CRODA

Thursday 28 July 2011

Croda International Plc

Interim results for the six months to 30 June 2011

RECORD PERFORMANCE DELIVERS 30% INCREASE IN PRE-TAX PROFITS

STEVE FOOTS APPOINTED CEO-DESIGNATE

Highlights	H1 2011	H1 2010	% Change
Sales – continuing operations	**£559.6m**	£511.9m	+9.3
- Consumer Care	**£293.6m**	£264.4m	+11.0
- Industrial Specialities	**£266.0m**	£247.5m	+7.5
Operating profit – continuing operations	**£125.3m**	£100.5m	+24.7
- Consumer Care	**£88.0m**	£71.1m	+23.8
- Industrial Specialities	**£37.3m**	£29.4m	+26.9
Profit before tax			
- Continuing operations	**£124.8m**	£95.9m	+30.1
EPS – continuing operations	**61.9p**	47.1p	+31.4
Dividend per share	**24.75p**	9.75p	+153.8

- **Strong second quarter delivers record half year results**
  - Consumer Care and Industrial Specialities continue to deliver robust profit and sales growth
  - Raw material inflation fully passed on, protecting margins in both segments

- **Mike Humphrey, Chief Executive, to retire at the year end after 42 years with Croda. Mike will remain involved with the business as Senior Adviser**

- **Steve Foots, President, Croda Europe to become Chief Executive on 1 January 2012**

- **New dividend policy announced**
  - Annual pay-out increasing to between 40% and 50% of earnings

- **£25m returned to shareholders via the share buyback programme**
  - Buyback to continue in second half

Commenting on the results Martin Flower, Chairman, said:
“Croda has continued to make excellent progress in 2011 with quarter two representing a further improvement on the first three months of the year. This record performance has been achieved against tough comparatives, adverse currency translation and significant raw material cost inflation. Our innovation pipeline remains robust which, together with increased investment to satisfy demand for our products and support entry into new markets, will ensure Croda’s continued strong organic growth.

Mike Humphrey’s decision to retire at the end of the year concludes an extraordinary 13 years as Croda’s Chief Executive. As the principal architect of the Group’s strategy, Mike has played an instrumental role in Croda’s success, and I am delighted that he has agreed to remain involved with the business as Senior Adviser. Steve Foots is an ideal successor having been with Croda for over 20 years and on the Board for the last 12 months. Supported by a highly experienced and dedicated senior team, we are confident that Steve will continue Croda’s consistent track record of growth.

First half trading and our new dividend policy have resulted in an increase in the interim dividend to 24.75p, an uplift of 153.8% on last year’s interim payment.

The second half of the year has started well and we expect to make further progress compared with 2010 through the remainder of the year.”

For further information please contact:

Mike Humphrey, Group Chief Executive Tel: 01405 860551
Sean Christie, Group Finance Director

Charlie Armitstead, Financial Dynamics Tel: 07703 330 269

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.

Chief Executive's review

Trading – six months to 30 June 2011

We are pleased to announce another very strong quarterly performance, resulting in a record first half pre-tax profit from continuing operations of £124.8m (2010: £95.9m), an increase of 30.1%. Sales from continuing operations were up 9.3% at £559.6m (2010: £511.9m) notwithstanding adverse currency translation of 2.6%. Average prices were 14.9% ahead of the previous year despite adverse sales mix in both reporting segments.

Both business segments reported sales and profit growth in the half despite the adverse currency translation and significant raw material cost inflation. Tough comparatives were the main reason volumes were down 3.0% compared to 2010. We also saw slower sales in the United States as we reduced deliveries into our largest remaining distributor ahead of bringing this business in house.

We continued to pass on raw material inflation in full, protecting our margins in both segments.

Operating profit from continuing operations increased by 24.7% to £125.3m (2010: £100.5m) with the increased sales boosted by improved margins resulting from the launch of new products.

Interest costs fell as a result of both lower average borrowing levels and an increased pension financing credit.

A slightly reduced tax rate meant earnings per share from continuing operations increased at a higher rate than pre-tax profit with an uplift of 31.4% to 61.9p (2010: 47.1p).

Segment performance

Within Consumer Care, Crop Care saw the best growth, despite extremely challenging second quarter 2010 comparatives. Both Personal Care and Health Care made good progress throughout the period. Overall sales in Consumer Care increased 11.0% to £293.6m (2010: £264.4m) and operating profit increased 23.8% to £88.0m (2010: £71.1m).

In Industrial Specialities, Lubricant Additives and Coatings and Polymers experienced very strong sales growth. Sales of basic commodities also picked up and whilst this is an encouraging sign of some increase in global industrial activity, it diluted margins in this segment. Geo Technologies saw a significant sales shortfall in the second quarter against the prior year as 2010 had windfall sales due to the clean-up in the Gulf of Mexico. Home Care sales were slightly down but the other business areas made good sales progress. Overall, Industrial Specialities' sales increased 7.5% to £266.0m (2010: £247.5m) and operating profit was 26.9% higher at £37.3m (2010: £29.4m).

Quarter two trading

Sales and profits in the second quarter were higher in both segments than those seen in the first three months but the year on year uplift was lower than that seen in quarter one for the reasons described above. Sales were up 5.7% at £281.7m (2010: £266.4m) and pre-tax profit increased by 21.9% to £64.1m (2010: £52.6m).

Capital expenditure

We plan to spend around £60m this year on capital projects in order to satisfy demand for our existing product ranges and to enter new markets. This compares to a depreciation charge of approximately £32m. The new Omega 3 plant at Leek is in the final stage of commissioning and we have commenced work on the new Acrylic Polymers plant at Rawcliffe Bridge. Our spend in the first half was £25.3m (2010: £19.5m).

Cash flow
Despite the increased capital spend and the return of £57.3m to shareholders through dividends and buybacks, our borrowings only increased by £33.0m in the six months to June.

Balance Sheet
Net debt stood at £253.3m at the end of June 2011 (30 June 2010: £269.7m). Net debt to EBITDA was just under 1 times compared with our bank covenanted level of 3 times.

The post-tax pension deficit has reduced slightly since the year end to £97.1m (31 December 2010: £104.9m) on an IAS19 basis.

The Board
After over 42 memorable years with Croda I have decided to retire at the end of 2011. I am extremely pleased to be handing over to Steve Foots given his extensive knowledge of the company built up over 20 years. Steve currently heads up our European speciality business, which is the largest division within Croda. The Board has asked me to continue in a senior advisory role following my retirement and I look forward to continuing to work with Steve and the wider executive team. Croda is a terrific business with strong growth prospects and a dynamic and experienced management team. I am confident that the company will continue to prosper in the coming years. I only wish I was 10 years younger!

Mike Humphrey

Chairman's statement

The Board
I would like to thank Mike for all he has done for Croda in the 42 years he has been with the business. The transformation of Croda since he became Chief Executive is a testament to his vision and determination to create a unique and extremely successful company. I believe Steve and the rest of the team are extremely well equipped to carry on this work into the future.

Dividend policy
In light of the strong balance sheet position and the highly cash generative nature of Croda's business, the Board has decided to increase its annual dividend to between 40% and 50% of sustainable earnings. The interim dividend will be 40% of first half earnings. The final dividend will be set at such level as will take the full year dividend to the 40%-50% target pay-out ratio. As a result of this change in policy, the 2011 interim dividend payable on 7 October 2011 will be 24.75p, an increase of 153.8% on the 9.75p interim dividend declared in 2010. Subject to future trading and its continued prudent approach to cash and balance sheet management, Croda expects to maintain this dividend policy in coming years.

Share buyback
In addition to the £34.5m dividend paid in the first half, we returned £25.1m to shareholders though the share buyback programme. 1.3 million shares were bought at an average price per share of £18.74. We aim to continue the share buyback programme in the second half. Our target of around £50m remains unchanged.

Outlook
The second half of the year has started well and we expect to make further progress compared with 2010 through the remainder of the year.

Martin Flower

Statement of directors' responsibilities

The directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of 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 and any material changes in the related-party transactions described in the last Annual Report.

The directors of Croda International Plc at 30 June 2011 are listed in the Group's Annual Report for the year ended 31 December 2010. 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

27 July 2011

Independent review report to Croda International Plc

Introduction

We have been engaged by the Company to review the consolidated interim financial information in the interim financial report for the half-year ended 30 June 2011, which comprises the Group income statement, Group statement of comprehensive income and expense, Group balance sheet, Group statement of changes in equity, Group statement of cash flows, comparative figures and associated notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated interim financial information.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim 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 consolidated interim financial information included in this interim 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 consolidated interim financial information in the interim 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.

The maintenance and integrity of the Croda International Plc website 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 financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 consolidated interim financial information in the interim financial report for the half-year ended 30 June 2011 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.

PricewaterhouseCoopers LLP
Chartered Accountants
Leeds
27 July 2011

Group income statement

	Note	Unaudited £m		Audited £m
		2011 First half	2010 First half	2010 Full year
Continuing operations				
Revenue	2	**559.6**	511.9	1,001.9
Cost of sales		**(366.7)**	(343.5)	(684.4)
Gross profit		**192.9**	168.4	317.5
Operating expenses		**(67.6)**	(67.9)	(118.9)
Operating profit	2	**125.3**	100.5	198.6
Financial expenses	3	**(4.9)**	(5.3)	(10.7)
Financial income	3	**4.4**	0.7	4.4
Profit before tax		**124.8**	95.9	192.3
Tax		**(40.4)**	(31.8)	(62.5)
Profit after tax from continuing operations		**84.4**	64.1	129.8
Discontinued operations				
Non-exceptional loss after tax		**-**	(1.1)	(0.9)
Exceptional profit after tax		**1.6**	0.9	2.1
	5	**1.6**	(0.2)	1.2
Profit for the period		**86.0**	63.9	131.0
Attributable to:				
Non-controlling interests		**-**	0.2	0.2
Equity shareholders		**86.0**	63.7	130.8
		86.0	63.9	131.0
		pence per share	pence per share	pence per share
Earnings per share of 10p				
Basic				
Total		**63.1**	46.9	96.1
Continuing operations		**61.9**	47.1	95.4
Diluted				
Total		**61.8**	45.9	94.1
Continuing operations		**60.6**	46.3	93.4
Ordinary dividends				
Interim		**24.75**	9.75	9.75
Final				25.25

Group statement of comprehensive income and expense

	Unaudited £m		Audited £m
	2011 First half	2010 First half	2010 Full year
Profit for the period	**86.0**	63.9	131.0
Other comprehensive income/(expense)			
Currency translation differences	**1.4**	2.9	9.1
Movement in fair value of cash flow hedges	**-**	0.3	0.3
Actuarial movement on retirement benefit liabilities	**(0.8)**	(35.6)	3.7
Deferred tax on actuarial movement on retirement benefit liabilities	**0.7**	11.1	(1.2)
Total comprehensive income for the period	**87.3**	42.6	142.9
Attributable to:			
Non-controlling interests	**0.2**	0.2	0.3
Equity shareholders	**87.1**	42.4	142.6
	87.3	42.6	142.9

Group balance sheet

	Note	Unaudited £m		Audited £m
		At 30 June 2011	At 30 June 2010	At 31 December 2010
Assets				
Non-current assets				
Intangible assets		**204.1**	202.8	203.5
Property, plant and equipment	**6**	**330.8**	313.9	319.4
Investments		**13.8**	13.7	14.0
Deferred tax assets		**64.2**	85.0	68.1
		612.9	615.4	605.0
Current assets				
Inventories		**180.9**	145.4	164.6
Trade and other receivables		**171.5**	179.7	146.2
Cash and cash equivalents		**42.8**	39.4	64.8
Assets classified as held for sale		-	-	0.6
		395.2	364.5	376.2
Liabilities				
Current Liabilities				
Trade and other payables		**(175.9)**	(184.8)	(178.5)
Borrowings and other financial liabilities		**(23.5)**	(242.4)	(3.3)
Provisions		**(15.6)**	(23.0)	(17.9)
Current tax liabilities		**(24.9)**	(21.1)	(16.6)
		(239.9)	(471.3)	(216.3)
Net current assets		**155.3**	(106.8)	159.9
Non-current liabilities				
Borrowings and other financial liabilities		**(272.6)**	(66.7)	(281.8)
Other payables		**(4.3)**	(3.0)	(4.8)
Retirement benefit liabilities		**(136.1)**	(201.2)	(147.8)
Provisions		**(10.9)**	(19.5)	(13.3)
Deferred tax liabilities		**(41.9)**	(35.5)	(43.0)
		(465.8)	(325.9)	(490.7)
Net assets		**302.4**	182.7	274.2
Shareholders' equity		**302.2**	180.9	273.1
Non-controlling interests in equity		**0.2**	1.8	1.1
Total equity		**302.4**	182.7	274.2

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 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
Unaudited						
At 1 January 2011	15.1	93.3	36.1	128.6	1.1	274.2
Profit for the period attributable to equity shareholders	-	-	-	86.0	-	86.0
Other comprehensive income/(expense)	-	-	1.2	(0.1)	-	1.1
Transactions with owners:						
Dividends on equity shares	-	-	-	(34.5)	-	(34.5)
Share based payments	-	-	-	1.4	-	1.4
Consideration received for sale of own shares held in trust	-	-	-	0.2	-	0.2
Purchase of treasury shares	-	-	-	(25.1)	-	(25.1)
Total transactions with owners	-	-	-	(58.0)	-	(58.0)
Transactions with non-controlling interests:						
Currency translation differences	-	-	-	-	0.2	0.2
Sale of shares to non-controlling interests	-	-	-	-	(1.1)	(1.1)
Total transactions with non-controlling interests:	-	-	-	-	(0.9)	(0.9)
Total equity at 30 June 2011	15.1	93.3	37.3	156.5	0.2	302.4

Other reserves comprise the Capital Redemption Reserve of £0.9m (31 December 2010: £0.9m) and the Translation Reserve of £36.4m (31 December 2010: £35.2m)

Group statement of cash flows

	Note	Unaudited £m		Audited £m
		2011 First half	2010 First half	2010 Full year
Cash flows from operating activities				
Continuing operations				
Operating profit		**125.3**	100.5	198.6
Adjustments for:				
Depreciation and loss on disposal of fixed assets		**16.0**	16.9	34.1
Changes in working capital		**(51.9)**	(27.3)	(16.1)
Pension fund contributions in excess of service cost		**(8.1)**	(8.0)	(16.7)
Share based payments		**5.5**	4.5	8.2
Movement on provisions		**(4.2)**	(7.4)	(13.7)
Cash generated from continuing operations		**82.6**	79.2	194.4
Discontinued operations		**-**	(6.3)	(6.0)
Interest paid		**(4.9)**	(5.2)	(10.7)
Tax paid		**(29.1)**	(24.8)	(45.9)
Net cash generated by operating activities		**48.6**	42.9	131.8
Cash flows from investing activities				
Acquisition of non-controlling interests		**-**	-	(1.0)
Purchase of property, plant and equipment	**6**	**(24.1)**	(19.5)	(40.8)
Purchase of intangible assets		**(1.2)**	-	(0.5)
Proceeds from sale of property, plant and equipment		**0.1**	0.3	0.5
Proceeds from sale of businesses (net of costs)		**3.1**	16.6	14.1
Cash paid against non-operating provisions		**(0.5)**	(5.4)	(8.5)
Interest received		**0.4**	0.2	0.8
Net cash absorbed by investing activities		**(22.2)**	(7.8)	(35.4)
Cash flows from financing activities				
Additional borrowings		**12.6**	65.8	284.0
Repayment of borrowings		**(23.7)**	(81.1)	(324.7)
Net transactions in own shares		**(22.6)**	0.6	2.1
Dividends paid to equity shareholders	**4**	**(34.5)**	(20.4)	(33.8)
Dividends paid to non-controlling interests		**-**	(0.1)	(0.2)
Other		**-**	-	(0.5)
Net cash absorbed by financing activities		**(68.2)**	(35.2)	(73.1)
Net movement in cash and cash equivalents		**(41.8)**	(0.1)	23.3
Cash and cash equivalents brought forward		**62.5**	37.2	37.2
Exchange differences		**0.1**	-	2.0
Cash and cash equivalents carried forward		**20.8**	37.1	62.5
Cash and cash equivalents carried forward comprise:				
Cash at bank and in hand		**42.8**	39.4	64.8
Bank overdrafts		**(22.0)**	(2.3)	(2.3)
		20.8	37.1	62.5

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 27 July 2011.

The financial information included in this interim financial report for the six months ended 30 June 2011 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 2010 is also unaudited. The comparative figures for the year ended 31 December 2010 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 six months ended 30 June 2011 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 2010, available on the Group's website (www.croda.com), which were prepared in accordance with IFRSs as adopted by the EU.

Going-concern basis

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

c. Accounting policies

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 2010 as described in those statements. The following new standards, amendments to existing standards or interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

- IFRS 9, `Financial instruments', issued in November 2009 and applicable from 1 January 2013 (subject to endorsement by the EU). The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.

Tax policy

Taxes on income in interim periods are accrued using the tax rate that would be applicable to the expected total Group annual profit or loss.

2. Segmental information

At 30 June 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. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis.

2. Segmental information (continued)

	2011 First half £m	2010 First half £m	2010 Full year £m
Revenue - continuing operations			
Consumer Care	**293.6**	264.4	516.4
Industrial Specialities	**266.0**	247.5	485.5
	559.6	511.9	1,001.9
Operating profit - continuing operations			
Consumer Care	**88.0**	71.1	136.5
Industrial Specialities	**37.3**	29.4	62.1
	125.3	100.5	198.6

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

The Group's revenue from external customers in the UK is £27.3m (2010: £26.0m), in Germany is £65.1m (2010: £55.0m), in the US is £119.3m (2010: £117.1m) and the total revenue from external customers from other countries is £347.9m (2010: £313.8m).

No external customer represents more than 3% of the total revenue of the Group.

3. Net financial expenses

	2011 First half £m	2010 First half £m	2010 Full year £m
Financial expenses			
Bank interest payable	**4.9**	5.3	10.7
	4.9	5.3	10.7
Financial income			
Bank and other interest receivable	**(0.8)**	(0.6)	(2.1)
Expected return on pension scheme assets less interest on scheme liabilities	**(3.6)**	(0.1)	(2.3)
	(4.4)	(0.7)	(4.4)
Net financial expenses	**0.5**	4.6	6.3

4. Dividends paid

	Pence per share	2011 First half £m	2010 First half £m	2010 Full year £m
Ordinary				
2009 Final - paid June 2010	15.00	**-**	20.4	20.4
2010 Interim - paid October 2010	9.75	**-**	-	13.3
2010 Final - paid June 2011	25.25	**34.5**	-	-
		34.5	20.4	33.7
Preference (paid June and December)		**-**	-	0.1
Dividends paid to non-controlling interests		**-**	0.1	0.2
		34.5	20.5	34.0

An interim dividend in respect of 2011 of 24.75p per share, amounting to a total dividend of £33.7m, was declared by the directors at their meeting on 27 July 2011. This interim report does not reflect the 2011 interim dividend payable. The dividend will be paid on 7 October 2011 to shareholders registered on 2 September 2011.

5. Discontinued operations

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

In April 2009 the Group announced the closure of its operations at Bromborough in Merseyside, United Kingdom. During 2010 an exceptional credit of £3.0m was recognised in relation to this business. In June 2011 the final stage payment of £1.0m in respect of the sale of the site was received and has been disclosed as an exceptional profit.

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

	2011 First half £m	2010 First half £m	2010 Full year £m
Operating loss of discontinued operations	**-**	(1.6)	(1.4)
Profit on disposal and closure of discontinued operations	**1.6**	2.1	3.9
Tax	**-**	(0.7)	(1.3)
Total profit/(loss) after tax from discontinued operations	**1.6**	(0.2)	1.2

6. Property, plant and equipment

	2011 First half £m	2010 First half £m	2010 Full year £m
Opening net book amount	**319.4**	341.8	341.8
Exchange differences	**3.3**	(1.7)	2.2
Additions	**24.1**	19.5	41.2
Business disposals and closures	**-**	(28.0)	(28.3)
Other disposals and write offs	**(0.1)**	(0.3)	(1.4)
Depreciation charge for period	**(15.9)**	(17.4)	(32.9)
Reclassifications	**-**	-	(3.2)
Closing net book amount	**330.8**	313.9	319.4

At 30 June 2011 the Group had contracted capital expenditure commitments of £9.6m (2010: £11.2m).

7. Treasury shares

During the period covered by this interim report the Company purchased 1,333,874 shares on the open market to be held as treasury shares for a consideration of £25.1m. Of this £25.1m, transactions with a value of £2.3m were contracted late in June but consideration was not paid until early July, this element of consideration has thus been accrued in the Group balance sheet at 30 June 2011.

8. Reconciliation to net debt

	2011 First half £m	2010 First half £m	2010 Full year £m
Net movement in cash and cash equivalents	**(41.8)**	(0.1)	23.3
Movement in debt and lease financing	**11.1**	15.3	41.2
Change in net debt from cash flows	**(30.7)**	15.2	64.5
New finance lease contracts	**-**	-	(0.4)
Exchange differences	**(2.3)**	3.6	4.1
	(33.0)	18.8	68.2
Net debt brought forward	**(220.3)**	(288.5)	(288.5)
Net debt carried forward	**(253.3)**	(269.7)	(220.3)

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 in 2006.

The environmental provision relates to soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, principally in Europe and the Americas. The remaining restructuring provisions relate to the final stages of the integration of 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 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 2011 and that the balance will be largely utilised during 2012. 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.

(ii) Goodwill and fair value of assets acquired - 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 2010 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. Total Group retirement benefit liabilities have reduced by £11.7m in the first half of 2011 to £136.1m, due largely to contributions into the scheme exceeding the service cost in the period.

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 11 and 12 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 systems failure, management of pension fund assets and working capital management.

11. Related party transactions

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