expense) for the period	**42.6**	(104.0)	(84.3)
Attributable to:			
Non-controlling interest	**0.2**	(0.3)	-
Equity shareholders	**42.4**	(103.7)	(84.3)
	42.6	(104.0)	(84.3)

Group balance sheet

Unaudited £m	Note	**At 30 June 2010**	At 30 June 2009	Audited At 31 December 2009
Assets				
Non-current assets				
Intangible assets		**202.8**	200.3	202.0
Property, plant and equipment	**6**	**313.9**	325.8	341.8
Investments		**13.7**	11.1	12.5
Deferred tax assets		**85.0**	83.2	73.9
		615.4	620.4	630.2
Current assets				
Inventories		**145.4**	156.8	148.9
Trade and other receivables		**179.7**	163.2	159.0
Cash and cash equivalents		**39.4**	46.0	45.0
		364.5	366.0	352.9
Liabilities				
Current Liabilities				
Trade and other payables		**(185.6)**	(138.4)	(179.0)
Borrowings and other financial liabilities	**7**	**(241.6)**	(60.6)	(48.8)
Provisions		**(23.0)**	(15.0)	(30.6)
Current tax liabilities		**(21.1)**	(15.4)	(14.7)
		(471.3)	(229.4)	(273.1)
Net current assets		**(106.8)**	136.6	79.8
Non-current liabilities				
Borrowings and other financial liabilities		**(66.7)**	(339.7)	(285.0)
Other payables		**(3.0)**	(3.8)	(3.6)
Retirement benefit liabilities		**(201.2)**	(189.7)	(203.5)
Provisions		**(19.5)**	(35.5)	(24.5)
Deferred tax liabilities		**(35.5)**	(44.0)	(35.2)
		(325.9)	(612.7)	(551.8)
Net assets		**182.7**	144.3	158.2
Shareholders' equity		**180.9**	142.9	156.5
Non-controlling interest in equity		**1.8**	1.4	1.7
Total equity		**182.7**	144.3	158.2

Group statement of changes in equity

Audited	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)/income	-	-	(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 shareholders	-	-	-	-	(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
Unaudited						
At 1 January 2010	15.1	93.3	27.1	21.0	1.7	158.2
Profit for the year attributable to equity shareholders	-	-	-	63.7	-	63.7
Other comprehensive (expense)/income	-	-	2.9	(24.2)	-	(21.3)
Transactions with owners:						
Dividends on equity shares	-	-	-	(20.4)	-	(20.4)
Share based payments	-	-	-	1.8	-	1.8
Consideration received for sale of own shares held in trust	-	-	-	0.6	-	0.6
Total transactions with owners				(18.0)		(18.0)
Transactions with non-controlling interests:						
Share of profit after tax	-	-	-	-	0.2	0.2
Currency translation differences	-	-	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	(0.1)	(0.1)
Total transactions with non-controlling interests:	-	-	-	-	0.1	0.1
Total equity at 30 June 2010	15.1	93.3	30.0	42.5	1.8	182.7

Other reserves include the Capital Redemption Reserve of £0.9m (31 December 2009: £0.9m) and the Translation Reserve of £29.1m (31 December 2009: £26.2m)

Group statement of cash flows

Unaudited £m	Note	**2010 First half**	2009 First half	2009 Full year
Cash flows from operating activities				
Continuing operations				
Operating profit		**100.8**	53.7	104.8
Adjustments for:				
Depreciation and loss on disposal of fixed assets		**17.0**	16.2	32.5
Changes in working capital		**(27.4)**	20.5	58.6
Pension fund contributions in excess of service costs		**(8.0)**	(3.8)	(16.6)
Share based payments		**4.5**	1.4	4.3
Movement on provisions		**(7.4)**	(6.0)	(9.7)
Exceptional items		**-**	-	17.2
Cash generated from continuing operations		**79.5**	82.0	191.1
Discontinued operations		**(6.6)**	(3.7)	5.8
Interest paid		**(5.2)**	(11.8)	(20.5)
Tax paid		**(24.8)**	(8.8)	(21.5)
Net cash generated by operating activities		**42.9**	57.7	154.9
Cash flows from investing activities				
Purchases of property, plant and equipment	**6**	**(19.5)**	(18.9)	(39.8)
Proceeds from sale of property, plant and equipment		**0.3**	3.3	0.7
Proceeds from sales of businesses (net of costs)		**16.6**	-	2.7
Cash paid against non-operating provisions		**(5.4)**	(2.0)	(5.1)
Interest received		**0.2**	0.3	0.6
Net cash absorbed by investing activities		**(7.8)**	(17.3)	(40.9)
Cash flows from financing activities				
Additional borrowings		**65.8**	21.7	-
Repayment of borrowings		**(81.1)**	(24.2)	(66.9)
Net purchases of own shares		**0.6**	0.2	1.6
Dividends paid to equity shareholders	**4**	**(20.4)**	(18.3)	(27.1)
Dividends paid to non-controlling shareholders		**(0.1)**	(0.3)	(0.3)
Other		**-**	-	(0.4)
Net cash absorbed by financing activities		**(35.2)**	(20.9)	(93.1)
Net movement in cash and cash equivalents		**(0.1)**	19.5	20.9
Cash and cash equivalents brought forward		**37.2**	17.3	17.3
Exchange differences		**-**	(3.1)	(1.0)
Cash and cash equivalents carried forward		**37.1**	33.7	37.2
Cash and cash equivalents carried forward comprise:				
Cash at bank and in hand		**39.4**	46.0	45.0
Bank overdrafts		**(2.3)**	(12.3)	(7.8)
		37.1	33.7	37.2

A reconciliation of the cash flows above to the movement in net debt is shown in note 8.

Notes to the interim report

1. a. General information

The Company is a public limited company (Plc) incorporated and domiciled in the UK. The address of its registered office is Cowick Hall, Snaith, Goole, East Yorkshire DN14 9AA. The Company is listed on the London Stock Exchange. This consolidated interim report was approved for issue on 26 July 2010.

The financial information included in this interim financial report for the six months ended 30 June 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is unaudited. The comparative information for the six months ended 30 June 2009 is also unaudited. The comparative figures for the year ended 31 December 2009 have been extracted from the Group's financial statements, as filed with the Registrar of Companies, on which the auditors gave an unqualified opinion, did not contain an emphasis of matter paragraph, and did not make a statement under section 498 of the Companies Act 2006.

b. Basis of preparation

This interim financial report for the half-year ended 30 June 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34 'Interim financial reporting' (as adopted by the EU). The report should be read in conjunction with the Group's financial statements for the year ended 31 December 2009, available on the Group's website (www.croda.com), which were prepared in accordance with IFRSs as adopted by the EU.

c. Accounting policies

Except for those described below, the accounting policies adopted in preparing this report are consistent with those used in the Group's financial statements for the year ended 31 December 2009 as described in those statements. 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; but currently do not have any impact on the Group.

- 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 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 material impact on the Group - IFRIC 17 'Distributions of non-cash assets to owners', IFRIC 18 'Transfers of assets from customers', 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) and Improvements to International Financial Reporting Standards 2009.

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

2. Segmental information (continued)

Income statement	**2010 First half £m**	2009 First half £m	2009 Full year £m
Revenue - continuing operations			
Consumer Care	**264.3**	232.4	453.1
Industrial Specialities	**251.8**	172.1	372.7
	516.1	404.5	825.8
Operating profit - continuing operations			
Consumer Care	**71.2**	52.8	103.6
Industrial Specialities	**29.6**	0.9	18.4
	100.8	53.7	122.0

There is no material trade between segments. All operating costs of the Group are allocated between the segments.

Total assets			
Segmental total assets:			
Consumer Care	**520.4**	493.1	481.7
Industrial Specialities	**321.4**	353.0	370.0
Total segment assets	**841.8**	846.1	851.7
Tax assets	**85.0**	83.2	73.9
Cash, other financial assets and other investments	**53.1**	57.1	57.5
	979.9	986.4	983.1

The Group's revenue from external customers in the UK is £26.0m (2009:£22.3m), in the US is £117.1m (2009:£92.6m) and the total revenue from external customers from other countries is £373.0m (2009:£289.5m).

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

3. Net financial expenses

	2010 First half £m	2009 First half £m	2009 Full year £m
Financial expenses			
Bank interest payable	**5.3**	7.9	15.7
Expected return on pension scheme assets less interest on scheme liabilities	**-**	0.2	-
	5.3	8.1	15.7
Financial income			
Bank interest receivable	**(0.6)**	(0.7)	(1.5)
Expected return on pension scheme assets less interest on scheme liabilities	**(0.1)**	-	(0.7)
	(0.7)	(0.7)	(2.2)
Net financial expenses	**4.6**	7.4	13.5

4. Dividends paid

	Pence per share	**2010 First half £m**	2009 First half £m	2009 Full year £m
Ordinary				
2008 Final - paid June 2009	13.55	**-**	18.2	18.2
2009 Interim - paid October 2009	6.50	**-**	-	8.8
2009 Final - paid June 2010	15.00	**20.4**	-	-
		20.4	18.2	27.0
Preference (paid June and December)		**-**	0.1	0.1
Dividends paid to minority shareholders		**0.1**	0.3	0.3
		20.5	18.6	27.4

An interim dividend in respect of 2010 of 9.75p per share, amounting to a total dividend of £13.3m, was declared by the directors at their meeting on 26 July 2010. This interim report does not reflect the 2010 interim dividend payable. The dividend will be paid on 7 October 2010 to shareholders registered on 3 September 2010.

5. Discontinued operations

In May 2010, the Group sold its Emmerich site and associated business in Germany to KLK Emmerich GmbH, a subsidiary of the KLK Group (Kuala Lumpur Kepong Berhad), for €60.5m. The Emmerich site produced fatty acids and glycerine, most of which were sold into the Industrial Specialities market. The profit after 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 approximately €35.2m such that cash payable at completion was €25.3m. The sale represents a further exit from the oleochemicals sector in line with the Group's strategy.

In April 2009, continuing its strategy to reduce exposure to basic commodity sectors, the Group announced the closure of its operations at Bromborough in Merseyside, United Kingdom. This represented an exit from the commodity oleochemicals sector in the UK.

	2010 First half £m	2009 First half £m	2009 Full year £m
Operating loss of discontinued operations	**(1.9)**	(5.7)	(7.2)
Profit/(loss) on disposal and closure of discontinued operations	**2.1**	(37.8)	(32.8)
Tax	**(0.6)**	4.4	5.9
Total loss after tax from discontinued operations	**(0.4)**	(39.1)	(34.1)

6. Property, plant and equipment

	2010 First half £m	2009 First half £m	2009 Full year £m
Opening net book amount	**341.8**	392.4	392.4
Exchange differences	**(1.7)**	(37.8)	(25.2)
Additions	**19.5**	18.9	40.1
Business disposals and closures	**(28.0)**	(29.9)	(30.3)
Other disposals and write offs	**(0.3)**	(0.1)	(0.5)
Depreciation charge for period	**(17.4)**	(17.7)	(34.7)
Closing net book amount	**313.9**	325.8	341.8

At 30 June 2010 the Group had contracted capital expenditure commitments of £11.2m (2009: £6.1m).

7. 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 issuing of a ten year fixed rate $100m loan note in January 2010.

8. Reconciliation to net debt

	2010 First half £m	2009 First half £m	2009 Full year £m
Net movement in cash and cash equivalents	**(0.1)**	19.5	20.9
Movement in debt and lease financing	**15.3**	2.5	67.3
Change in net debt from cash flows	**15.2**	22.0	88.2
New finance lease contracts	**-**	-	(0.3)
Exchange differences	**3.6**	25.0	21.7
	18.8	47.0	109.6
Net debt brought forward	**(288.5)**	(398.1)	(398.1)
Net debt carried forward	**(269.7)**	(351.1)	(288.5)

9. 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 - the Group has made significant provision for potential environmental liabilities and for the costs of the restructuring exercise following the acquisition of Uniqema.

The environmental provision relates to soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas. Restructuring provisions relate to the ongoing plans to integrate the acquired Uniqema business with the existing Croda businesses and costs associated with the closure of the Wilton site. Provisions are made where a constructive or legal obligation can be quantified and where the timing of the transfer of economic benefits relating to the provisions cannot be ascertained with any degree of certainty.

In relation to the environmental provision, the directors consider that the balance will be utilised within 20 years. With regard to the restructuring provisions, significant elements have been utilised to date. The directors' view is that there will be further elements, notably in respect of employee costs, that will be utilised in the remainder of 2010 and that the balance will be largely utilised by 2011. Based on information currently available and on the detailed plans established for the restructuring of the Group, this level of provision is considered appropriate by the directors.

The discontinued provision was established during 2009 on the closure of the Bromborough facility and the discontinuance of its associated business. The directors expect the provision to be fully utilised during 2010.

9. Accounting estimates and judgements (continued)

(ii) Goodwill and fair value of assets acquired – 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 was no impairment within a reasonable range of assumptions when this was last tested at the 31 December 2009 year end.

(iii) Retirement benefit liabilities – the Group's principal retirement benefit schemes are of the defined benefit type. 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. Whilst the Group saw a reduction in pension liabilities with the disposal of Emmerich (note 5) this was offset by a decrease in bond rates, leaving the IAS 19 gross pension deficit at 30 June 2010 little changed at £201.2m.

10. Principal risks

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 remaining six months of the financial year are the same risks and uncertainties referred to and discussed in the Financial Review section on pages 12 to 15 of the Group's most recent Annual Report, which can be found on the Croda website: www.croda.com. 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.

11. Related party transactions

The Group has not entered into any materials transactions with related parties in the first six months of the year.

Appendix

	2010 Q2 £m	2009 Q2 £m
Revenue – continuing operations		
Consumer Care	**136.3**	106.3
Industrial Specialities	**132.3**	87.8
	268.6	194.1
Operating profit – continuing operations		
Consumer Care	**36.5**	24.1
Industrial Specialities	**18.2**	1.3
	54.7	25.4
Interest	**(1.9)**	(2.8)
Profit before tax	**52.8**	22.6