Success through Innovation

Annual Report & Accounts 2008

CRODA

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Innovation has nothing to do with how much you spend on R&D. It's about the people you have, how they're led and how much you get it.
Steve Jobs

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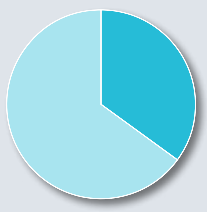
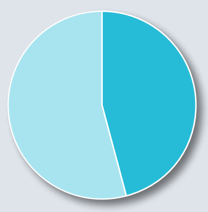
Financial highlights

	2008	2007
Revenue - continuing operations	£956.4m	£804.8m
Profit before tax - continuing operations before exceptional items	£98.4m	£60.8m
Profit before tax - total before exceptional items	£103.1m	£74.7m
Profit before tax	£98.4m	£55.2m
Earnings per share - continuing operations before exceptional items	49.6p	29.7p
Earnings per share - total before exceptional items	51.7p	37.1p
Earnings per share - basic	45.3p	64.8p
Dividends per share	19.75p	15.75p
Gearing	150.1%	166.6%



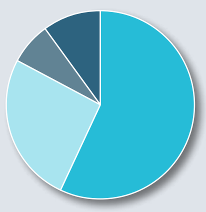
Sales by market 1998

Consumer Care	35%
Industrial Specialities	65%



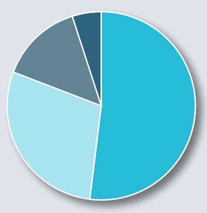
Sales by market 2008*

Consumer Care	46%
Industrial Specialities	54%



Sales by destination 1998

Europe	57%
Americas	26%
Asia	7%
Rest of World	10%



Sales by destination 2008*

Europe	52%
Americas	29%
Asia	14%
Rest of World	5%

* Continuing operations

Chairman's statement

I am very pleased to announce that 2008 was another year of excellent progress for Croda. The Group's ability to produce record sales and profits demonstrates the robustness of the underlying business and the continuing strength in our core market sectors. Furthermore, these results were achieved despite a difficult economic environment with steeply rising raw material costs in the first half and weak industrial markets, particularly in the second half. Overall, the Group saw double digit sales and profit growth in every quarter, with our Consumer Care business trading particularly well.

Results

Turnover increased by 18.8% to £956.4m (2007: £804.8m). Average selling prices were up 18.5%, more than compensating for the 11.2% volume shortfall caused by our deliberate strategy of reducing the ex-Uniqema commodity business and weak industrial markets in the second half. Currency translation added a further 11.5% to the growth. Turnover in our core Consumer Care division was up 28.0% and up 11.9% in Industrial Specialities.

Continuing pre-tax profit before exceptional items increased by 61.8% to £98.4m (2007: £60.8m). Earnings per share before exceptional items increased by 39.4% to 51.7p (2007: 37.1p), despite the dilution from the business disposals discussed below.

Disposals

We disposed of our associate, Baxenden Chemicals, in February 2008 to Chemtura Corporation for £13.0m and our Chicago Oleochemical business was sold to H.I.G. Capital LLC in May 2008 for £46.8m. These disposals further reduced Croda's exposure to commodity and industrial markets.

Dividend

In 2007, we changed our dividend policy from one of modest dividend growth, whilst building dividend cover, to payouts growing more in line with earnings. As a consequence of the strong trading performance, the Board has increased the final dividend by 25.5% to 13.55p, making a total of 19.75p for the year. This represents an increase of 25.4% versus the 15.75p paid out for 2007.

Outlook

We have started 2009 in line with expectations. The broad trading trends of resilient Consumer Care demand, weaker industrial markets and favourable currency translation are continuing. We are confident of making further progress in the year ahead.

Martin Flower
Non-executive Chairman

Martin Flower Non-executive Chairman

The best way to predict the future is to **invent** it.
Alan Kay

Wind turbine at Hull factory Croda was the first chemical company in the UK to build and operate a 2MW wind turbine to cut costs and CO_2 emissions. The turbine is producing 40% of the Hull site's electricity needs and exporting any excess to the national grid.

Chief Executive's review

The heart and soul of the company is creativity and **innovation**.
Robert Iger

Depilene Retards hair growth – new in antiperspirants in 2009.

Mike Humphrey Group Chief Executive

2008 was the most tumultuous and difficult year in living memory for the global chemical industry. The first half was characterised by unprecedented rises in raw material and energy costs. The second half saw a precipitous fall in demand in markets related to vehicles, consumer durables and construction. Ten years ago we decided to focus on markets that had intrinsic growth in good times and bad, and it is this strategic focus that has enabled Croda to weather the storms and produce record sales and profits.

40% reduction of hair after a 2-month treatment

Full Year Results

For the full year, we increased continuing pre-tax profit before exceptionals by 61.8% to a record £98.4m. This was achieved by the hard work of the whole team in completing the integration of Uniqema, in the timely disposal of non-core businesses and our relentless focus on pricing in the face of rampant raw material cost inflation. In our Consumer Care business we maintained our target margins and improved turnover by 28.0%. Innovation is the key driver in these attractive markets, coupled with the unrivalled quality of our product offering and the strong technical sales and marketing teams across the world.

The result from Industrial Specialities was even further ahead, with profits up from £8.9m to £24.8m. As discussed elsewhere, some of this increase came from the abnormally high glycerine prices, which have now fallen back. Also, most of the markets served by this business were substantially depressed in the second half of 2008.

Current and Future Market Trends

Consumer Care

In spite of strong macro economic headwinds, sales rose 28.0% in 2008, with the strongest growth in the fourth quarter. Within Consumer Care, there are four sectors – Personal Care, Health Care, Home Care and Crop Care.

Personal Care

The main drivers of the continued global growth in this market are vanity and an ageing population. Other major drivers include a move to "naturals" and ever more stringent quality standards. The industry has a growing appetite for innovation and Croda is recognised as a world leader in speciality ingredients for the whole range of Personal Care products. Added impetus to growth is provided by the rapid evolution of developing markets such as Asia and Latin America. We expect these factors to continue to underpin growth in global personal care markets for the foreseeable future. Croda's ingredients represent a very small proportion of the final selling price of a personal care product, but they are often the reason the product has an effect and, perhaps, more importantly, sells. The pipeline of new products continues to grow from our research teams across the world, which gives us great confidence that we can maintain our position of leadership in this vibrant market.

Chief Executive's review

Never before in history has **innovation** offered promise of so much to so many in so short a time.
Bill Gates

Health Care

The main drivers in this market are the developed world's increasing focus on well-being, the ageing population demographic and a move to "natural" self medication. These factors have meant high growth rates and we expect these to continue even during a global slowdown. Croda's two main areas of expertise are in excipients and in essential fatty acids. Excipients are the vehicles for topical medicaments which may also aid recovery, such as high purity lanolin in wound care. Croda is also a world leader in the production of high purity essential fatty acids, such as Omega 3 lipids for nutritional supplements and, increasingly, for therapeutic treatment of heart and inflammatory problems.

Home Care

The global market for household products has seen many years of growth. The market is driven by a growing global population, hygiene and pride in the appearance of one's home. Croda provides natural solutions to a market that is moving inexorably towards more biodegradable and concentrated products with lower environmental impact. Innovation is at the forefront of the major household product companies and Croda's historic expertise in natural ingredients makes us an ideal partner in formulating products ranging from fabric softeners to toilet cleaners.

Crop Care

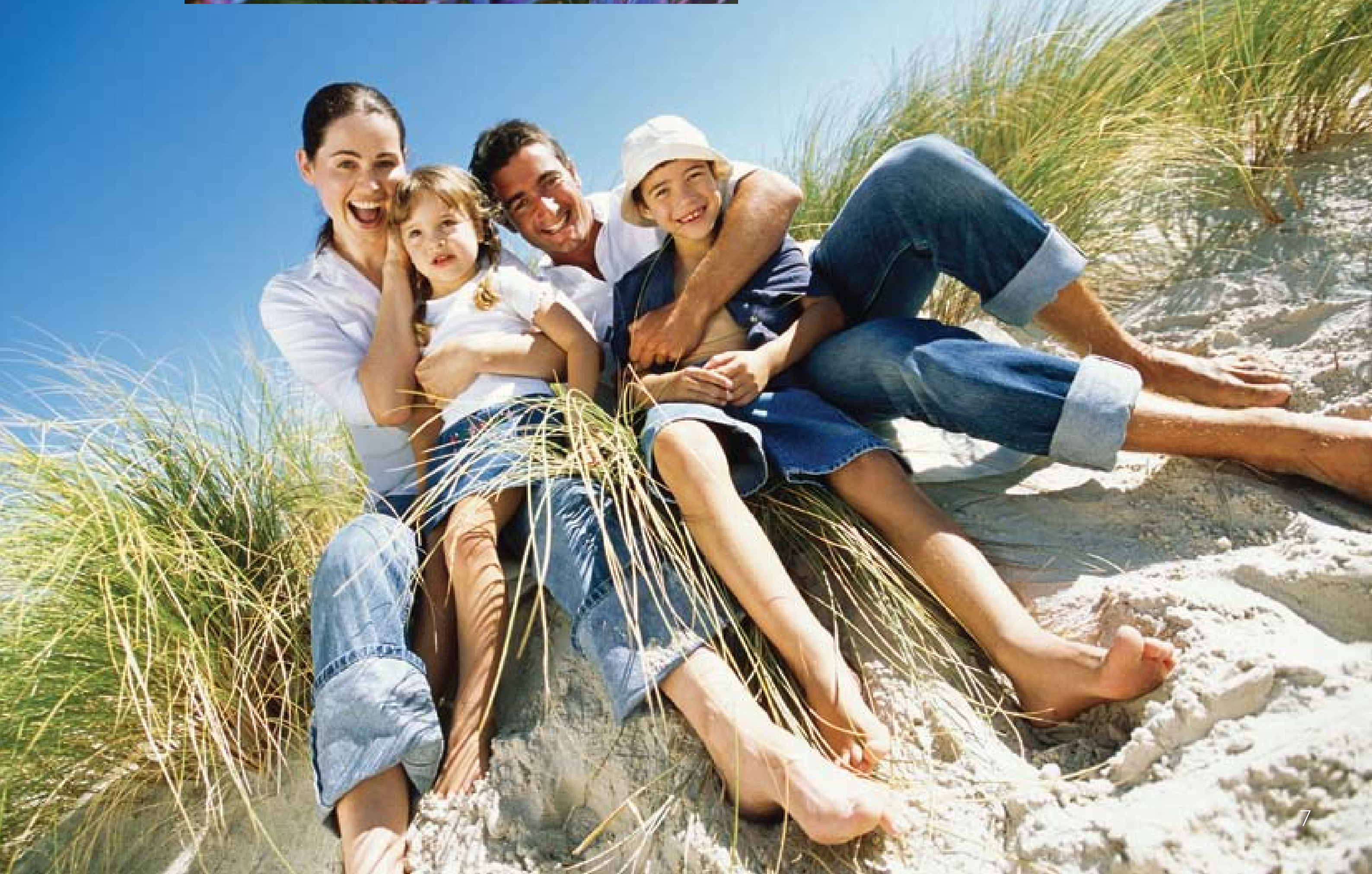
The key drivers in this market are the growing food demands of a rapidly expanding global population, coupled with the pressure on agrochemical companies to constantly reduce their environmental impact. Croda is a world leader in the design and production of adjuvants and vehicles for a variety of agrochemical actives and works with all the major companies in the market. This was one of our fastest growing sectors in 2008 and the market is expected to show good progress in the future.

Industrial Specialities

The main parts of this business are Polymer Additives, Lubricant Additives and Coatings Additives plus a number of smaller market areas such as water treatment.

These businesses are more exposed to the industries most affected by the current recession. Demand in the second half of 2008 was reduced and we expect this to continue in the first half of 2009. In spite of the second half severe downturn in the more industrial markets, the business overall grew sales by 11.9% in 2008. Sales in the fourth quarter actually declined by 15.7%. Our strategy has been to reduce our exposure to the more commoditised products in the portfolio and the recent market shocks have convinced us that we are moving in the right direction.

Vegetable Omega 3 The value to human health of Omega 3 supplements is now accepted by the worldwide medical profession. Until now, the only viable source of these fatty acids was marine oil. Croda has patented Omega 3 products derived from echium oil, a plant seed oil. This has taken many years to commercialise through crop development and larger scale planting.



LoVoCoat A green innovation for the surface coatings industry which allows the incorporation of more water, resulting in more environmentally friendly paints.

Chief Executive's review

Creativity is thinking up new things.
Innovation is doing new things.
Theodore Levitt

These operations are more exposed to global GDP trends, but our focus on innovating the product range and on more speciality products has helped soften the blow of the global downturn. Operating profits for 2008 in Industrial Specialities almost trebled and, although boosted to a certain extent by favourable glycerine pricing, this result is a testament to our plan to improve the product mix and adhere strictly to a price before volume policy.

We expect these markets to remain depressed during the first half of 2009. We will continue the planned restructuring in this business to ensure its exposure to the more commodity oleochemicals markets is substantially reduced.

Strategy

Our strategy has been unchanged for ten years. We aim to be a leading, independent, global speciality chemicals company. We only invest in businesses if they can be truly global, can create innovative technology, can operate in markets with long term growth significantly higher than global GDP and can realistically sustain high operating margins.

Our success is predicated on choosing the right markets and our focus markets have been selected based on these criteria. But choosing correctly is not enough. We have also invested in innovative plant and processes to enhance our leadership position. We have an innovation culture deeply embedded in the whole Croda organisation, especially in our Research teams and our global Sales and Marketing units. We are also innovative in our responses to the global challenges to society and the environment.

Our operating companies are set sales, profit growth and operating margin targets that form the basis of our budgets and strategic plans. We report annually on our progress against five key financial performance indicators:

- Return on sales
- EPS growth
- Post tax ROIC
- Net debt to EBITDA
- EBITDA to interest cover

Our relentless focus on our customers and on innovation has brought us success in the past and we will continue this focus to create our future success

Mike Humphrey
Group Chief Executive

Financial review

Pre-tax profit

The operating results for the continuing businesses are discussed in the Chairman's Statement and the Chief Executive's Review.

Continuing operating profit before exceptionals was up 38.2% at £114.7m (2007: £83.0m). Currency translation accounted for £10.2m of the increase and £6.2m came from favourable glycerine pricing.

Net financial expenses were lower in 2008 at £16.3m due to lower interest rates and a higher pension funding credit which resulted in a pre-tax profit figure before exceptionals of £98.4m, up 61.8% on 2007. Pre-tax profit including discontinued activities was £103.1m (2007: £74.7m), an increase of 38.0%.

Glycerine

Our results for the year were enhanced by very favourable glycerine pricing, worth £6.2m versus 2007. The major part (£4.9m) of this benefit came in the first half. Of the £1.3m benefit accruing to the second half, £1.7m occurred in the third quarter with a £0.4m adverse variance in the fourth quarter. As discussed in the interim results, this windfall benefit is not expected to be repeated in 2009.

Exceptional Items

Apart from the £8.6m net loss on sale from the disposals of Baxenden and Chicago (2007: £41.0m profit), there was no other impact on the income statement from exceptional items in 2008 (2007: £5.6m charge).

Earnings per Share

Across the Group we incurred a slightly lower tax rate of 32.0% (2007: 33.9%) helped by reducing rates in the United Kingdom, Germany and Italy. This enhanced the growth in earnings per share before exceptional items, which increased by 39.4% to 51.7p (2007: 37.1p).

Dividend

The final dividend will be increased by 25.5% to 13.55p making a total of 19.75p for the year, an increase of 25.4% versus the 15.75p paid out for 2007. Dividend cover increases to 2.6 times.

Debt and Liquidity

Despite strong underlying cash generation and disposals our net debt increased to £398.1m from £366.0m last year due to £60.5m of currency translation and the effect of raw material price inflation on inventories.

At year end exchange rates we have £476m of committed bank facilities plus a number of uncommitted credit lines. The majority of the committed facilities run to June 2011.

Debt/EBITDA for 2008 stood at 2.6 times (2007: 2.8 times) despite the adverse year end currency translation. This is well within our covenanted level of 3 times. EBITDA interest cover was 9.4 times for the year (2007: 5.8 times), again exceeding the covenanted level of 4 times.

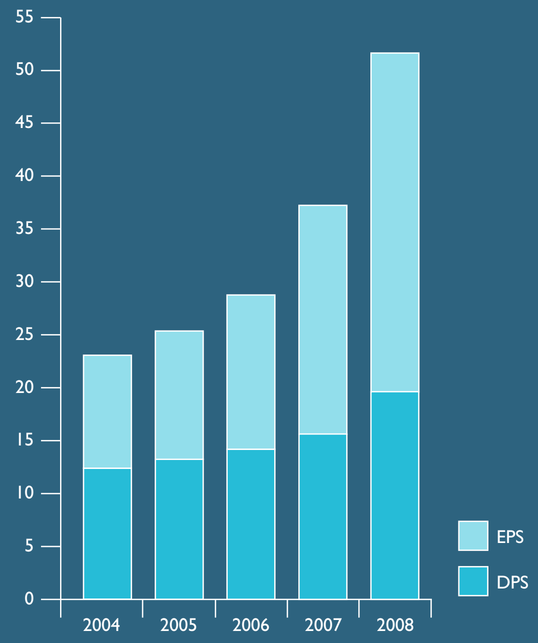
Pensions

On an IAS19 basis, our pension deficit stood at £88.5m at the year end (2007: £59.3m). This is little changed from the half year despite volatile financial markets. The currency benefit from having a proportion of our assets overseas has softened the effect of falling equity markets. Within the total, the main scheme in the UK has a small surplus of £1.8m (2007: £7.5m deficit). The largest deficits are in the US schemes (£43.2m) and the unfunded German schemes (£34.1m).

In 2008 interest costs in the income statement (but not the cash flow) benefited from a pension funding credit of £7.1m (2007: £5.0m). As a result of the increased pension deficit and fall in gross asset and liability values, the figure for 2009 is expected to be close to zero.

The triennial valuation of the UK fund is underway with 1 October 2008 as the reference date. The increased deficit versus 2005 is likely to result in a moderately higher cash contribution to the pension fund in 2009 than that seen in 2008.

Sean Christie Group Finance Director



EPS and dividend

Financial KPIs

Performance on our 5 key KPIs (before exceptionals) is shown in the following table:

	Target	2008	2007
Return on sales	>15%	**12.0%**	10.3%
EPS growth	+5-10%	**+39.4%**	+28.4%
Post tax ROIC	>WACC	**9.8%**	8.1%
Debt/EBITDA	<3x	**2.6x**	2.8x
EBITDA interest cover	>4x	**9.4x**	5.8x

All KPIs showed a substantial improvement over 2007 and all were ahead of target except return on sales where we continue to make significant progress towards our goal. The return on sales target subdivides into 20% for Consumer Care, which we are achieving, and 10% for Industrial Specialities which is where the shortfall arises. As Croda moves away from commodities (apart from by-products arising from speciality manufacture) we will move closer to our target margin in this division.

Risk Management

Croda co-ordinates its approach to risk management globally through its Risk Management Committee. This committee is chaired by the Finance Director and comprises the heads of each global business unit, the Group Financial Controller and the Company Secretary. It meets quarterly and reports directly to the Board.

Risks facing the group are regularly reviewed and the committee evaluates the controls and procedures we have in place to mitigate these risks.

The key risks facing Croda are ranked in order of a combination of economic consequence and likelihood of occurrence as follows:

People and Process

Major site event involving the loss of a site

Significant operational problems could have an adverse effect on Croda's financial position. We are reliant on the continued operation of various manufacturing sites.

Loss of key personnel

We rely on employees such as divisional boards and technical experts whose vision and knowledge is critical to maintaining the companies' success. We have procedures in place to identify and retain key employees and develop succession plans for key positions.

Interruption of raw material supply

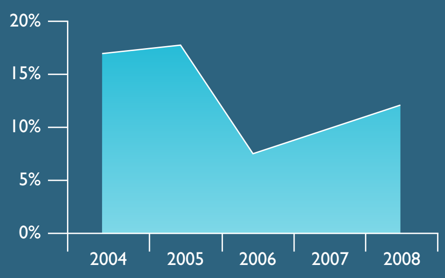
Interruption of key raw materials would significantly impact operations and our financial position. Interruption of supply could arise from implementation of new more rigorous legislation, or from market shortage. We purchase key raw materials under long term contracts and manage our raw materials stock levels taking these considerations into account.

Major environmental incident

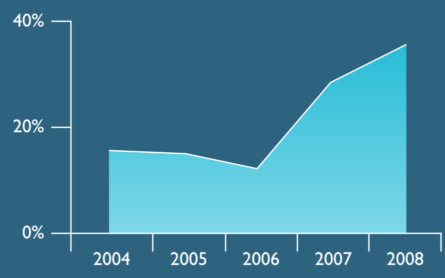
Violations of environmental, health and safety regulations could limit operations and expose the company to liability, cost and reputational impact. In addition to maintaining compliance with national and international standards, we maintain strictly audited internal safety and health programmes.

Financial review

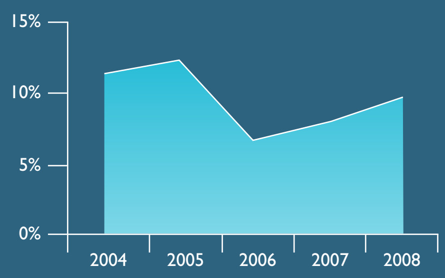
Financial KPIs



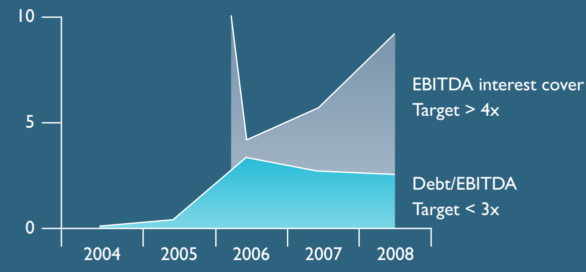
Returns on sales - target 15%



EPS growth - target 5-10% pa



ROIC - target > WACC



Debt ratios

External environment

Product liability

Croda sells into a number of highly regulated markets. Non compliance with quality regulations could expose the company to liability. Quality management procedures are in place for each site, and all manufacturing sites hold or are working towards ISO9001 standards, and this year major sites have been audited against Good Manufacturing Practice (GMP) standards.

Regulatory compliance

As a chemical producer, Croda is subject to a number of National Chemical legislations and violation of these could limit markets into which we can sell. The most significant legislation currently facing the Group is the implementation of REACH (Registration, Evaluation and Authorisation of Chemicals) in Europe. We have introduced a range of procedures which will ensure that we are well prepared for the new regulations and pre-registration has been completed for all relevant chemicals.

Business systems

IT systems failure

Croda relies on IT systems to operate effectively and efficiently and to facilitate communication globally. Failure of these systems for a prolonged period of time will have an impact on operations and ultimately our financial position.

Following the acquisition of Uniqema, Croda inherited a number of diverse IT systems. Failure to integrate these quickly (or failure of the systems themselves) will hinder effective communication throughout the group and distract focus.

We have a Global IT group who are experienced in IT implementation and back up processes and we have hot standby systems in place.

Financial

Management of pension fund assets

Croda has legal commitments relating to provision of pensions and the operation of the pension scheme. Pension fund assets are managed by independent investment managers but in current market conditions increased future funding requirements may have an adverse effect on Croda's financial position.

Working capital management

Cash flow generation from the effective management of working capital is required to support the cash outflows arising from servicing of debt, capital programmes, and pension fund requirements.

A nominated member of the risk committee is responsible for ensuring best practice is followed in tackling each risk area and that continuous progress is made in reducing the risks faced by the Group.

All divisions, sites and certain functions have risk registers relevant to their area which are reviewed by internal audit to ensure they are appropriate and the necessary controls are in place.

Sean Christie
Group Finance Director

Innovation is the central issue in economic prosperity.
Michael Porter

Sustainable energy A major project at our Emmerich site was the installation of two new triple action steam generators, capable of burning gas, side streams and all of the site's volatile organic compound (VOC) streams. This not only gave cost savings but led to a reduction in greenhouse gas emissions.

Safety, health and the environment

Croda International Plc Safety, Health and Environment policy

Croda is a manufacturer of speciality chemicals currently employing approximately 3,500 people worldwide.

The Company operates its business in a manner which actively seeks to prevent or minimise the possibility of its operations causing harm to people, plants or animals. We strive to provide the resources to educate and involve every individual in the Company in achieving this objective.

It is my belief that aspiring to excellence in the management of safety, health and the environment is vital to ensuring the long term future and profitability of the Company.

Principles:

1. We believe that all accidents, incidents and work related ill health are preventable and we manage our business with this aim, including the provision of adequate resources for the prevention of major accident hazards.
2. Because we are human, mistakes can be made; but because we are committed, intelligent human beings, we investigate to identify the basic causes and take action to prevent these mistakes being repeated.
3. As an absolute minimum we will comply with all national regulations but in addition we set our own demanding internal corporate standards on matters relating to safety, health and the environment and endeavour to comply with them throughout our international operations.
4. Site management teams within the Company are measured for their contribution to the continuous improvement of safety, health and environmental performance in their area of responsibility. Individual employees each have a responsibility to participate in and contribute to the improvement of the corporate SHE performance.
5. We will continue to search out new ways of conserving all the natural resources used in our processes.
6. We will continue to innovate in order to improve our products and processes so that their effect on safety, health and the environment is reduced.
7. We will continue to improve communication and the exchange of views with employees, employee representatives, customers, contractors, suppliers, neighbours and any other individual or organisation affected by our business.

We have assessed the significant safety, health and environmental hazards posed by the Company's activities, and an appropriate set of arrangements has been implemented to control these hazards. The effectiveness of these arrangements is monitored and reviewed on a regular basis with action taken to redress any deficiencies and ensure continuous improvement.

Mike Humphrey
Group Chief Executive
Director responsible for SHE

From this point forward, **innovation** will be the compass by which the company sets its direction.
Bill Ford

The Group controls its business by the delegation of much of its management responsibility, including SHE matters, to its site heads and senior managers.

The overall strategy, development of policy and review of SHE performance within the Group is controlled by the Group SHE Steering Committee. The Group SHE department assists in setting standards, providing guidance, brokering best practice and auditing the sites against international standards as well as Croda internal standards.

In 2007, a new Group SHE Manual was produced to combine the best practices available from Croda and Uniqema following the acquisition of Uniqema in September 2006. This document provides the framework upon which the individual site SHE management systems are based. Sites are regularly audited for compliance with this Manual and all Croda manufacturing sites have the objective of certification to BS EN ISO 14001 and BS OHSAS 18001 by the end of 2010.

The results of SHE audits and other relevant performance indicators are used to focus the Group SHE initiatives and the annual Group SHE objectives. The audit process, used by the Group SHE department to audit the manufacturing sites, has been externally validated by BSI in 2004 as being in accordance with BS EN ISO 19011 auditing guidelines for quality/environmental management systems.

Indicators of SHE performance

The Group has published annual safety, health and environmental objectives and targets since 2001.

A new set of five year continuous improvement targets for the key safety and environmental objectives were issued in 2007, using 2006 as the baseline and running until 2011.

Where necessary, the performance against these objectives and targets has been re-based on current manufacturing operations at the end of 2008.

Safety, health and the environment

Indicators of SHE performance

SHE management

Objective
To continually improve the effectiveness of our SHE management systems.

Target
All former Croda manufacturing sites to be certified to BS OHSAS 18001 by 2009.

All former Uniqema manufacturing sites to be certified to BS EN ISO 14001 and BS OHSAS 18001 by 2011.

The first target for all former Croda sites to be certified to BS OHSAS 18001 by 2009 has been successfully achieved. With respect to the second target, two of the former Uniqema sites are already certified to both BS EN ISO 14001 and BS OHSAS 18001 and the remaining nine sites are expected to achieve certification by the target date.

Energy consumption

Objective
To continually improve the energy efficiency of our manufacturing processes.

Target
Based on 2006, to improve energy efficiency (GJ/tonne manufactured) at all manufacturing sites by 2% each year (8% overall) until the end of 2010.

In 2008, the Group energy efficiency per tonne declined by 6.1% compared to 2007 and has declined by 7.7% since 2006. Overall energy use by the Group reduced by 3.6% compared to 2007 and has reduced by 9.25% since 2006. This was partly due to much reduced manufacturing volumes in 2008.

Progress with energy reduction projects is demonstrated by our continued compliance with the energy reduction targets of the UK Climate Change Agreement and the EU Emissions Trading Scheme. During the year, two sustainable energy projects were completed;

- a wind turbine capable of supplying 40% of the energy needs of the Hull site.
- a steam generator plant fuelled by waste combustible gases, biofuel and natural gas. In 2009, it is expected to provide 15% of the Emmerich site's energy needs from biofuel.

Air emissions of volatile organic compounds (VOCs)

Objective
To minimise the mass of VOCs released to air from our processes.

Target
Based on 2006, all manufacturing sites to reduce VOC emissions (kg/tonne manufactured) by 5% per year (20% overall) until the end of 2010.

In 2008, there was a 20.4% reduction in the amount of VOCs per tonne released to air compared to 2007 and an overall reduction of 18.8% since 2006. This improvement was due to major investment during the period to control the releases of VOCs.

Waste disposal

Objective
To minimise the quantities of waste disposed to landfill.

Target
Based on 2006, to reduce waste to landfill (kg/tonne manufactured) by 5% each year (20% overall) until the end of 2010.

The waste data relates to waste generated by the manufacturing operations. One off disposals of waste not directly associated with the manufacturing process, for example, construction excavations or contaminated land remediation, are excluded.

In 2008, waste disposed to landfill per manufactured tonne reduced by 18.0% compared to 2007 and has reduced by 31.4% since 2006.

Waste water discharges

Objective
To reduce the environmental impact the Group has on controlled waters.

Target
All manufacturing sites to achieve greater than 97.5% compliance with their effluent discharge consents in every year and for year on year continuous improvement towards 100% compliance.

In 2008, the compliance with our effluent discharge consents improved to 96.7% compared to 94.8% in 2007 and the baseline compliance of 90.8% in 2006.

Consumption of mains water

Objective
To reduce the Group requirements for mains water.

Target
All manufacturing sites to reduce the use of mains water (m^3 per tonne manufactured) by 25% per tonne manufactured by 2009.

In 2008, the mains water used per manufactured tonne increased by 15.1% compared to 2007 and has increased by 19.5% since 2006*. Overall mains water used by the Group has increased by 0.8% since 2006. Again this is due to the reduced manufacturing tonnage in 2008.

*In November 2007 the Atlas Point site acquired an adjacent company with which it already shared utility services. It has not been possible to accurately separate the respective use of mains water by the two sites prior to this time and the data for the site has been omitted from the calculation of this performance objective.

Safety, health and the environment

The world leaders in **innovation** and creativity will also be world leaders in everything else.
Harold R. McAlindon

SHE initiatives 2008

Personal accidents

In 2008, there was an increase in the reportable accident rate of 0.27 to 0.35 per 100,000 man hours, taking Croda just above the industry average of 0.32. The Group takes this increase very seriously and has started several initiatives to increase personal awareness of hazards, better accident reporting and improved communication around the Group of lessons to be learned from accident investigations.

Process safety performance

Croda recognises that whilst the personal injury accident rate is an important indicator of SHE performance, it is also critical to monitor those events which might lead to process incidents. Very infrequently such an event can result in a catastrophic accident. It is important that these events are recognised so that remedial action can be taken and the risk of a catastrophic accident reduced. As reported last year the Group has developed and implemented a system for monitoring the performance of those engineering control measures which are critical to the safe operation of its processes.

This initiative has now taken the form of a set of Group process safety objectives.

Assessment of process risks
Objective To assess the individual risk of fatality from the site activities and to identify whether this risk meets a recognised criterion.
Target To use improved risk assessment techniques to confirm that the individual risk of fatality from site activities meets the Group criterion by end of 2009.

Control of process risks

Objective
To demonstrate and monitor the effectiveness of control for each process.

Target
To clearly and concisely record the critical parameters and controls that are in place for the safe operation of all processes by the end of 2009.

To develop a system to monitor, investigate and report all significant deviations from the safe process conditions by the end of 2009.

Review of process risks

Objective
To regularly review the process risk assessments.

Target
To develop a programme to ensure that all process risk assessments are reviewed at least once every five years.

To monitor the timely completion of the review programme.

Reduction of process risk

Objective
To reduce process risks to as low as reasonably practicable.

Target
To ensure that actions arising from process risk assessments are prioritised and appropriately managed.

To monitor completion rates of all actions.

During the final quarter of 2008 the Group commenced a series of lengthy detailed audits of the process safety management system at each of our manufacturing sites against the standards identified in the Group SHE Manual.

Enforcement action

In 2008, the Group was prosecuted in the UK by the Environment Agency for an unauthorised release to air and was fined £24,000 plus costs.

The Group was also fined $5,500 plus costs in the USA for a failure to perform leak detection and repair procedures in the second half of 2005. This was prior to the acquisition of the site by Croda in September 2006.

The Group also reached an out of court settlement with the Public Prosecutor in Holland for alleged waste disposal offences during 2004 to 2006. This period was prior to the acquisition of the site by Croda in September 2006.

Board of directors

Martin Flower
Non-executive Chairman

Martin Flower was appointed to the Croda Board in May 2005 and became Chairman at the end of September 2005. He is chairman of the Nomination Committee and a member of the Remuneration Committee. He formerly held various senior executive positions over 36 years with Coats plc, culminating in a period as Chairman before his retirement in 2004, and he was Deputy Chairman and Senior Independent Director of Severn Trent Plc until June 2006. He is currently a non-executive director of The Morgan Crucible Company plc and Low & Bonar PLC and the Chairman of Alpha Group Plc.

Sean Christie BSc, FCMA, FCT
Group Finance Director

Sean Christie was appointed to the Croda Board as Group Finance Director in April 2006. He previously held a number of senior finance positions in Northern Foods Plc and was Group Finance Director from 1994 to 2004. He is a non-executive director of Cherry Valley Farms Ltd.

Michael Buzzacott* BA, FCCA
Independent non-executive director

Michael Buzzacott joined the Croda Board in August 2004 and was appointed Chairman of the Audit Committee in April 2007. Prior to his retirement in 2004, he spent over 34 years with BP where he held a number of senior international roles including Regional Finance and Control Director for Asia, Chief Executive Polymers and Olefins Division and finally Group Vice President Petrochemicals. He is a non-executive director of Rexam PLC and Scapa Group plc.

Mike Humphrey
Group Chief Executive

Mike Humphrey was appointed to the Croda Board in 1995 and became Group Chief Executive at the beginning of 1999. He joined Croda in 1969 as a management trainee and was appointed Managing Director of Croda Singapore in 1988, Croda Application Chemicals in 1990 and Croda Chemicals in 1991. He is a member of the Nomination Committee.

David Dunn* CA
Senior Independent non-executive director

David Dunn was appointed to the Croda Board in 2000 and was appointed Senior Independent Director and chairman of the Remuneration Committee at the beginning of 2002. He has held a number of senior financial and general management positions with UK plcs. He joined Scapa Group Plc in 1987 where he served as Finance Director, Chief Executive and non-executive Chairman prior to his retirement in 2002. During 2007 he retired as a non-executive director of SMG plc and is currently a non-executive director of FirstGroup Plc and the non-executive Chairman of Brammer Plc.

Stanley Musesengwa*
Independent non-executive director

Stanley Musesengwa joined the Tate & Lyle Group from Nestlé in 1979 as a refinery manager and subsequently performed a number of different roles in Africa, before becoming Regional Director, Tate & Lyle Africa in 1995. In December 1999 he was appointed Chief Executive Officer of Tate & Lyle Europe. He was appointed to the Tate & Lyle Board in April 2003 and was Chief Operating Officer from 1 May 2003 until his retirement in 2008. He joined the Croda Board in May 2007.

* Member of audit, remuneration and nomination committees

Directors' report

The directors' report is required to include a fair review of the business of the Group during the financial year ended 31 December 2008 including an analysis of the development and performance of the Group during the year and the position of the Group at the end of the financial year, and a description of the principal risks and uncertainties facing the Group (known as a "Business Review").

The information which makes up the Business Review can be found in the following sections of the annual report, and also in the Corporate Social Responsibility (CSR) report accompanying the annual report and accounts which is available on our website at www.croda.com, all of which are incorporated into this report by reference:

- Chairman's statement on pages 2 and 3
- Chief Executive's review on pages 4 to 9
- Financial review on pages 10 to 13
- Safety, health and environment report on pages 14 to 19
- Principal risks and uncertainties as discussed in the Financial Review section on pages 10 to 13.

Principal activities of the Company and subsidiaries

Croda International Plc is a holding company operating from headquarters at Cowick Hall, Snaith, Goole, East Yorkshire, and providing central direction for a speciality chemical group with operations across the globe. The Group carries out research and development activities in the main market it serves, further details of which can be find in the Chief Executive's review on pages 4 to 9.

Profit and dividends

The results for the year are set out on page 40.

The directors recommend a final dividend of 13.55p per share (2007: 10.8p). If approved by shareholders, dividends for the year will amount to 19.75p per share (2007: 15.75p per share). Details of dividends are shown in note 9 on page 58.

Acquisitions and disposals

Brief details of the acquisitions and disposals made by the Group during the year are set out below. Further details appear in note 7 on page 56.

February 2008	Sale of the Group's 46.5% interest in Baxenden Chemicals Ltd to Chemtura Corporation
May 2008	Sale of the Group's Chicago oleochemicals business to H.I.G. Capital LLC
August 2008	Acquisition of Cognis GmbH's isostearic acid business

Directors

The Company's Articles of Association ('the Articles') give the directors power to appoint and replace directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the board of directors. The Articles also require directors to retire and submit themselves for election at the first annual general meeting (AGM) following appointment and all directors who held office at the time of the two preceding AGMs and who did not retire at either of them, to submit themselves for re-election. The present directors of the Company are shown on pages 20 and 21. Martin Flower is required to retire by rotation and so will be standing for re-election at the AGM. Details of the directors' service contracts are given in the directors' remuneration report on pages 25 to 32.

Apart from the share option schemes, long term incentive schemes and service contracts, no director had any beneficial interest in any contract to which the Company or a subsidiary was a party during the year.

A statement indicating the beneficial and non-beneficial interests of the directors in the share capital of the Company, including share options, is shown in the directors' remuneration report on page 30.

The directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, to any directions given by special resolution and to the Company's Memorandum and Articles.

Directors' indemnities

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. The Company has also granted indemnities to each of its directors and the secretary which represent "qualifying third party indemnity provisions" (as defined by section 234 of the Companies Act 2006), in relation to certain losses and liabilities which the directors (or secretary) may incur to third parties in the course of acting as directors (or secretary) or employees of the Company or of any associated company. In addition such indemnities have been granted to other officers of the Company who are directors of subsidiary companies within the Group. Since the end of the year the Company has granted an indemnity representing "qualifying pension scheme indemnity provisions" (as defined by section 235 of the Companies Act 2006) to a paid director of the corporate trustee of the Group's UK pension schemes.

Share capital

At the date of this report, 139,949,969 ordinary shares of 10 pence each have been issued and are fully paid up and quoted on the London Stock Exchange. The rights and obligations attaching to the Company's ordinary shares are set out in the Articles, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary. There are no restrictions on the voting rights attaching to the Company's ordinary shares or on the transfer of securities in the Company. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Further information which fulfils the requirements of Section 992 of the Companies Act 2006 and which should be treated as forming part of this report by reference are included in the following sections of the annual report:

- details of the structure of the Company's share capital and the rights attached to the Company's shares are set out on pages 68 and 71
- details of the employee share schemes are set out on pages 68 to 71.

Power to issue shares

At the 2008 AGM, authority was given to the directors to allot unissued relevant securities in the Company up to a maximum of an amount equivalent to the amount of its unissued share capital. No such shares have been issued. A further special resolution passed at that meeting granted authority to the directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 1985. Both these authorities expire on the date of the 2009 AGM to be held on 29 April 2009 and so the directors propose to renew them for a further year. The directors also intend to take advantage of the recent relaxation of the restrictions on directors seeking authority to allot shares of an amount in excess of one third of the Company's issued share capital to increase the authority in the case of a rights issue.

Last year the members also renewed the Company's authority to purchase up to 10% of its ordinary shares. No purchases were made during the year. The Company will be seeking to renew its authority to purchase its own shares at the 2009 AGM. Shares will only be purchased if the Board believes that such purchases will improve earnings per share and be in the best interests of the shareholders generally. It is the Company's intention that any shares purchased will be held as treasury shares.

Dividend Reinvestment Plan

Further details of the Company's Dividend Reinvestment Plan can be found on page 82.

Articles of Association

Unless expressly specified to the contrary in the Articles, the Company's Articles may be amended by a special resolution of the Company's shareholders.

Significant contracts and change of control

The Group has borrowing facilities which may require the immediate repayment of all outstanding loans together with accrued interest in the event of a change of control. The rules of the Company's employee share plans set out the consequences of a change of control of the Company on participants' rights under the plans. Generally such rights will vest and become exercisable on a change of control subject to the satisfaction of performance conditions. Neither of the executive directors' service contracts contain provisions which are affected by a change of control and there are no other agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company which are considered to be significant in terms of their potential impact on the Group.

The Company does not have any contractual or other arrangements which are essential to the business of the Group.

Audit information

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each director has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Community Involvement

Croda has a long tradition of engagement with its local communities which has enabled us to assimilate quickly our normal activities into the CSR agenda. In this respect CSR has not been an adjunct to, but a core part of, our philosophy. We aim to have a positive impact on the communities in which we are located. With the global reach of our operations, this gives us the opportunity to interact with our neighbours in all parts of the world across a wide range of social circumstances.

A detailed report on activities is given in our CSR report, "Our Responsibility" and shows our continued focus on participation in education and local neighbourhood projects.

During 2008, our work with schools, colleges and universities included providing work experience, mentoring and career guidance, site visits and participating in national initiatives. These more formal educational activities are enhanced by the many instances of individual help given by our employees volunteering to work in their local community schools assisting with lessons, sporting and arts events.

Engaging with local communities takes many forms, from the formality of European business Supervisory Boards and interaction with local government, through neighbourhood consultation and involvement such as that related to the wind turbine installation at Hull, to more ad hoc activities through our employee volunteer programmes and their activities to raise money for good causes.

Employment Policies

Our responsibility is to provide our people with a workplace that is based on fairness, equality and mutual respect and which enables individuals to achieve their potential and contribute to the success of the business. Key to our people management strategy is the ongoing attraction and retention of exceptional staff and the belief that employee development is integral to our success.

Having well established succession plans, together with development and training opportunities, enables us to fulfil our policy of internal promotion, particularly at senior management level. This is underpinned by our graduate and apprenticeship programmes which attract high calibre talent to Croda. In 2008, our established graduate programmes in Europe and America have been enhanced by our newly developed scheme in India with seven participants in its first year.

Directors' report

When internal moves are not possible we aim to recruit from our local communities whilst maintaining our high standards to ensure the company has skilled and motivated employees. We train our line managers in assessment and interviewing techniques to ensure these standards are consistently and rigorously applied so that applicants to the business are treated fairly and the best people are recruited.

Individual performance is promoted through our objective setting and appraisal processes and the identification of development needs and related training. In 2008, all levels of employees within the Group had opportunities to enhance their skills and knowledge, ranging from job skills and procedures to in-house management, leadership, personal skills and knowledge training to external specialist courses including executive development at leading international business schools. On average, each employee participated in 21 hours of training/development activity in 2008.

Our approach to reward policies has remained targeted at ensuring a sensible balance of employee retention and motivation whilst reflecting market position and sustainability. We have a global Sharesave scheme in place with a high level of international take up (over 55% of employees). We provide pension schemes in most of the countries in which we operate and have approximately 70% of our employees worldwide in a company scheme.

Communication with our employees is vital for individual and business success and we actively look for employee feedback. Listening and acting on the views and ideas of our people enables us to be innovative which is a core value within Croda. Again we have a range of approaches including formal opinion surveys (US), employee/union consultation forums, cascade of information through line managers, local newsletters and our ever popular in-house magazine, CrodaWay. We are always seeking ways to ensure that all are included in a genuine two way dialogue and our local management have this at the heart of their responsibilities.

It has long been our ethos that work should also be fun and we have encouraged informal events that enable people to relax and enjoy being together. We, therefore, look for opportunities both in and outside of working time where our employees and sometimes also their families can take pleasure in social activities.

Supplier payment policy

Group policy concerning the payment of suppliers is that each operating unit agrees terms of payment at the beginning of business or makes the supplier aware of the standard payment terms, and pays in accordance with those terms or other legal obligations. At 31 December 2008, the Group had an average of 44 days (2007 (restated): 47 days) purchases outstanding in trade creditors. The Company's trade creditors are not material.

Charitable and political donations

Charitable donations made by the Group in the year amounted to £57,000 (2007: £73,000). No donations were made for political purposes (2007: £Nil).

Annual General Meeting

The AGM will be held at Carlton Towers, Carlton, Goole, East Yorkshire DN14 9LZ on Wednesday, 29 April 2009 at 12 noon. The notice of meeting and explanation of the business to be considered at the AGM are contained in a separate document issued to shareholders with this annual report.

Independent auditors

Our auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and, on the recommendation of the Audit Committee, a resolution regarding their reappointment and remuneration will be submitted to the AGM.

Substantial shareholders

As at 12 February 2009, the Company had been notified under DTR5 of the Financial Services Authority's Disclosure and Transparency Rules of the following significant holdings of voting rights in its shares:

	Ordinary shares	% of share capital	Nature of holding
AXA S.A	6,709,097	4.93%	Direct 0.76%, Indirect 4.17%
Legal & General Group Plc	5,425,798	3.98%	Direct

By order of the Board

Louise Scott
Secretary
16 February 2009

Directors' remuneration report

The directors present their remuneration report which covers the remuneration of both executive and non-executive directors and certain senior executives. The report has been approved by the Board and signed on its behalf by the chairman of the Remuneration Committee. The first section of the report contains unaudited information and the second section audited information. The report will be subject to approval by shareholders at the Annual General Meeting (AGM) in April 2009.

Section 1: Unaudited information

The role of the Remuneration Committee

The Committee reviews and approves the annual salaries, bonus arrangements, service agreements and other employment conditions of the executive directors and certain members of the senior executive management team designated by the Board, taking due account of pay and conditions in the Group as a whole. It also approves the design of, and determines targets for, any performance related/bonus pay schemes operated by the Group, approves the total annual payments made under such schemes, reviews the design of all share incentive plans for approval by the Board and shareholders and approves the awards of long-term incentives. The full terms of reference of the Committee are published on the Company's website.

Membership and operation

The Committee comprises all non-executive directors including the Chairman and is chaired by David Dunn. None of the Committee members has any day to day involvement in the running of the Company, nor do they have any business or other relationship that could affect, or appear to affect, the exercise of their independent judgement.

The Committee met three times during the year. Other directors and employees of the Company who attended some, or all, of the meetings during the year and provided advice and services to the Committee were Mike Humphrey (Group Chief Executive), Pamela Broughton (Group VP Personnel), Graham Myers (Group Financial Controller/Treasurer) and Louise Scott (Company Secretary). All have the appropriate qualifications and experience to advise the Committee on aspects of the Group's policies and practices.

Hewitt New Bridge Street (HNBS) provided advice on the level of salary increases in the market place for consideration as part of the annual pay review of the executive directors and senior executives carried out in November 2008. HNBS provide no services to the Company other than those relating to the provision of the executive remuneration advice. A more detailed review of the remuneration packages of the executive directors and senior executives is planned to take place during 2009.

Policy on directors' and senior executives' remuneration

The key objectives of Croda's executive remuneration policy are:

- to ensure that individual rewards and incentives are comparable with those provided by similar companies having regard to the Group's turnover, business sector and market worth and the need for skills to manage international businesses
- to enable the Group to attract and retain high calibre people
- to give full consideration to the relevant principles on directors' remuneration set out in the 2006 FRC Combined Code
- to ensure a balance between fixed and performance related remuneration, the latter being related to objective measurement of the financial performance of the Company.

The Committee believes that the interests of shareholders and directors are more closely aligned by the operation of short-term incentives which encourage the achievement of stretching profit targets and under which rewards may be delivered in the form of cash and shares, combined with share-based long-term incentives that reward performance against three year earnings per share and relative total shareholder return targets.

Components of executive directors' remuneration

Basic salary

The Committee considers that it is difficult to identify companies who are true comparators with the Company's operations and so the basic salaries of the executive directors are set by reference to those paid by companies comprising FTSE 250 manufacturing companies similar in size and scope of operations to those of Croda and a group of companies with comparable market capitalisations and international scope to those of Croda. The salaries are paid monthly in cash and are reviewed annually with effect from 1 January. As mentioned above, HNBS provided information on increases in salary levels, which was utilised by the Committee as part of its deliberations on the annual salary review for executive directors and other senior executives.

Performance-related annual bonus

The Company operates bonus schemes for its directors and senior executives. Bonus payments are not pensionable. The 2008 bonuses for executive directors were calculated by reference to the amount by which the income for the year, which is defined as the Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS2 'Share based payments' less a notional interest charge on working capital employed during the year (the "2008 income"), exceeded the income for 2007 calculated on the same basis (the "base income"). Bonuses are payable on a graduated scale once the 2008 income exceeds the base income by inflation (defined as the harmonised index of consumer prices (CPI)), with maximum bonuses due at CPI plus 17%. Income is measured after providing for the cost of any bonuses. The maximum amount of bonus payable is 100% of salary with the net element of any bonus in excess of 50% of salary being compulsorily invested in the Croda International Bonus Co-investment Plan (BCIP). Bonuses earned by each director in respect of 2008 are included in the table of directors' remuneration on page 29 and represent 100% of basic salary, based on achievement well in excess of the maximum bonus targets set at the start of the year. The maximum bonus opportunities have been set at these same levels for 2009. The performance targets will again require out-performance of last year's EBITDA before bonuses become eligible for payment. The Committee remains comfortable that the structure of the annual bonus does not encourage the pursuit of strategies that may involve inappropriate risk-taking and that the mandatory reinvestment of bonuses in excess of 50% of salary into shares in any year is considered to strengthen further alignment with shareholders and foster a longer-term link between annual performance and reward.

Directors' remuneration report

Long-term incentives

Long-term incentives are provided to executive directors through two long-term incentive plans, the BCIP and the Croda International Long-Term Incentive Plan ("LTIP") which were both adopted in 2005. These replaced the Senior Executive Share Option Schemes. It is the Committee's policy, subject to unforeseen circumstances, that these will comprise the sole long-term elements of the total remuneration package of executive directors for the foreseeable future. It is also the Committee's policy to continue exercising its right to decide the number of LTIP awards to be granted to each executive director.

BCIP

The BCIP operates in conjunction with the annual bonus schemes and allows participants to invest a proportion of their net annual cash bonus in Company shares. It is compulsory for employees whose gross bonus exceeds 50% of their annual salary to invest the excess, net of tax, in shares unless they are within three years of anticipated retirement date. Participants have to agree to hold the invested shares for three years in return for which they receive a conditional award entitling them to additional shares subject to the achievement of the BCIP's performance condition. The maximum number of shares over which an award can be granted to an employee in a single year is limited to shares having a market value not exceeding 100% of the employee's salary.

For the first awards which were made in 2006, the vesting of 100% of the award is conditional on Croda's earnings per share before exceptional items exceeding CPI over the three year performance period. The performance condition has been met. A revised performance condition adopted in 2007 is structured to require the achievement of a sliding scale of adjusted earnings per share growth ("EPS") targets in excess of retail price inflation ("RPI"):

2006 Awards		Post 2006 Awards	
Adjusted EPS growth over the three year period	Proportion of award vesting	Adjusted EPS growth over the three year period	Proportion of award vesting
Less than CPI	No vesting	Less than RPI + 12%	No vesting
CPI	100%	RPI + 12%	30%
		RPI + 24%	100%
		Straight-line vesting occurs between these points	

If the performance target is met the shares will be transferred automatically to the employee. If the employee does not retain their invested shares until the release date their award lapses. It is intended that the same performance target will be applied to any BCIP awards made in 2009.

LTIP

Participation in the LTIP is limited to executive directors and the most senior executives. Annual awards of shares are made based on a percentage of salary with the maximum entitlement being shares having a market value of 100% of the employee's salary. Awards are subject to performance conditions measured over a period of not less than three years.

The target for awards made in 2005 and 2006 was set so that awarded shares will vest if the growth in Croda's EPS exceeds CPI plus 3% each year over the three year performance period with 50% vesting at this level, and the maximum 100% vesting for performance of CPI plus 9% each year. For performance between these two levels, the awards will vest on a straight-line basis.

A revised performance condition for awards made after 2006 is split into two separate parts, each with a separate performance condition. Half of any LTIP award will vest based on a condition measuring the Company's relative total shareholder return (TSR) against the constituents of the FTSE 250 (excluding investment trusts). There are a limited number of direct competitors to Croda and the Committee was mindful of the dangers inherent in operating a relative TSR-based performance condition with a comparator group comprised of only a small number of companies. The FTSE 250 (excluding investment trusts) was, therefore, considered an appropriate comparator group by the Committee. Vesting will take place on the following sliding scale:

Rank of the Company's TSR against the FTSE 250 (excluding Investment Trusts)	Vesting % (TSR part)
Below median	0%
Median	30%
Upper quartile	100%
Between median and upper quartile	30% - 100% pro rata

The remaining half of the award will vest based on the same EPS growth condition that is set for the BCIP, with 30% of this part of the award vesting for EPS growth of RPI + 12%, rising on a straight-line basis to full vesting for EPS growth of RPI + 24%.

2005 & 2006 Awards		Post 2006 Awards	
Adjusted EPS growth over the three year period	Proportion of award vesting (EPS part)	Adjusted EPS growth over the three year period	Proportion of award vesting (EPS part)
Less than CPI + 9%	No vesting	Less than RPI + 12%	No vesting
CPI + 9%	50%	RPI + 12%	30%
CPI + 21%	100%	RPI + 24%	100%
Straight-line vesting occurs between these points		Straight-line vesting occurs between these points	

If the performance target is met the shares will be transferred automatically to the employee. Awards made in 2009 will remain in line with awards made in prior years for executive directors. The Committee believes that this is entirely appropriate given the strong trading performance delivered in 2008, Croda's share price performance during the course of a turbulent year for global stock markets and the need to retain and motivate the highly performing and well regarded management team.

Senior Executive Share Option Schemes

Following the adoption of the BCIP and the LTIP, the operation of the Senior Executive Share Option Schemes has been discontinued except in relation to options already granted. Under the terms of the schemes, options were granted subject to performance conditions.

The only options now outstanding were granted between 2000 and 2003. Basic EPS before exceptional items must grow at RPI plus 7% per annum for 100% of the options allocated to be exercisable. The performance period commences at the date of grant and lasts for a minimum of three years and a maximum of ten years until an average growth rate of at least RPI plus 3% per annum over the whole period has been achieved. With earnings growth at RPI plus 5% per annum, 75% of the options are exercisable and at RPI plus 3% per annum 50% of the options are exercisable. Mike Humphrey is the only director who holds these options and details of his options are shown in the table on page 31.

It is the Company's current intention to satisfy awards under the BCIP and the LTIP and the exercise of share options primarily from shares held in the Employee Share Ownership Trust and shares purchased in the market and not by the issue of new shares. Details of shares held for this purpose are given in note 25 on page 72.

Share ownership policy

The Company has adopted share ownership guidelines which apply to all executive directors and members of the Group Executive Committee and the Finance Committee. Executives are required to build up a target shareholding of shares with a market value equivalent to 100% of salary from time to time through a combination of share purchases and the retention of incentive shares. On the exercise of SAYE and executive share options or the vesting of LTIP and/or BCIP awards, executives are required to retain shares from the shares awarded representing 50% of the after tax gain until the target is met or exceeded. The target is expected to be reached within 5 years.

Pension and other benefits

Croda has a number of different pension plans in countries in which it operates. Pension entitlements for Croda's executives are tailored to local market practice, the length of service and age of the participants. The principal pension plans in the UK are defined benefit schemes which provide a pension based on a proportion of final salary. The Company is flexible in the manner in which pension provision is made for executive directors with the aim of balancing the needs of the director against the liability of the Company. Hence, it makes contributions by direct contribution to the Croda defined benefit pension scheme or by way of a cash supplement in lieu of pension benefits to enable the funding of personal pension arrangements.

Other customary benefits such as company cars or car allowances, health benefits, the UK SAYE Scheme and the Croda Share Incentive Plan (which are available to all eligible UK employees), are made available to executive directors. Benefits in kind are not pensionable. The Committee reviews the individual components and the balance of these components from time to time.

Components of senior executives' remuneration

There are nine members of the Group Executive Committee and Finance Committee in addition to the two executive directors. The reward structure for these senior executives is similar to that of the executive directors although their level of long-term incentive award differs.

Directors' remuneration report

Service contracts and external appointments

Policy

The Committee's policy on executive directors' service contracts is for them to contain a maximum notice period of one year. In respect of termination, the Committee's policy is to deal with each case on its merits, in accordance with the law and any further policy adopted by the Committee at the time. In the event of early termination, other than for cause, the relevant director's then current salary and contractual benefits would be taken into account in calculating any liability of the Company.

The principal contractual benefits provided in addition to salary are the provision of a car, pension and medical insurance and life assurance. Annual bonuses and long-term incentives are non-contractual and are dealt with in accordance with the rules of the relevant schemes.

Specific contracts

Mike Humphrey entered into a new service contract on 21 December 2005 which is terminable by the Company on one year's notice and by Mike Humphrey on six months' notice. The Company may also terminate the contract at any time with immediate effect and Mike Humphrey would be entitled to receive compensation equivalent to twelve months' salary plus the value of his pension benefits (valued at 20% of basic salary), bonus entitlement (50% based on the assumption that performance targets are deemed to have been achieved) and the value of other benefits, payable in equal monthly instalments for twelve months or, if less, the remaining period of any notice period not yet completed. Such payments would discontinue or reduce to the extent that he obtained alternative employment.

Sean Christie has a service contract dated 15 December 2006 with substantially the same terms as those of Mike Humphrey's contract except that there is no entitlement to bonus on termination by the Company with immediate effect.

External appointments

Executive directors are permitted to accept external non-executive appointments with the prior approval of the Board. It is normal practice for executive directors to retain fees provided for non-executive appointments. During the year Sean Christie was a non-executive director of Cherry Valley Farms Limited for which he received fees of £25,000.

Apart from service agreements and share schemes, no director has had any material interest in any contract with the Company or its subsidiaries requiring disclosure under the Companies Act 2006.

Policy on non-executive directors' remuneration

The Board is responsible for determining the policy on, and level of, the remuneration of non-executive directors. The aim is to attract non-executive directors who through their experience can further the interests of the Company through their stewardship and contribution to strategic development. The Board's policy is to provide cash fees at a level commensurate with companies of Croda's size, not to grant share options to non-executive directors, and to encourage non-executive directors to establish a holding of Croda shares.

Components of non-executive directors' remuneration

Non-executives' pay comprises cash fees, paid monthly. All non-executive directors are reimbursed for travel and related business expenses reasonably incurred in performing their duties. Non-executive directors' fees are determined on the basis of current fee levels in similar businesses together with their time commitment and responsibilities and are reviewed by the Board at least every two years.

The Chairman's fees are determined by the Group Chief Executive and the other members of the Board and, since 1 January 2007 these have been £140,000. Following review in November 2008 the fee was increased to £153,000 with effect from 1 January 2009.

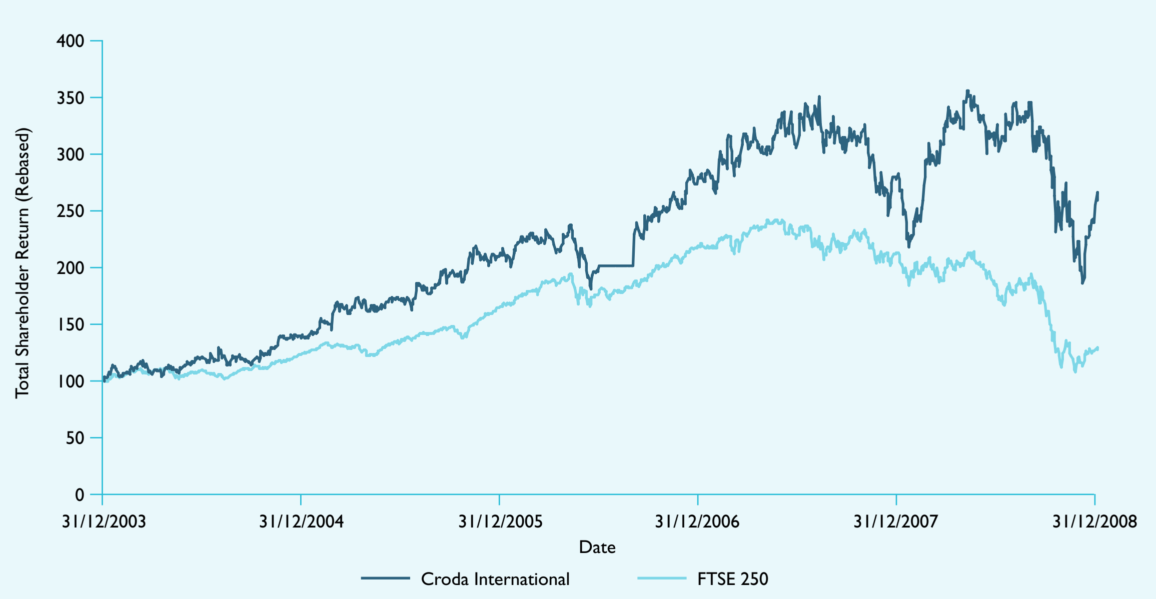
The fees of the remaining non-executive directors are determined by the Chairman and the executive directors. Since 1 January 2007 the basic annual fee for a non-executive director has been £37,500, with an additional £5,000 for chairing a committee and the Senior Independent Director receiving an additional £2,500. Following a review in November 2008 the fees were increased from 1 January 2009 to £41,000 for each non-executive director, with an additional £6,000 for chairing a committee and £3,000 for the Senior Independent Director.

Terms of appointment

The Chairman and non-executive directors have letters of appointment for an initial fixed term of three years subject to earlier termination by either party on written notice. In each case, this term can be extended by mutual agreement. They have no entitlement to contractual termination payments. The dates of their initial appointments are set out below.

	Original appointment date
M C Flower	16 May 2005
M C Buzzacott	2 August 2004
D M Dunn	26 April 2000
S Musesengwa	7 May 2007

Total Shareholder Return: Croda International vs FTSE 250



In the opinion of the directors the FTSE 250 is the most appropriate index against which the total shareholder return of the Company should be measured because it is an index of similar sized companies to Croda International Plc.

Section 2: Audited information

Director's remuneration

	Basic salary £	Bonus £	Benefits £	Fees £	2008 Total £	2007 Total £
M Humphrey†	520,008	520,008	28,796	–	**1,068,812**	934,779
M S Christie	280,008	280,008	22,593	–	**582,609**	534,529
M C Flower	–	–	–	140,504	**140,504**	140,504
M C Buzzacott	–	–	–	42,500	**42,500**	41,416
D M Dunn	–	–	–	45,000	**45,000**	45,000
S Musesengwa (appointed 7 May 2007)	–	–	–	37,500	**37,500**	24,615
M A Ward (resigned 26 April 2007)	–	–	–	–	**–**	14,167
	800,016	800,016	51,389	265,504	**1,916,925**	1,735,010

Notes

1 † Highest paid director

2 Benefits incorporate all assessable tax benefits arising from employment by the Company and relate in the main to the provision of a company car, fuel allowances and private medical insurance.

3 The bonuses shown relate to the year ended 31 December 2008.

Pension rights

Prior to 6 April 2006, Mike Humphrey accrued pension benefits under the Croda International Supplemental Scheme ("CISS"). He will be entitled on retirement at age 60 to a pension equal to his accrued pension at 5 April 2006 (accrued at a rate of two-thirds of his annual pensionable remuneration as at 5 April 2006, pro-rated by the ratio of his actual service accrued prior to 5 April 2006 and prospective service to age 60), increased to age 60 at the rate which applies to all preserved pensions in the CISS. If Mike Humphrey retires before age 60 a reduced pension is payable unless retiring at the Company's request. In the event of death, a pension equal to two-thirds of the director's pension would become payable to his surviving spouse. Mike Humphrey's pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 10% per annum. During 2008, Mike Humphrey was paid £104,004 (2007: £93,000) in addition to his basic salary to enable him to make independent provision for his retirement.

Sean Christie accrues pension benefits under the CISS with an accrual rate of 1/60th and an entitlement to retire at age 65. If Sean Christie retires before age 65 a reduced pension is payable unless retiring at the Company's request. In the event of death, a pension equal to 50% of the director's pension would become payable to his surviving spouse. Sean Christie's pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 2.5% per annum.

Both Mike Humphrey and Sean Christie are also entitled to death in service benefits from the CISS.

Directors' remuneration report

Defined benefit schemes

	Accrued pension at 31.12.08[1] £000	Increase in accrued pension during the year[2] £000	Increase in accrued pension during the year (excluding inflation)[3] £000	Transfer value of accrued pension at 31.12.07[4] £000	Transfer value of accrued pension at 31.12.08[4,7] £000	(Decrease)/ increase in transfer value over the year[5,7] £000	Transfer value of the increase in the accrued pension[6,7] £000
M Humphrey	268	12	10	5,674	5,438	(236)	198
M S Christie	10	4	4	40	90	34	23

Notes

1 The figures shown represent: the amount of annual pension benefits based on service to, and pensionable earnings at, 5 April 2006 for Mike Humphrey (with standard preserved increases to 31 December 2008); and the amount of annual pension benefits which would have been preserved for Sean Christie had he left service on 31 December 2008, based on service to, and pensionable earnings at, that date.

2 The figure represents the difference between the total accrued pension at 31 December 2008 and the corresponding pension at the beginning of the year.

3 The figure represents the difference between the total accrued pension at 31 December 2008 and the corresponding pension at the beginning of the year after an adjustment to exclude inflation was provided as required under paragraph 9.8.8 (12) (a) of the Listing Rules.

4 Transfer values are quoted on the basis recommended by the scheme actuary for valuation of accrued benefits if the member had transferred benefits to another approved scheme on the relevant date. The increase/decrease in transfer value between 31 December 2007 and 31 December 2008 takes account of changes in market conditions over the period.

5 The figure represents the difference between transfer values of the accrued benefits at 31 December 2008 and 31 December 2007, less contributions paid by the director.

6 The figure represents the transfer value of the increase in accrued benefits over the period, adjusted for inflation, less contributions paid by the director.

7 Following the changes to the basis for the calculation of cash equivalent transfer values reported last year, the basis was further amended during 2008. In the light of significant changes in market conditions, and based on actuarial advice, the trustee of the CISS amended the basis by removing the equity-based market adjustment factor with effect from 30 September 2008. Had the existing adjustment been retained, increases to the published FTSE net equity dividend yield would have resulted in the calculation of inappropriately low transfer values for members several years away from retirement age. In the case of Mr Christie, the transfer value figure as at 31 December 2008 would have been around 40% lower if the old adjustment had been retained. In the case of Mr Humphrey, the transfer value figure as at 31 December 2008 would have been around 10% lower, reflecting the fact that Mr Humphrey is closer to the age at which his pension is payable on an unreduced basis.

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

Directors' interests

The beneficial interests at 31 December 2008 of the directors of the Company and their families in the shares of the Company are:

	At 31 December 2008					At 1 January 2008				
	Ordinary shares†	Executive options	SAYE options	SIP†† ordinary shares	LTIP	Ordinary shares	Executive options	SAYE options	SIP†† ordinary shares	LTIP
M Humphrey	214,398	259,300	2,973	4,270	271,289	150,204	259,300	4,598	3,750	261,689
M S Christie	29,242	–	2,434	834	94,885	16,692	–	2,434	314	53,124
M C Flower	21,579	–	–	–	–	20,000	–	–	–	–
M C Buzzacott	9,500	–	–	–	–	9,500	–	–	–	–
D M Dunn	8,000	–	–	–	–	8,000	–	–	–	–
S Musesengwa	15,000	–	–	–	–	15,000	–	–	–	–

Mike Humphrey has an interest in 100 7.5% preference shares but no other director had any interest in the 5.9%, 6.6% or 7.5% preference shares of the Company.

† Ordinary shares include shares invested under the BCIP.

†† The SIP shares comprise 2,552 Partnership shares (2007: 2,032) and 2,552 Matching shares (2007: 2,032).

Share options

Options are granted over ordinary shares of 10p each under the Senior Executive Share Option Schemes and the Savings-Related Share Option Scheme.

Executive share options

Mike Humphrey is the only director who holds options under the Senior Executive Share Option Schemes and details of his options are set out below:

Date of grant	Earliest exercise date	Exercise price	Number at 1 January 2008 (10p shares)	Exercised in year	Number at 31 December 2008 (10p shares)
M Humphrey					
22 March 2000	22 March 2003	256p	109,300	-	109,300
5 March 2003	5 March 2006	230p	150,000	-	150,000
			259,300	-	**259,300**

None of the terms and conditions of the share options were varied during the year. All options are subject to performance conditions, details of which are given on page 27.

SAYE share options

Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1 January 2008 (10p shares)	Exercised in year	Granted in year	Number at 31 December 2008 (10p shares)
M Humphrey							
19 September 2003	1 November 2008	30 April 2009	230p	2,215	2,215	-	-
22 September 2005	1 November 2010	30 April 2011	328p	1,410	-	-	1,410
18 September 2006	1 November 2009	30 April 2010	384p	973	-	-	973
16 September 2008	1 November 2011	30 April 2012	509p	-	-	590	590
				4,598	**2,215**	**590**	**2,973**
M S Christie							
18 September 2006	1 November 2009	30 April 2010	384p	2,434	-	-	2,434
				2,434	**-**	**-**	**2,434**

Employees are customarily invited to participate in a Save As You Earn Share Option Scheme once a year. Prior to 2006, the savings contract was traditionally for 5 years but since that time a 3 year savings contract has been offered. The option price is the value of ordinary shares at date of grant discounted by up to 20%. Options are normally exercisable for a 6 month period following completion of the savings contract.

LTIP

Details of awards made under the Croda LTIP are set out below:

Date of award	Earliest vesting date	Market price at date of award	Number at 1 January 2008 (10p shares)	Exercised in year	Granted in year	Number at 31 December 2008 (10p shares)
M Humphrey						
25 May 2005	25 May 2008	373p	93,810	93,810	-	-
23 February 2006	23 February 2009	496p	89,428	-	-	89,428
22 February 2007	22 February 2010	663p	78,451	-	-	78,451
20 February 2008	20 February 2011	604p	-	-	103,410	103,410
			261,689	**93,810**	**103,410**	**271,289**
M S Christie						
26 April 2006	26 April 2009	495p	24,393	-	-	24,393
22 February 2007	22 February 2010	663p	28,731	-	-	28,731
20 February 2008	20 February 2011	604p	-	-	41,761	41,761
			53,124	**-**	**41,761**	**94,885**

Gains made on exercise of share options and LTIPs

	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain £
M Humphrey	7 August 2008	93,810	LTIP	NIL	656.5p	615,862.65
	3 November 2008	2,215	SAYE	230p	528p	6,600.70
						622,463.35

The gains are calculated according to the market price of Croda International Plc ordinary shares of 10p each on the date of exercise, although the shares may have been retained.

The market price of the Company's shares at 31 December 2008 was 519.5p and the range of market prices during the year was between 379.5p and 715p.

BCIP

Details of the awards made under the Croda BCIP are set out below:

Date of award	Earliest vesting date	Market price at date of award	Number at 1 January 2008 (10p shares)	Granted during the year	Number at 31 December 2008 (10p shares)
M Humphrey					
26 April 2006	26 April 2009	495p	23,012	-	23,012
26 April 2007	26 April 2010	633p	4,857	-	4,857
1 May 2008	1 May 2011	696.5p	-	21,886	21,886
			27,869	**21,886**	**49,755**
M S Christie					
26 April 2007	26 April 2010	633p	7,692	-	7,692
1 May 2008	1 May 2011	696.5p	-	21,550	21,550
			7,692	**21,550**	**29,242**

Share Incentive Plan

Mike Humphrey and Sean Christie participate in the plan which, as a HMRC approved arrangement, is offered to all employees on the same terms. They each save the maximum of £125 per month permitted under the regulations. Matching shares are allocated on a one for one basis for each Partnership share purchased by the employee. Shares are purchased on a monthly basis. During the year Mike Humphrey and Sean Christie each purchased 260 Partnership shares and were allocated 260 Matching shares. The average purchase price was 588.8p.

Since 31 December 2008 Mike Humphrey and Sean Christie have each purchased 48 and 49 Partnership shares respectively and have been awarded a corresponding number of Matching shares under the SIP at an average price of 516.61p per share. Otherwise there has been no change in the directors' interests in shares or options granted by the Company between the end of the financial year and 16 February 2009.

On behalf of the Board

D M Dunn
Chairman of the Remuneration Committee
16 February 2009

Corporate governance

The Board is committed to high standards of corporate governance and to complying with the provisions of The Financial Reporting Council's Combined Code on Corporate Governance ("the Code") where practicable. This statement, together with the directors' remuneration report, set out on pages 25 to 32, describes how the relevant principles of governance set out in the 2006 version of the Code are applied to the Company.

The Board

The Board has ultimate responsibility for the overall leadership of the Company and in this role it assists in the development of a clear strategy for the Group, monitors operational and financial performance against agreed goals and objectives and ensures that appropriate controls and systems are in place to manage risk. It comprises the Chairman, the Group Chief Executive, the Group Finance Director and three independent non-executive directors who have a range of business, financial and international skills and experience. This provides an appropriate balance within the Board. Biographical notes appear on pages 20 and 21. The Chairman and the Group Chief Executive have written accountabilities that have been approved by the Board.

It is the Board's opinion that all non-executive directors who served throughout the period under review were independent in accordance with the Code.

The Board has a formal schedule of matters specifically reserved to it and this is posted on the Company's website. The Chairman and non-executive directors meet together without the executive directors present on an ad hoc basis and the non-executive directors meet at least annually in the absence of the Chairman in order to appraise his performance. In addition to formal Board meetings, the Chairman and the Group Chief Executive meet on a regular basis.

All members of the Board have full access to the advice and services of the Company Secretary. Where necessary the directors may take independent professional advice at the Company's expense. Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their positions to the extent permitted by law. In addition the Company maintained directors' and officers' liability insurance cover throughout the year.

Training and briefings are available to all directors on appointment and subsequently, as appropriate, taking into account existing experience, qualifications and skill sets.

Attendance at meetings

Details of the attendance by directors at meetings of the Board and the Board committees on which they are eligible to sit are set out below.

	Board		Nomination Committee		Remuneration Committee		Audit Committee	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
M C Flower	9	9	2	2	3	3	-	-
M C Buzzacott	9	9	2	2	3	3	3	3
D M Dunn	9	9	2	2	3	3	3	3
S Musesengwa	9	9	2	2	3	3	3	3
M Humphrey	9	9	2	2	-	-	-	-
M S Christie	9	9	-	-	-	-	-	-

It is customary for the Board to hold at least one Board meeting a year at a Croda site. This year the Board travelled to India to visit the Group's manufacturing site at Thane, Mumbai. In addition to the formal Board meetings, all the directors attended a half day meeting to review the Group's strategy. They also met with the Company's financial and public relations advisers to discuss the feedback from investors and analysts to the Group's 2007 annual results.

Re-election of directors

The Company's Articles of Association require the directors to offer themselves for re-election at least once every three years. At this year's AGM, Martin Flower will be retiring under Article 85 and offering himself for re-election. Further details about Martin Flower are given in the notice of the AGM, which is in a separate document issued to shareholders with the annual report. David Dunn will be retiring from the Board at the conclusion of the AGM.

Conflicts of interest

The Board has an established process for declaring and monitoring actual and potential conflicts. The directors were briefed on the new directors' conflicts regime introduced in October 2008 by the Companies Act 2006. In anticipation of the introduction of these provisions an amendment to the Articles of Association of the Company was approved by shareholders at the 2008 AGM to allow the non-conflicted members of the Board to authorise a conflict or potential conflict situation. No conflicts were identified or authorised during the year.

Corporate governance

Non-executive directors

Croda complies with the Code in having experienced non-executive directors who represent a source of strong independent advice and judgement. At present there are four such directors, including the Chairman and the senior independent director, David Dunn, each of whom has significant commercial experience. Their understanding of the Group's operations is enhanced by regular divisional presentations and by site visits.

No non-executive director nor the Chairman:

- has been an employee of the Company or Group
- has, or has had, a material business relationship with the Group
- received, or receives remuneration (other than a director's fee) or share options or is a member of the Group pension scheme
- has close family or business ties with any of the Group's advisers, directors or senior employees
- holds cross directorship or significant links with other directors through involvement in other companies or bodies
- represents a significant shareholder

During 2008, no non-executive director or the Chairman had served on the Board for more than nine years from the date of their first election.

Details of the professional commitments of the Chairman and the non-executive directors are included in their biographies on pages 20 and 21. The Board is satisfied that these do not interfere with the performance of their respective duties to the Company.

The terms and conditions of appointment of non-executive directors can be inspected during normal business hours at the Company's registered office by contacting the Company Secretary and are available at the AGM.

Board committees

The Board has three main committees which are established by Board resolution and each has written terms of reference which can be found on the Group's website.

Audit Committee
Michael Buzzacott (Chairman)
David Dunn
Stanley Musesengwa

The Audit Committee, which consists of all the non-executive directors other than the Chairman, meets at least three times a year to coincide with key dates in the Company's financial reporting cycle. The Board is satisfied that each of the Committee members has the relevant financial and accounting experience to enable them to contribute to the Committee's work. The Group Chief Executive, the Group Finance Director, the Group Financial Controller and the Group Risk and Control Manager and representatives from the external auditors attend meetings by invitation. The chairman of the Audit Committee holds independent meetings with the Group Risk and Control Manager and also with the external auditors.

The Committee's remit is to assist the Board to fulfil its responsibility for ensuring that the Group's financial systems provide accurate and up to date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position. As part of its normal responsibilities, the Committee monitors the integrity of the financial statements of the Company. This includes reviewing significant financial reporting issues and judgements contained in the statements and the consistency of, and any changes to, accounting policies. In addition, it is responsible for monitoring the effectiveness of the Company's internal controls and risk management systems including that of the Company's internal audit function in the context of the Company's overall risk management system. It reviews and assesses the annual internal audit plan and all reports on the Company from the internal auditors and agrees the annual audit plan with the external auditors and reviews the findings of the audit and the interim review with the external auditors.

During the year the Committee Members also:

- received reports and presentations concerning key specific risks identified by the Risk Management Committee;
- monitored compliance with the Group risk management programme;
- revised the policy on the provision of non-audit services by the external auditors;
- considered the feedback from a user review of the internal audit process.

Audit independence

The Committee and the Board place great emphasis on the objectivity of the Group's external auditors, PricewaterhouseCoopers LLP ("PwC"), in their reporting to shareholders. The PwC audit partner is present at all Audit Committee meetings to ensure full communication of matters relating to the audit.

The overall performance of the auditors is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided to senior members of PwC unrelated to the audit. This activity also forms part of PwC's own system of quality control.

The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are reviewed by the Committee and then referred to the Board for approval. The rotation of audit partners' responsibilities within PwC is required by their profession's ethical standards, is actively encouraged and has taken place.

Assignments awarded to PwC have been, and are, subject to controls by management that have been agreed by the Committee so that audit independence is not compromised. The chairman of the Audit Committee is required to give prior approval of work carried out by PwC and its associates in excess of predetermined thresholds; part of this review is to determine that other potential providers of the services have been adequately considered.

These controls provide the Committee with adequate confidence in the independence of PwC in their reporting on the audit of the Group.

Remuneration committee
David Dunn (Chairman)
Michael Buzzacott
Martin Flower
Stanley Musesengwa

The Remuneration Committee, which consists of non-executive directors, is responsible for advising on remuneration policy for senior executives and for determining the remuneration packages of the executive directors and the Chairman. The Group Chief Executive is normally invited to attend all its meetings. The Committee met three times in 2008 and its terms of reference are posted on the Company's website. Further details of the Committee's activities during the year can be found in the directors' remuneration report set out on pages 25 to 32. A resolution will be proposed at the AGM to approve the report.

Nomination committee
Martin Flower (Chairman)
Michael Buzzacott
David Dunn
Mike Humphrey
Stanley Musesengwa

The Nomination Committee consists of the non-executive directors and the Group Chief Executive and is responsible for nominating, for approval by the Board, candidates for appointment to the Board and succession planning. It meets on an ad hoc basis and its terms of reference are posted on the Company's website. The Committee met three times during the year.

The Committee is overseeing the search for a new non-executive director to replace David Dunn on his retirement. External search consultants, Spencer Stuart, have been engaged to identify initial candidates. The Chairman has since met candidates before recommending a shortlist to the Committee. Committee members have interviewed the candidates subsequently and have submitted recommendations to the Board. It is anticipated that an announcement will be made in Q2 2009.

During the year the Committee reviewed the progress of the development plans of the senior management team which were produced in response to the findings of the succession planning exercise carried out in 2007. It also reviewed the profiles of, and plans for, the next layer of management down in order to assess the level of skills, knowledge and experience available within the Group.

The Committee carried out its customary corporate governance review and was satisfied that the size, structure and composition of the Board and the required time commitment from non-executive directors remained appropriate and that all the non-executive directors continued to fulfil the criteria of independence and were able to commit the required time for the proper performance of their duties.

Board and Committee evaluation

The annual self evaluation exercise was carried out under the supervision of the Chairman to arrive at an assessment of the effectiveness of the Board, the Chairman and each of the committees. The exercise employed a questionnaire completed by each Board member. A summary of the results was then presented to the Board for discussion. The Chairman also discussed some comments separately with individual directors. The outcome will be continuing focus during 2009 on succession planning for, and the development of, senior personnel and a further review of the remuneration policy for senior executives.

Other Committees

The management of the business is delegated by the Board to the Group Chief Executive. He utilises a series of committees to assist him in this task.

Group Executive committee

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

The Group Executive Committee comprises the Group Chief Executive, the Group Finance Director and the heads of regional business and operational functions. It meets quarterly and its remit is responsibility for the development and implementation of strategy, operational plans, policies, procedures and budgets, the monitoring of operating and financial performance, the assessment and control of risk and the prioritisation and allocation of resources.

Finance committee

The Finance Committee meets monthly to review monthly operating results, identify operational and risk issues and examine capital expenditure proposals. Its members are:

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

Risk management committee

Sean Christie (Chairman) – Group Finance Director
David Barraclough – President –Asia Pacific
Miguel de Bellis - President –Latin America
Bryan Dobson - President – Global Operations
Steve Foots - President – Consumer Care Europe
Kevin Gallagher - President –North America
Keith Layden - President – Actives & Enterprise Technology
Graham Myers - Group Financial Controller/Treasurer
Kevin Nutbrown - President – Industrial Specialities Europe
Louise Scott - Company Secretary & Legal Counsel

The risk management committee includes all members of the Group Executive Committee and the Finance Committee other than the Group Chief Executive. Its role is to evaluate, propose policies and monitor processes to control the business, operational and compliance risks faced by the Group. It normally meets four times a year.

Routine business committee

The routine business committee comprises the two executive directors with the Company Secretary and Group Financial Controller acting as alternates. The committee may make decisions with one executive director and the alternate for the other executive director being present. It attends to business of a routine nature and to the administration of matters, the principles of which have been agreed previously by the Board or the Group Executive Committee.

Investor relations

The Company recognises the importance of communicating with its shareholders. The main forum for communication with private investors is the AGM which all members of the Board attend and where they are available to answer questions raised by shareholders. The annual report and accounts, including notice of AGM, are sent to shareholders at least twenty working days before the meeting. The level of proxies lodged on each AGM resolution and the balance for and against each resolution is declared by the Chairman after the resolution has been dealt with on a show of hands providing there has been no call for a poll. There is a separate investor relations section on the Company's website (www.croda.com) which includes, amongst other items, presentations made to analysts.

The Board invites the Company's brokers to attend at least one meeting each year at which the economic and investment environment, Croda's performance, both generally, and in comparison with its sector peers, and investor reaction are discussed. When appropriate, meetings are held between the executive directors and institutional investors.

Internal control

The Code principle C.2.1 on internal control requires the directors to conduct, at least annually, a review of the effectiveness of the Group's system of internal control, including financial, operational, compliance and risk management controls, and report to the shareholders that they have done so. In accordance with the Turnbull guidance (2005) and in order to discharge this responsibility, the directors have utilised an organisational structure with clear operating procedures, lines of responsibility, and delegated authority.

In particular there are clear procedures and defined authorities to act for:

- capital investment, with detailed appraisal, authorisation and post-investment review
- financial reporting, within a comprehensive financial planning and accounting framework
- comprehensive monitoring and quantification of business risks, under the direction of the risk management committee.

The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness, and has reviewed its operational effectiveness throughout the financial year and up to the date of approval of the annual report using a process which involves:

- written confirmations from relevant senior executives and divisional directors concerning the operation of those elements of the system for which they are responsible
- internal audit work carried out by Deloitte & Touche LLP who report to the audit committee
- reports from the external auditors.

Such a system is designed to mitigate rather than eliminate the risk of failure to achieve business objectives and provides reasonable but not absolute assurance against material misstatement or loss.

Going concern

The financial statements, which appear on pages 40 to 79, have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, strategic plans and banking facilities, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Compliance

The information contained in this report demonstrates that the Company has complied fully with the Code throughout 2008.

Statement of directors' responsibilities in respect of the annual report, the directors' remuneration report and the financial statements

The directors are responsible for preparing the annual report, the directors' remuneration report and the Group and the Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing the Group financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The Group and Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state that the Group financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by the IASB, and, with regard to the Company financial statements, that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements and the directors' remuneration report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose details are set out on pages 20 to 21 confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Chief Executive's review on pages 4 to 9 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Louise Scott
Secretary
16 February 2009

Group independent auditor's report

Independent auditor's report to the members of Croda International Plc

We have audited the Group financial statements of Croda International Plc for the year ended 31 December 2008 which comprise the Group income statement, the Group balance sheet, the Group cash flow statement, the Group statement of recognised income and expense, the Group accounting policies and the related notes. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the part of the directors' remuneration report that is described as having been audited.

We have reported separately on the parent company financial statements of Croda International Plc for the year ended 31 December 2008.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the Group financial statements. The information given in the directors' report includes that specific information presented in the Chairman's statement, the Chief Executive's review, the financial review and safety, health and environment report that is cross referred from the business review section of the directors' report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the directors' report, the Chairman's statement, the Chief Executive's review, the financial review, the corporate governance statement and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
26 February 2009

Group income statement

for the year ended 31 December 2008

	Note	2008 £m Before exceptional items	2008 £m Exceptional items	2008 £m Total	2007 £m Before exceptional items	2007 £m Exceptional items	2007 £m Total
Continuing operations							
Revenue	1	**956.4**	**-**	**956.4**	804.8	-	804.8
Cost of sales		**(741.9)**	**-**	**(741.9)**	(617.9)	(7.0)	(624.9)
Gross profit		**214.5**	**-**	**214.5**	186.9	(7.0)	179.9
Net operating expenses	2, 3	**(99.8)**	**-**	**(99.8)**	(103.9)	1.4	(102.5)
Operating profit	1	**114.7**	**-**	**114.7**	83.0	(5.6)	77.4
Financial expenses	4	**(25.5)**	**-**	**(25.5)**	(31.1)	-	(31.1)
Financial income	4	**9.2**	**-**	**9.2**	8.9	-	8.9
Profit before tax		**98.4**	**-**	**98.4**	60.8	(5.6)	55.2
Tax	5	**(31.5)**	**-**	**(31.5)**	(20.6)	1.9	(18.7)
Profit after tax from continuing operations		**66.9**	**-**	**66.9**	40.2	(3.7)	36.5
Profit after tax from discontinued operations	7	**2.9**	**(8.6)**	**(5.7)**	9.9	41.0	50.9
Profit for the year	3	**69.8**	**(8.6)**	**61.2**	50.1	37.3	87.4
Attributable to:							
Minority interest				**0.2**			0.1
Equity shareholders				**61.0**			87.3
				61.2			87.4

Earnings per 10p share		Pence per share	Pence per share
Basic			
Total	8	**45.3**	64.8
Continuing operations	8	**49.6**	27.0
Diluted			
Total	8	**44.6**	63.6
Continuing operations	8	**48.7**	26.5

Group statement of recognised income and expense

for the year ended 31 December 2008

	2008 £m	2007 £m
Profit for the year	**61.2**	87.4
Net gains not recognised in income statement:		
Net exchange adjustments offset in reserves	**26.1**	6.6
Movement in fair value of cash flow hedges	**(2.8)**	(0.4)
Actuarial movement on retirement benefit liabilities (note 12)	**(23.9)**	27.5
Deferred tax on actuarial movement on retirement benefit liabilities (note 5)	**5.7**	(6.5)
	5.1	27.2
Total recognised income for the year	**66.3**	114.6
Attributable to:		
Minority interest	**0.2**	0.1
Equity shareholders	**66.1**	114.5
	66.3	114.6

Group balance sheet
at 31 December 2008

	Note	2008 £m	2007 £m
Assets			
Non-current assets			
Intangible assets	13	**203.4**	203.5
Property, plant and equipment	14	**392.4**	342.2
Investments			
Associated undertaking	16	**-**	9.2
Other	16	**12.7**	0.9
Deferred tax assets	6	**49.4**	43.1
		657.9	598.9
Current assets			
Inventories	17	**201.9**	161.4
Trade and other receivables	18	**185.8**	186.4
Cash and cash equivalents		**42.3**	43.4
Other financial assets	20	**-**	0.4
Assets classified as held for sale		**1.1**	1.2
		431.1	392.8
Liabilities			
Current liabilities			
Trade and other payables	19	**(179.8)**	(175.5)
Borrowings and other financial liabilities	20	**(87.2)**	(83.5)
Provisions	21	**(7.0)**	(14.2)
Current tax liabilities		**(10.2)**	(11.5)
		(284.2)	(284.7)
Net current assets		**146.9**	108.1
Non-current liabilities			
Borrowings and other financial liabilities	20	**(355.6)**	(325.9)
Other payables		**(4.7)**	(3.3)
Retirement benefit liabilities	12	**(88.5)**	(59.3)
Provisions	21	**(41.5)**	(45.0)
Deferred tax liabilities	6	**(49.2)**	(53.8)
		(539.5)	(487.3)
Net assets		**265.3**	219.7
Shareholders' equity			
Preference share capital	24	**1.1**	1.1
Ordinary share capital	22	**14.0**	14.0
Called up share capital		**15.1**	15.1
Share premium account	25	**93.3**	93.3
Reserves	25	**154.9**	109.6
Total shareholders' equity		**263.3**	218.0
Minority interest in equity	26	**2.0**	1.7
Total equity		**265.3**	219.7

Signed on behalf of the Board who approved the accounts on 16 February 2009

Martin Flower
Chairman

Sean Christie
Group Finance Director

Group cash flow statement

for the year ended 31 December 2008

	Note	2008 £m	2007 £m
Cash flows from operating activities			
Cash generated/(absorbed) by operations	ii	**120.8**	(15.2)
Interest paid		**(22.5)**	(26.8)
Tax paid		**(41.3)**	(14.2)
Net cash generated/(absorbed) by operating activities		**57.0**	(56.2)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		**(4.1)**	7.7
Purchase of property, plant and equipment		**(51.9)**	(37.5)
Purchase of computer software		**(0.1)**	(0.6)
Proceeds from sale of property, plant and equipment		**0.6**	0.2
Proceeds from sale of businesses (net of costs)		**49.4**	75.7
Proceeds from sale of other investment		**0.2**	-
Cash paid against non-operating provisions	21	**(1.2)**	(0.6)
Interest received		**1.6**	3.1
Net cash (absorbed)/generated by investing activities		**(5.5)**	48.0
Cash flows from financing activities			
Additional borrowings		**67.5**	66.6
Repayment of borrowings		**(85.4)**	(63.9)
Capital element of finance lease repayments		**(0.3)**	(0.1)
Net transactions in own shares	22, 25	**0.6**	(2.4)
Dividends paid to shareholders	9	**(22.9)**	(19.8)
Dividends paid to minority shareholders	9	**(0.2)**	(0.2)
Net cash absorbed by financing activities		**(40.7)**	(19.8)
Net movement in cash and cash equivalents		**10.8**	(28.0)
Cash and cash equivalents brought forward		**1.2**	28.0
Exchange differences		**5.3**	1.2
Cash and cash equivalents carried forward		**17.3**	1.2
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		**42.3**	43.4
Bank overdrafts		**(25.0)**	(42.2)
		17.3	1.2

Group cash flow notes

for the year ended 31 December 2008

(i) Reconciliation to net debt	Note	2008 £m	2007 £m
Movement in cash and cash equivalents	iii	**10.8**	(28.0)
Movement in debt and lease financing	iii	**18.2**	(2.6)
Change in net debt from cashflows		**29.0**	(30.6)
New finance lease contracts		**(0.6)**	(0.1)
Exchange differences		**(60.5)**	(5.4)
		(32.1)	(36.1)
Net debt brought forward		**(366.0)**	(329.9)
Net debt carried forward	iii	**(398.1)**	(366.0)

(ii) Cash generated/(absorbed) by operations	2008 £m	2007 £m
Continuing operations		
Operating profit	**114.7**	77.4
Adjustments for:		
Depreciation and amortisation	**32.8**	27.9
(Profit)/Loss on disposal of fixed assets	**(0.1)**	0.7
Exceptional items	**-**	5.6
Other provisions	**0.4**	0.4
Share based payments	**1.6**	1.1
Cash paid against operating provisions (note 21)	**(17.1)**	(17.5)
Pension fund contributions in excess of service cost	**(8.9)**	(70.0)
Movement in inventories	**(13.9)**	(31.3)
Movement in receivables	**23.5**	(26.1)
Movement in payables	**(14.5)**	(1.7)
Cash generated/(absorbed) by continuing operations	**118.5**	(33.5)
Discontinued operations	**2.3**	18.3
	120.8	(15.2)

(iii) Analysis of net debt	2008 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2007 £m
Cash and cash equivalents	**42.3**	(9.3)	8.2	-	43.4
Bank overdrafts	**(25.0)**	20.1	(2.9)	-	(42.2)
Movement in cash and cash equivalents		10.8			
Borrowings repayable within one year	**(61.8)**	14.1	(4.7)	(30.0)	(41.2)
Borrowings repayable after one year	**(352.6)**	3.8	(60.9)	30.0	(325.5)
Finance leases	**(1.0)**	0.3	(0.2)	(0.6)	(0.5)
Movement in borrowings and other financial liabilities		18.2			
Total net debt	**(398.1)**	29.0	(60.5)	(0.6)	(366.0)

Group accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial instruments, share based payments and pension asset valuations at fair value through profit or loss in accordance with IFRS, IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements (February 2009). A summary of the more important Group accounting policies is set out below.

Accounting estimates and judgements

The Group's critical accounting policies under IFRS have been set by management with the approval of the audit committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period. The critical judgements required when preparing the Group's accounts are as follows:

(i) Provisions - as disclosed in note 21, the Group has made significant provision for potential environmental liabilities and for the costs of the restructuring exercise following the acquisition of Uniqema. The rationale behind these and other provisions is discussed in note 21. The directors believe that these provisions are appropriate based on information currently available.

(ii) Goodwill and fair value of assets acquired – the Group's goodwill carrying value increased significantly in 2006 following the acquisition of Uniqema. The Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying cash generating units. These calculations require the use of estimates, however, as recoverable amounts significantly exceed carrying values, including goodwill, there is no impairment within a reasonable range of assumptions.

(iii) Retirement benefit liabilities – as disclosed in note 12, the Group's principal retirement benefit schemes are of the defined benefit type. Year end recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Group in conjunction with the schemes' actuaries and the directors are of the view that any estimation should be prudent and in line with consensus opinion.

New IFRS standards, amendments and interpretations effective in 2008

The IASB and IFRIC have issued additional standards which are effective for this accounting period. The following standards and interpretations have been adopted by the Group:

(i) IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group has applied IFRIC 14 from 1 January 2008 which does not have an impact on the Group's financial statements.

(ii) IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have an impact on the Group's financial statements.

Interpretations effective in 2008 but not relevant for the Group's operations

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

(i) IFRIC 12, 'Service concession arrangements'; and
(ii) IFRIC 13, 'Customer loyalty programmes'.

New IFRS standards and interpretations not applied

The IASB and IFRIC have issued additional standards and interpretations which are effective for periods starting after the date of these financial statements. The following standards and interpretations have yet to be adopted by the Group:

(i) IFRS 8 (Operating Segments) – IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009 but it is not expected to have any impact on the Group's accounts.

(ii) IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009) – The amendment to the standard is still subject to endorsement by the EU. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (amendment) from 1 January 2009, subject to endorsement by the EU, but the standard is currently not applicable to the Group as there are no qualifying assets.

(iii) IAS 1 (revised), 'Presentation of financial statements' (effective from 1 January 2009) – The standard is still subject to endorsement by the EU. The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (revised) from 1 January 2009, subject to endorsement by the EU. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

(iv) IFRS 2 (amendment), 'Share-based payment' (effective from 1 January 2009) – The amendment to the standard is still subject to endorsement by the EU. It deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (amendment) from 1 January 2009, subject to endorsement by the EU. It is not expected to have a material impact on the Group's financial statements.

(v) IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009) – The amendment to the standard is still subject to endorsement by the EU. It require entities to classify puttable financial instruments and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply IAS 32 and IAS 1 (amendment) from 1 January 2009, subject to endorsement by the EU. It is not expected to have any impact on the Group's financial statements.

(vi) IFRS 1 (amendment), 'First time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements', (effective from 1 January 2009) – The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply IFRS 1 (amendment) from 1 January 2009. The amendment will not have any impact on the Group's financial statements.

(vii) IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009) – The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

(viii) IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009) – The revised standard is still subject to endorsement by the EU. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010, subject to endorsement by the EU.

(ix) IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations', (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009) – The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010, subject to endorsement by the EU.

(x) IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009) – The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group will apply the IAS 23 (amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009, subject to endorsement by the EU, but is currently not applicable to the Group as there are no qualifying assets.

Interpretations of existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

(i) IAS 16 (amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).

(ii) IAS 27 (amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).

(iii) IAS 28 (amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).

(iv) IAS 29 (amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).

(v) IAS 31 (amendment), 'Interests in joint ventures', (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).

(vi) IAS 38 (amendment), 'Intangible assets' (effective from 1 January 2009).

(vii) IAS 40 (amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).

(viii) IAS 41 (amendment), 'Agriculture' (effective from 1 January 2009).

(ix) IAS 20 (amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).

(x) The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 29, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', and IAS 41, 'Agriculture', which are part of the IASB's annual improvements project published in May 2008 (not addressed above).

(xi) IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

Group accounts

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of identifiable net assets acquired is recorded as goodwill.

Associates

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

Intangible assets

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Goodwill is allocated to cash generating units for the purpose of this impairment testing.

Research and development

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

Computer software

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

Revenue recognition

Sales of goods

Revenue comprises the fair value for the sale of goods, excludes inter-company sales and value-added taxes and represents net invoice value less estimated rebates, returns and settlement discounts. Group sales are recognised as revenue in the period in which the significant risks and rewards of ownership have been transferred to a third party.

Interest and dividend income

Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks or returns that are different from those of other segments. A geographical segment operates within a particular economic environment that is subject to different risks and returns from other economic environments.

Employee benefits

Pension obligations

The Group accounts for pensions and similar benefits under IAS 19 'Employee Benefits'. In respect of defined benefit plans (pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation), obligations are measured at discounted present value whilst plan assets are recorded at fair value. The liability recognised in the balance sheet in respect of defined benefit pension plans is the net of the plan obligations and assets. No allowance is made in the past service liability in respect of either the future expenses of running the schemes or for non-service related death in service benefits which may arise in the future. The operating costs of such plans are charged to operating profit and the finance costs are recognised as financial income or expense as appropriate. Service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of recognised income and expense. Payments to defined contribution schemes (pension plans under which the Group pays fixed contributions into a separate entity) are charged as an expense as they fall due.

Other post-retirement benefits

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses are recognised immediately in the statement of recognised income and expense. These obligations are valued annually by independent qualified actuaries.

Termination benefits

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

Share based payments

The fair value of employee share option plans is calculated using the Black-Scholes or binomial model as appropriate. In accordance with IFRS 2 'Share-based Payments' the resulting cost is charged to the income statement over the vesting period of the options. The value of the charge is adjusted to reflect expected and actual levels of options vesting, as the Group does not use market-based performance criteria.

Currency translations

Functional and presentation currency

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

Transactions and balances

Assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the Group income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges, which, along with other exchange differences arising from non-trading items are dealt with through reserves.

Group companies

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

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

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

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

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

Taxation

The charge for taxation is based on the profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Temporary differences arise from the inclusion of profits and losses in the accounts in different periods from which they are recognised in tax assessments and primarily arise as a result of the difference between tax allowances on tangible fixed assets and the corresponding depreciation charge, and upon the pension fund deficit. Full provision is made for the tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings. Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities such as liabilities and costs arising from a fundamental restructuring of the Group's operations. Such items are disclosed separately within the financial statements.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation, with the exception of assets acquired as part of a business combination which are initially recorded at fair value. The Group's policy is to write off the difference between the cost of all property, plant and equipment, except freehold land, and their residual value on a straight line basis over their estimated useful lives. Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear, and adjustments are made where appropriate. Under this policy it becomes impractical to calculate average asset lives exactly. However, the total lives range from approximately 15 to 40 years for buildings, and 3 to 15 years for plant and equipment. All individual assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. By far the bulk of the Group's 'plant and equipment' asset class relates to the value of plant and equipment at the Group's manufacturing facilities, consequently the Group does not seek to analyse out of this class other items such as motor vehicles and office equipment.

Impairment of non-financial assets

The Group assesses at each year end whether an asset may be impaired. If any evidence exists of impairment, the estimated recoverable amount is compared to the carrying value of the asset and an impairment loss is recognised where appropriate. In addition to this, goodwill is tested for impairment at least annually.

Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale.

Leases

Assets acquired under finance leases are included in the balance sheet under tangible fixed assets at an amount reflecting the fair value of the asset and are depreciated over the shorter of the lease term and their estimated useful lives. The capital element of future lease rentals is included in creditors. Finance charges are allocated to the income statement each year in proportion to the capital element outstanding. The cost of operating leases is charged to the income statement as incurred.

Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, interest-rate risk, liquidity risk, and credit risk. The Group's overall risk management strategy is approved by the Board and implemented and reviewed by the risk management committee. Detailed financial risk management is then delegated to the Group Finance department which has a specific policy manual that sets out guidelines to manage financial risk. Regular reports are received from all operating companies to enable prompt identification of financial risks so that appropriate action may be taken.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Entities in the Group use forward contracts and foreign currency bank balances to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. The Group's risk management policy is to hedge transactional risk up to three months forward. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is not specifically hedged but is reduced primarily through borrowings denominated in the relevant foreign currencies where it is efficient to do so.

For 2008, had the Group's basket of reporting currencies been 10% weaker/stronger than the actual rates experienced, post-tax profit for the year would have been £9m (2007: £7m) lower/higher than reported, primarily as a result of the translation of the profits of the Group's overseas entities, and equity would have been £13m (2007: £9m) lower/higher.

Interest rate risk

The Group has both interest bearing assets and liabilities. The Group has a policy of maintaining at least 50% of its gross borrowings at floating interest rates and at 31 December 2008 over 77% of Group borrowings were at floating rates. The Group uses interest rate swaps where appropriate and currently has a single interest rate swap in place as a fair value hedge of a proportion of its fixed rate US Dollar denominated borrowings. The swap is settled on a six monthly basis with the Group paying or receiving interest based on the differential between market rates at the start of each period and the fixed rate.

Based on the above, had interest rates moved by 10 basis points in the territories where the Group has substantial borrowings, post-tax profits would have moved by £0.2m (2007: £0.2m) due to increased interest expense on the Group's floating rate borrowings.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term committed facilities designed to ensure the Group has sufficient funds available for operations and planned investments. The Group also has an active share buyback programme which is managed to ensure the efficiency of the Group's funding structure.

On a regular basis, management monitors forecasts of the Group's cash flows against both internal targets and those targets imposed by external lenders. As shown in note 20, the Group has substantial committed, unused facilities and the directors are confident this situation will remain the case for the foreseeable future.

Credit risk

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

Group accounting policies

Capital risk management

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

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

Underlying growth coupled to Return on Invested Capital (ROIC) is the key perceived driver of shareholder value within the Group. The acquisition of Uniqema reduced the ROIC, but also reduced Weighted Average Cost of Capital (WACC) since the deal was predominantly financed through debt. The Group's target is to maintain the ROIC at a higher level than the WACC, a target achieved in 2008. In addition, the Group employs two widely used ratios to measure our ability to service our debt. Both net debt/EBITDA and EBITDA interest cover were ahead of target in 2008.

Additional information on performance against key performance indicators can be found in the financial review on page 11.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rates and short-term currency rate fluctuations.

Financial instruments are recorded initially at cost. Subsequent measurement depends on the designation of the instrument as either: (i) a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (ii) a hedge of highly probable forecast transactions (cash flow hedge);

(i) *Fair value hedge*
Changes in the fair value of derivatives, for example interest rate swaps and foreign exchange contracts, that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

Environmental and restructuring provisions

The Group is exposed to environmental liabilities relating to its operations and liabilities arising from the restructuring of its operations following the acquisition of Uniqema. Provisions are made immediately where a constructive or legal obligation is identified, can be quantified and it is regarded as more likely than not that an outflow of resources will be required to settle the obligation. The Group does consider the impact of discounting when establishing provisions and provisions are discounted when the impact is material and the timing of cash flows can be estimated with reasonable certainty.

Share capital

Investment in own shares

(i) *Employee Share Ownership Trusts*

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

(ii) *Treasury shares*

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

Preference share capital

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

Dividends

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

Investments

Investments in quoted securities are stated at fair value, being the appropriate quoted market value, with movements in the fair value passing through the income statement. Investments in unquoted securities are carried fair value unless such value cannot be reliably measured, in which case the investments are carried at cost. Investments are subject to impairment testing at each balance sheet date or earlier upon indication of impairment.

Notes to the Group accounts

1. Segmental analysis

Primary reporting format - business segments

At 31 December 2008 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. There is no material trade between segments. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, inventories and trade and other receivables, whilst segment liabilities are mainly trade and other payables.

	Consumer Care 2008 £m	2007 £m	Industrial Specialities 2008 £m	2007 £m	Group 2008 £m	2007 £m
Income statement						
Continuing operations						
Revenue	**442.4**	345.6	**514.0**	459.2	**956.4**	804.8
Expenses	**(352.5)**	(271.5)	**(489.2)**	(450.3)	**(841.7)**	(721.8)
Operating profit before exceptional items	**89.9**	74.1	**24.8**	8.9	**114.7**	83.0
Exceptional items					**-**	(5.6)
Operating profit after exceptional items					**114.7**	77.4
Profit after tax from discontinued operations	**-**	-	**(5.7)**	50.9	**(5.7)**	50.9
Net financial expenses					**(16.3)**	(22.2)
Tax					**(31.5)**	(18.7)
Profit for the year					**61.2**	87.4
Balance sheet						
Segment assets	**335.8**	240.7	**446.2**	462.1	**782.0**	702.8
Goodwill					**200.3**	199.9
Assets classified as held for sale					**1.1**	1.2
Tax assets					**49.4**	43.1
Cash, other financial assets and other investments					**55.0**	44.7
Total Group assets					**1,087.8**	991.7
Segment liabilities	**(77.3)**	(56.6)	**(106.0)**	(122.2)	**(183.3)**	(178.8)
Tax liabilities					**(59.4)**	(65.3)
Borrowings and other financial liabilities					**(442.8)**	(409.4)
Provisions					**(48.5)**	(59.2)
Retirement benefit liabilities					**(88.5)**	(59.3)
Total Group liabilities					**(822.5)**	(772.0)
Group net assets					**265.3**	219.7
Other segmental disclosures						
Capital expenditure (notes 13 & 14)	**19.6**	18.8	**32.8**	19.4	**52.4**	38.2
Depreciation (notes 13 & 14)	**14.7**	12.2	**19.3**	19.3	**34.0**	31.5

1. Segmental analysis (continued)

Secondary reporting format - geographical segments

The Group manages its business segments on a global basis. The operations are based mainly in the following geographical areas; Europe, with manufacturing sites in the UK (the home country of the Company), France, Holland, Germany, Italy and Spain; the Americas, with manufacturing sites in the USA and Brazil; and Asia, with manufacturing sites in Singapore, Japan, India, Korea and Indonesia.

	Revenue 2008 £m	2007 £m	Segment assets 2008 £m	2007 £m	Capital expenditure 2008 £m	2007 £m
Analysis by geographical origin						
Continuing operations						
Europe	**574.8**	488.5	**505.8**	436.4	**37.1**	21.1
Americas	**262.0**	211.2	**175.6**	193.8	**11.8**	12.1
Asia	**96.3**	80.9	**82.4**	56.7	**3.1**	4.6
Rest of World	**23.3**	24.2	**18.2**	15.9	**0.4**	0.4
	956.4	804.8	**782.0**	702.8	**52.4**	38.2
Analysis by geographical destination						
Continuing operations						
Europe	**496.2**	419.2				
Americas	**279.8**	227.7				
Asia	**133.2**	116.5				
Rest of World	**47.2**	41.4				
	956.4	804.8				

2. Net operating expenses

	2008 £m Before exceptional items	2008 £m Exceptional items	2008 £m Total	2007 £m Before exceptional items	2007 £m Exceptional items	2007 £m Total
Analysis of net operating expenses by function:						
Distribution costs	**45.8**	**-**	**45.8**	45.3	-	45.3
Administrative expenses	**54.0**	**-**	**54.0**	58.6	(1.4)	57.2
	99.8	**-**	**99.8**	103.9	(1.4)	102.5

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

3. Profit for the year

	2008 £m	2007 £m
The Group profit for the year is stated after charging:		
Depreciation (note 13 & 14)		
Owned assets	**33.2**	30.9
Leased assets	**0.8**	0.6
Staff costs (note 10)	**157.9**	142.6
Redundancy costs		
Non-exceptional	**0.1**	0.1
Exceptional	**5.8**	2.0
Inventories		
Cost recognised as expense in cost of sales	**673.0**	543.6
Net write down in year	**10.4**	4.5
(Profit)/Loss on disposal and write off of fixed assets	**(0.1)**	0.7
Research and development	**17.6**	14.1
Hire of plant and machinery	**2.1**	1.6
Other operating lease rentals	**2.3**	2.6
Bad debt exposure (note 18)	**2.2**	0.6

Notes to the Group accounts

3. Profit for the year (continued)

	2008 £m	2007 £m
Services provided by the Group's auditors		
Audit services		
Fees payable to Company auditor for the audit of parent company and consolidated accounts	**0.1**	0.1
Non audit services		
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**0.5**	0.5
Tax services	**0.2**	0.3
	0.8	0.9

Exceptional items

During 2008, the Group successfully renegotiated one of the onerous contracts within the acquired Uniqema business, resulting in a credit to the income statement of £9.1m. In addition, a further charge to the income statement of £9.1m was made in respect of the continued restructuring of the business following the Uniqema acquisition. As a result of the respective credit and charge being in the same amount, there was no net exceptional impact on the income statement.

4. Net financial expenses

	2008 £m	2007 £m
Financial expenses		
Syndicated acquisition funding	**22.0**	26.5
7.37% guaranteed senior loan notes due 2008	**0.3**	1.7
Other bank loans and overdrafts	**3.2**	2.9
	25.5	31.1
Financial income		
Expected return on pension scheme assets less interest on scheme liabilities (note 12)	**(7.1)**	(5.0)
H.I.G Capital LLC loan note	**(0.5)**	-
Bank interest receivable and similar income	**(1.6)**	(3.9)
	(9.2)	(8.9)
Net financial expenses	**16.3**	22.2

5. Tax

	2008 £m	2007 £m
(a) Analysis of tax charge for the year		
Continuing operations		
United Kingdom current tax		
Corporation tax	**7.7**	5.7
Relief for overseas taxes on dividends remitted to UK	**(7.7)**	(9.4)
	-	(3.7)
Overseas current corporate taxes	**26.6**	16.1
Current tax	**26.6**	12.4
Deferred tax	**4.9**	6.3
	31.5	18.7

	2008 £m	2007 £m
(b) Tax on items charged to equity		
Deferred tax on actuarial movement on retirement benefit liabilities	**(5.7)**	6.5
Deferred tax on share based payments	**0.1**	(0.1)
	(5.6)	6.4

5. Tax (continued)

	2008 £m	2007 £m
(c) Factors affecting the tax charge for the year		
Profit before tax from continuing operations	**98.4**	55.2
Tax at the standard rate of corporation tax in the UK, 28.5% (2007: 30%).	**28.0**	16.6
Effect of:		
Prior years' under/(over) provisions	**-**	0.1
Reduction in rate of deferred taxation	**-**	(1.0)
Tax cost of remitting overseas income to the UK	**0.7**	0.1
Expenses and write offs not deductible for tax purposes	**0.1**	1.1
Effect of higher overseas tax rates	**2.7**	1.8
	31.5	18.7

6. Deferred tax

	2008 £m	2007 £m
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Retirement benefit obligations	**25.1**	23.0
Restructuring provisions	**3.0**	4.6
Other provisions	**21.3**	15.5
	49.4	43.1
Deferred tax liabilities		
Excess of capital allowances over depreciation	**45.9**	50.5
Revaluation gains	**1.9**	1.9
Other	**1.4**	1.4
	49.2	53.8
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax charged through income statement		
Continuing operations (note 5a)	**(4.9)**	(6.3)
Discontinued operations	**-**	(3.7)
Deferred tax credited/(charged) directly to equity (note 5b)	**5.6**	(6.4)
Business disposals	**10.0**	1.1
Exchange differences	**0.2**	(1.3)
	10.9	(16.6)
Net balance brought forward	**(10.7)**	5.9
Net balance carried forward	**0.2**	(10.7)
Deferred tax charged through the income statement relates to the following:		
Restructuring provisions	**(1.6)**	(2.2)
Retirement benefit obligations	**(7.4)**	(11.6)
Excess of capital allowances over depreciation	**1.9**	0.7
Reduction in rate of deferred taxation	**-**	1.0
Other	**2.2**	2.1
	(4.9)	(10.0)

Deferred tax is calculated in full on temporary differences under the liability method at a rate of 28% in the United Kingdom and at rates appropriate to each overseas subsidiary.

Deferred tax assets have been recognised in all cases where such assets arise, as it is probable the assets will be recovered.

Deferred tax is only recognised on the unremitted earnings of overseas subsidiaries to the extent that remittance is expected in the foreseeable future. If all earnings were remitted, an additional £3.6m of tax would be payable.

All movements on deferred tax balances have been recognised in income with the exception of the charges shown in note 5(b), which have been recognised directly in equity, the balances acquired with Uniqema and the balances transferred with business disposals in the year.

7. Discontinued operations

In February 2008, continuing the Group's strategy of focusing on it's core business, the Group sold its 46.5% shareholding in its associate, Baxenden Chemicals Limited, to Chemtura Corporation for a £13m cash consideration.

In May 2008, in line with the Group's strategic restructuring following the acquisition of Uniqema, the Group's Chicago Oleochemicals business was sold to H.I.G. Capital LLC for £46.8m, with the sale including all current and non-current assets. The consideration included £38.6m cash and the balance as a loan note due in 2014 but repayable earlier in certain circumstances.

The impact of the operations discontinued in 2008, which both resided largely within the Industrial Specialities segment, is as follows:

	2008 £m	2007 £m
Revenue	46.2	145.3
Expenses	(41.5)	(131.4)
Pre tax operating results from discontinued operations	4.7	13.9
Tax	(1.8)	(4.0)
Post tax operating results from discontinued operations	2.9	9.9
Profit or loss on disposal	(9.9)	51.8
Tax	1.3	(10.8)
Net exceptional (loss)/gain on disposal	(8.6)	41.0
Total (loss)/profit after tax from discontinued operations	(5.7)	50.9
Cash flows from discontinued operations		
Net cash flows from operating activities	2.3	18.3

The aggregate amount of assets and liabilities in disposed businesses, along with net consideration received on sales of the businesses and consequent profit on sale, is as follows:

	2008 £m
Fixed assets	39.1
Net current assets	19.7
Investment in associated undertaking	9.5
	68.3
Loss on disposal	(9.9)
Net proceeds	58.4

The net proceeds include a loan note in the amount of £8.2m maturing in 2014 which may be repayable earlier in certain circumstances. £0.8m of costs relating to prior year disposals were also incurred in the year.

8. Earnings per share

	Total 2008 £m	Continuing operations 2008 £m	Discontinued operations 2008 £m	Total 2007 £m	Continuing operations 2007 £m	Discontinued operations 2007 £m
Profit for the year before exceptional items	**69.8**	**66.9**	**2.9**	50.1	40.2	9.9
Exceptional items	**(8.6)**	**-**	**(8.6)**	37.3	(3.7)	41.0
Minority interests and preference dividend	**(0.3)**	**(0.3)**	**-**	(0.2)	(0.2)	-
	60.9	**66.6**	**(5.7)**	87.2	36.3	50.9

	Number m	Number m	Number m	Number m	Number m	Number m
Weighted average number of 10p ordinary shares in issue for basic calculation	**134.4**	**134.4**	**134.4**	134.6	134.6	134.6
Deemed issue of potentially dilutive shares	**2.3**	**2.3**	**2.3**	2.4	2.4	2.4
Average number of 10p ordinary shares for diluted calculation	**136.7**	**136.7**	**136.7**	137.0	137.0	137.0

	Pence	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	**45.3**			64.8		
Basic earnings per share before exceptional items	**51.7**			37.1		
Basic earnings per share from continuing operations		**49.6**			27.0	
Basic earnings per share from continuing operations before exceptional items		**49.6**			29.7	
Basic earnings per share from discontinued operations			**(4.2)**			37.8
Diluted earnings per share	**44.6**			63.6		
Diluted earnings per share before exceptional items	**50.8**			36.4		
Diluted earnings per share from continuing operations		**48.7**			26.5	
Diluted earnings per share from continuing operations before exceptional items		**48.7**			29.2	
Diluted earnings per share from discontinued operations			**(4.2)**			37.2

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trusts (note 25) and those held as treasury shares (note 22) which are treated as cancelled as, except for a nominal amount, dividends have been waived.

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares.

Additional earnings per share measures are included above to give a better indication of the Group's underlying performance.

Notes to the Group accounts

9. Dividends

	Pence per share	2008 £m	Pence per share	2007 £m
Ordinary				
Interim				
2007 interim, paid October 2007	-	-	4.95	6.7
2008 interim, paid October 2008	6.20	8.3	-	-
Final				
2006 final, paid June 2007	-	-	9.65	13.0
2007 final, paid June 2008	10.80	14.5	-	-
	17.00	22.8	14.60	19.7
Preference (paid June and December)		0.1		0.1
Dividends paid to minority shareholders		0.2		0.2
		23.1		20.0

The directors are proposing a final dividend of 13.55p per share, amounting to a total dividend of £18.2m, in respect of the financial year ending 31 December 2008. It will be paid on 4 June 2009 to shareholders registered on 1 May 2009 and has not been accrued in these financial statements. The total dividend for the year ending 31 December 2008 is 19.75p per share (£26.5m).

10. Employees

	2008 £m	2007 £m
Group employment costs including directors		
Wages and salaries	123.6	108.9
Share based payment charges (note 23)	3.0	2.6
Social security costs	18.6	17.0
Other pension costs (note 12)	12.7	14.1
	157.9	142.6

Redundancy costs of £5.9m (2007: £2.1m) are excluded from the above analysis.

	2008 Number	2007 Number
Average employee numbers		
Consumer Care	1,672	1,717
Industrial Specialities	1,901	1,909
Discontinued operations	56	274
	3,629	3,900

As required by the Companies Act 1985, the figures disclosed above are weighted averages based on the number of employees at each month end. At 31 December 2008, the Group had 3,624 (2007: 3,736) employees in total.

	2008 £m	2007 £m
Key management compensation including directors		
Wages and salaries	4.9	4.6
Share based payment charges	0.8	0.5
Social security costs	0.7	0.7
Other pension costs	0.4	0.5
	6.8	6.3

Key management comprise the members of the main Board, Executive Committee and Finance Committee.

11. Directors' remuneration

Detailed information concerning directors' remuneration, interests and options is shown in the parts of the directors' remuneration report subject to audit on pages 29 to 32 which form part of the annual report and accounts.

12. Retirement benefit liabilities

The Group operates a number of retirement benefit schemes throughout the world. The principal schemes are in the UK and cover the vast majority of the Group's UK employees. These schemes are of the defined benefit type with assets held in separate trustee administered funds and are funded. In the US, the Group operates a funded defined benefit scheme as well as providing unfunded post-retirement medical benefits for employees. In other countries benefits are determined in accordance with local practice and regulations and funding is provided on several bases. The acquisition of Uniqema resulted in the Group inheriting that business' retirement benefit obligations and associated funding. These obligations are grouped with the obligations of the existing Croda schemes in the relevant region in the analyses below.

Defined benefit schemes

The amounts recognised in the balance sheet in respect of these schemes are as follows:

	2008 £m	2007 £m
Present value of retirement benefit liabilities		
UK - pension schemes	**(397.2)**	(483.4)
US - pension and medical schemes	**(102.9)**	(76.5)
Rest of World	**(109.2)**	(83.7)
	(609.3)	(643.6)
Fair value of scheme assets		
UK - pension schemes	**399.0**	475.9
US - pension schemes	**59.7**	56.2
Rest of World	**62.1**	52.2
	520.8	584.3
Net liability	**(88.5)**	(59.3)

The gross and net liability above includes an amount of £57.8m in respect of unfunded schemes (2007: £45.9m).

	2008 £m	2007 £m
Movement in present value of retirement benefit liabilities in the year:		
Opening balance	**643.6**	659.3
Current service cost	**9.4**	10.8
Post service cost and settlements on disposal of business	**(0.8)**	-
Interest cost	**37.6**	32.9
Actuarial gain	**(110.7)**	(42.8)
Contributions paid in		
Employee	**1.9**	1.8
Benefits paid	**(26.1)**	(23.2)
Exchange differences on overseas schemes	**54.4**	4.8
	609.3	643.6
Movement in fair value of schemes' assets in the year:		
Opening balance	**584.3**	499.4
Expected return	**44.7**	37.9
Shortfall of actual compared to expected return	**(134.6)**	(15.3)
Contributions paid in		
Employee	**1.9**	1.8
Employer	**18.3**	80.8
Benefits paid out	**(26.1)**	(23.2)
Exchange differences on overseas schemes	**32.3**	2.9
	520.8	584.3

The actual loss on scheme assets in the year was £89.9m (2007: £22.6m).

	2008 £m	2007 £m
Cumulative actuarial gains recognised in equity:		
Opening balance	**(25.5)**	(4.5)
Net actuarial losses/(gains) charged in year	**18.2**	(21.0)
	(7.3)	(25.5)

Total contributions to the schemes in 2009 are expected to be £29m.

Notes to the Group accounts

12. Retirement benefit liabilities (continued)

	2008 £m	2007 £m
Analysis of amounts recognised in income statement:		
Charged to operating profit		
Current service cost	**9.4**	10.8
Credited to net financial expenses		
Interest on scheme liabilities	**37.6**	32.9
Expected return on assets	**(44.7)**	(37.9)
	(7.1)	(5.0)
Net charge to income statement before tax	**2.3**	5.8

Of the amount charged to operating profit, £7.5m (2007: £8.2m) was included in cost of sales and £1.9m (2007: £2.6m) was included in administrative expenses.

UK pension schemes

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

	2008	2007
Valuation method	**Projected unit**	Projected unit
Discount rate	**6.7%**	5.8%
Inflation rate	**2.9%**	3.4%
Rate of increase in salaries	**4.1%**	4.6%
Rate of increase for pensions in payment	**2.9%**	3.4%
Expected return on scheme assets	**7.6%**	7.6%

In all territories, including the UK, assumptions regarding future mortality experience are set based on advice from the Group's actuaries, published statistics and experience in each territory. The following mortality tables have been used in respect of the Group's key schemes: UK: PA92 Calendar year 2005 -3 for current non-pensioners and PA92 Calendar year 2005 -2 for pensioners; USA: UP 1994 Projected to 2002 by Scale AA; Netherlands: AG Prognosetafel 2008-2050; Germany: Heubeck RT 2005G.

The assets in the schemes comprised:	2008 % of fair value	2007 % of fair value
Equities	**66.1**	67.3
Bonds	**16.2**	10.3
Property	**9.2**	13.5
Other	**8.5**	8.9
	100.0	100.0

For funded schemes throughout the Group, the expected return on scheme assets has been derived as the weighted average of the expected returns from each of the main asset classes. The expected return for each class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

History of UK schemes' deficits and experience gains and losses:	2008 £m	2007 £m	2006 £m	2005 £m
Present value of retirement benefit liabilities	**(397.2)**	(483.4)	(506.7)	(443.8)
Fair value of scheme assets	**399.0**	475.9	421.0	347.8
Net asset/(liability)	**1.8**	(7.5)	(85.7)	(96.0)
Experience loss on assets	**(109.9)**	(12.1)	9.4	33.2
Experience gain on liabilities	**103.7**	(8.9)	0.3	(18.2)

12. Retirement benefit liabilities (continued)

US pension and post-retirement medical schemes

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

	2008	2007
Valuation method	**Projected unit**	Projected unit
Discount rate	**6.3%**	6.5%
Rate of increase in salaries	**4.0%**	4.0%
Expected return on scheme assets	**8.3%**	8.2%
Medical cost inflation rate	**9.0%**	7.0%

A 1% change in the assumed medical cost inflation rate would alter the charge to the income statement by £0.1m.

The assets in the schemes comprised:	2008 % of fair value	2007 % of fair value
Equities	**37.9**	54.1
Government bonds	**38.4**	37.7
Other	**23.7**	8.2
	100.0	100.0

History of US schemes' deficits and experience gains and losses:	2008 £m	2007 £m	2006 £m	2005 £m
Present value of retirement benefit liabilities	**(102.9)**	(76.5)	(71.4)	(17.6)
Fair value of scheme assets	**59.7**	56.2	45.4	7.3
Net liability	**(43.2)**	(20.3)	(26.0)	(10.3)
Experience loss on assets	**(14.9)**	(2.4)	0.2	(0.3)
Experience gain on liabilities	**2.5**	(9.5)	1.6	-

Other defined benefit schemes

The Group has retirement benefit liabilities in a number of other territories, notably Germany and Holland, and all schemes have been established in line with local custom and practice. The main German scheme is unfunded and has a closing obligation of £33.0m (2007: £25.7m), whilst the Dutch scheme is largely funded and has a net obligation of £6.6m (2007: net asset £3.0m) comprising a gross liability of £65.9m and assets of £59.3m.

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

	2008 Holland	2007 Holland	2008 Germany	2007 Germany
Valuation method	**Projected unit**	Projected unit	**Projected unit**	Projected unit
Discount rate	**5.8%**	5.7%	**5.9%**	5.4%
Inflation rate	**2.3%**	2.3%	**2.0%**	2.0%
Rate of increase in salaries	**3.0%**	3.0%	**2.8%**	2.5%
Rate of increase for pensions in payment	**2.3%**	2.3%	**2.0%**	2.0%
Expected return on scheme assets	**6.1%**	5.2%	**n/a**	n/a

Defined contribution schemes	2008 £m	2007 £m
Contributions paid charged to operating profit	**3.3**	3.3

13. Intangible assets

Opening goodwill at 1 January 2007 arose on the Group's acquisition of the trading assets of Westbrook Lanolin in 1998, which has been allocated in full to the Group's UK manufacturing operation and to the Consumer Care segment, and the goodwill from the acquisition of Uniqema during 2006. As Uniqema has now been embedded into the Group's pre-acquisition structure, it is not possible to allocate the goodwill on acquisition to any individual cash-generating unit (CGU) other than the total Group.

Goodwill is tested at each year end for impairment with reference to the relevant CGUs recoverable amount compared to the unit's carrying value including goodwill. As disclosed above, the relevant CGU when testing the Uniqema goodwill is the Group as a whole. The recoverable amount is based on value in use calculations using pre-tax discounted cash flow projections based on the Group's strategic plan for the first three years and a growth rate thereafter of 3% (2007:3%).

The cashflows have been discounted using the Group's weighted average cost of capital, which for these purposes has been calculated to be approximately 7.4% before tax (2007:8%).

The key assumptions underpinning the strategic plan employed in the value in use calculation are that market share will not change significantly and that gross and operating margins will remain broadly constant.

	Goodwill £m	Computer software £m	Total £m
Cost			
At 1 January 2007	199.9	6.8	206.7
Exchange differences	-	0.4	0.4
Additions	-	0.6	0.6
Business disposals	-	(0.5)	(0.5)
Disposals and write offs	-	(3.3)	(3.3)
At 31 December 2007	**199.9**	**4.0**	**203.9**
At 1 January 2008	199.9	4.0	203.9
Exchange differences	-	1.1	1.1
Additions	0.5	0.1	0.6
Disposals and write offs	-	(0.7)	(0.7)
At 31 December 2008	**200.4**	**4.5**	**204.9**
Depreciation and impairment losses			
At 1 January 2007	-	0.6	0.6
Exchange differences	-	0.3	0.3
Charge for the year	-	1.9	1.9
Business disposals	-	(0.3)	(0.3)
Disposals and write offs	-	(2.1)	(2.1)
At 31 December 2007	**-**	**0.4**	**0.4**
At 1 January 2008	-	0.4	0.4
Exchange differences	-	0.2	0.2
Charge for the year	0.1	1.1	1.2
Disposals and write offs	-	(0.3)	(0.3)
At 31 December 2008	**0.1**	**1.4**	**1.5**
Net carrying amount			
At 31 December 2008	**200.3**	**3.1**	**203.4**
At 31 December 2007	199.9	3.6	203.5

14. Property, plant and equipment

	Land & buildings £m	Plant & equipment £m	Total £m
Cost			
At 1 January 2007	115.1	377.3	492.4
Exchange differences	5.5	20.0	25.5
Additions	5.5	32.1	37.6
Business disposals	(4.8)	(22.5)	(27.3)
Other disposals and write offs	(1.6)	(10.1)	(11.7)
At 31 December 2007	**119.7**	**396.8**	**516.5**
At 1 January 2008	119.7	396.8	516.5
Exchange differences	34.4	123.1	157.5
Additions	3.6	48.8	52.4
Business disposals	(9.4)	(59.1)	(68.5)
Other disposals and write offs	(1.7)	(7.2)	(8.9)
At 31 December 2008	**146.6**	**502.4**	**649.0**
Depreciation and impairment losses			
At 1 January 2007	25.2	133.7	158.9
Exchange differences	2.4	11.1	13.5
Charge for the year	4.2	25.4	29.6
Business disposals	(1.9)	(15.1)	(17.0)
Other disposals and write offs	(1.6)	(9.1)	(10.7)
At 31 December 2007	**28.3**	**146.0**	**174.3**
At 1 January 2008	28.3	146.0	174.3
Exchange differences	15.2	69.6	84.8
Charge for the year	4.5	28.3	32.8
Business disposals	(2.1)	(27.3)	(29.4)
Other disposals and write offs	(0.8)	(5.1)	(5.9)
At 31 December 2008	**45.1**	**211.5**	**256.6**
Net book amount			
At 31 December 2008	**101.5**	**290.9**	**392.4**
At 31 December 2007	91.4	250.8	342.2

The net book value of assets held by the Group under finance leases at 31 December 2008 was £1.0m (2007: £0.5m). The leased equipment secures the lease obligations in note 20.

15. Future commitments

	2008 £m	2007 £m
Group capital projects		
At 31 December 2008 the directors had authorised the following expenditure on capital projects:		
Contracted but not provided for	**7.5**	10.8
Authorised but not contracted for	**24.9**	25.4
	32.4	36.2
Operating leases - minimum lease payments		
At 31 December 2008 the Group's future minimum lease commitments were due as follows:		
Within one year	**5.1**	5.2
From one to five years	**11.6**	13.8
After five years	**5.2**	8.7
	21.9	27.7

The Group leases various buildings, vehicles and other plant and equipment under non-cancellable operating lease arrangements. The leases have various terms typical of lease agreements for the particular class of asset.

16. Investments

	2008 £m	2007 £m
Investment in associated undertaking	-	9.2
H.I.G Capital LLC loan note	11.9	-
Other investments	0.8	0.9
	12.7	10.1

Investment in associated undertaking
The Group disposed of its investment in an associated undertaking during the year (note 7). The Group's share of the total recognised profit of the associate for the year was £0.3m (2007: £1.1m).

Other than dividends received in 2007 of £2.8m there were no other material transactions with the associated undertaking.

Loan note
The Group received a loan note as part of the consideration for the disposal of its Chicago Oleochemicals business (note 7). The note is classified as a held to maturity investment and carries a notional coupon of 6% per annum payable at maturity. On receipt the loan was valued at a discount rate of 9.5% being the estimated market rate at the time applicable to the issuer.

Other investments
Other investments of £0.8m (2007: £0.9m) comprise equity securities classified as available-for-sale and are included at cost, as fair value cannot be measured reliably, or, if quoted on an active market, at market value.

17. Inventories

	2008 £m	2007 £m
Raw materials	37.3	36.4
Work in progress	8.6	6.0
Finished goods	156.0	119.0
	201.9	161.4

The Group consumed £673.0m (2007: £543.6m) of inventories during the period.

18. Trade and other receivables

	2008 £m	2007 £m
Amounts falling due within one year		
Trade receivables	157.0	154.0
Less: provision for impairment of receivables	(3.5)	(1.9)
Trade receivables - net	153.5	152.1
Other receivables	22.4	24.3
Prepayments	9.9	10.0
	185.8	186.4

The ageing of the Group's year end overdue receivables is as follows:	2008 £m	2007 £m
Impaired		
Less than 3 months	1.3	0.4
3 to 6 months	0.6	0.2
Over 6 months	1.6	1.3
	3.5	1.9
Not impaired		
Less than 3 months	30.8	21.1
3 to 6 months	1.1	0.3
Other 6 months	0.7	-
	32.6	21.4

18. Trade and other receivables (continued)

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

The carrying amounts of the Group's receivables are denominated in the following currencies:	2008 £m	2007 £m
Sterling	**31.2**	19.2
US Dollar	**67.6**	46.6
Euro	**53.7**	89.3
Other	**33.3**	31.3
	185.8	186.4

Movements on the Group's provision for impairment of trade receivables are as follows:	2008 £m	2007 £m
At 1 January	**1.9**	2.0
Exchange differences	**0.7**	-
Charged to income statement	**2.2**	0.6
Net write off of uncollectible receivables	**(1.3)**	(0.7)
At 31 December	**3.5**	1.9

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

19. Trade and other payables

	2008 £m	2007 £m
Amounts falling due within one year		
Trade payables	**77.9**	75.9
Other taxation and social security	**6.2**	5.1
Other payables	**20.0**	38.8
Accruals and deferred income	**75.7**	55.7
	179.8	175.5

20. Borrowings, other financial liabilities and other financial assets

	2008 £m	2007 £m
Current		
Assets		
Trade and other receivables	**185.8**	186.4
Interest rate swaps	**-**	0.4
	185.8	186.8
Liabilities		
Trade and other payables	**179.8**	175.5
Syndicated acquisition funding	**30.0**	30.0
US$55m 7.37% guaranteed senior loan notes	**-**	9.2
Other unsecured bank loans and overdrafts due within one year or on demand	**56.8**	44.2
Obligations under finance leases	**0.4**	0.1
	267.0	259.0
Non-current		
Liabilities		
Interest rate swaps	**2.4**	-
Syndicated acquisition funding	**261.2**	325.2
€136m term facility	**90.5**	-
Other unsecured bank loans	**0.9**	0.3
Obligations under finance leases	**0.6**	0.4
	355.6	325.9

20. Borrowings, other financial liabilities and other financial assets (continued)

Elements of the syndicated acquisition funding are due for repayment over the five year term of the facility, however the bulk of the facility falls due for repayment upon expiry of the agreement in June 2011. Interest is charged at a floating rate based on LIBOR or EURIBOR, depending upon the drawdown currency, plus a variable margin. The margin the Group pays on its borrowings over and above standard rates is determined by the Group's net debt to EBITDA ratio. The €136m term facility all falls due for repayment in June 2011 and is on broadly similar terms to the syndicated acquisition funding.

	2008 £m	2007 £m
Maturity profile of financial liabilities		
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	**86.8**	83.4
Obligations under finance leases	**0.4**	0.1
	87.2	83.5
After more than one year		
Loans repayable		
Within one to two years	**30.8**	75.0
Within two to five years	**324.2**	250.5
Obligations under finance leases payable between years two and five	**0.6**	0.4
	355.6	325.9
The minimum lease payments under finance leases fall due as follows:		
Within one year	**0.4**	0.2
Within two to five years	**0.7**	0.5
	1.1	0.7
Future finance charges on finance leases	**(0.1)**	(0.2)
Present value of finance lease liabilities	**1.0**	0.5

Interest rate and currency profile of Group financial liabilities	Total £m	Fixed £m	Floating £m	Fixed rate Weighted average Interest rate (%)	Fixed rate Weighted average Fixed period (years)
Sterling	176.8	100.0	76.8	5.99	1.0
US Dollar	106.2	-	106.2	-	-
Euro	154.6	-	154.6	-	-
Other	5.2	-	5.2	-	-
At 31 December 2008	**442.8**	**100.0**	**342.8**	**5.99**	**1.0**
Sterling	195.2	100.0	95.2	6.44	2.0
US Dollar	102.2	4.6	97.6	7.37	0.5
Euro currencies	109.8	-	109.8	-	-
Other	2.2	-	2.2	-	-
At 31 December 2007	409.4	104.6	304.8	6.48	1.9

Interest rate risk

During 2006, the Group took out interest rate swaps with a notional value of £100m. These swaps are designated cash flow hedges of the floating rate acquisition funding drawn down in 2006 and result in an interest payment or receipt as above based on the differential between the floating rate of the acquisition funding (UK Sterling LIBOR) plus margin and the fixing rate of 5.19% plus margin. The swaps expire on 31 January 2010.

As at 31 December 2008, aside from the elements of the Group's debt not left fixed as a result of the swaps described above, all Group debt and cash was exposed to repricing within 12 months of the balance sheet date.

At 31 December 2008, the Group's fixed rate debt was at a weighted average rate of 5.99% (2007: 6.48%). The Group's floating rate liabilities are predominantly based on LIBOR and its overseas equivalents.

Fair values

The table on the following page details a comparison of the book and fair values of the Group's financial assets and liabilities. Where there are no readily available market values to determine fair values, cash flows relating to the various instruments have been discounted at prevailing interest and exchange rates to give an estimate of fair value.

20. Borrowings, other financial liabilities and other financial assets (continued)

	Book value 2008 £m	Fair value 2008 £m	Book value 2007 £m	Fair value 2007 £m
Cash deposits	**42.3**	**42.3**	43.4	43.4
Other investments	**12.7**	**12.7**	0.9	0.9
Syndicated acquisition funding	**(291.2)**	**(291.2)**	(355.2)	(355.2)
€136m term facility	**(90.5)**	**(90.5)**	-	-
US$55m 7.37% guaranteed senior loan notes due 2008	**-**	**-**	(9.2)	(9.2)
Other bank borrowings	**(57.7)**	**(57.7)**	(44.5)	(44.5)
Obligations under finance leases	**(1.0)**	**(1.0)**	(0.5)	(0.5)
Interest rate swaps	**(2.4)**	**(2.4)**	0.4	0.4

For financial instruments with a remaining life of greater than one year, fair values are based on cash flows discounted at prevailing interest rates. Accordingly, the fair value of cash deposits and short term borrowings approximates to the book value due to the short maturity of these instruments. The same applies to trade and other receivables and payables excluded from the above analysis.

As noted in the accounting policies note on page 49, the Group's management of its currency risk includes the use of forward foreign currency contracts. The fair value of the contracts in place at 31 December 2008 was £0.1m (2007: £nil).

Borrowing facilities

As at 31 December 2008, the Group had undrawn committed facilities of £53.1m (2007: £24.4m) expiring in more than two years, and £7.6m (2007: £15.0m) expiring within one year. In addition the Group had other undrawn facilities of £39.8m (2007: £59.7m) available.

21. Provisions

	Environmental £m	Restructuring £m	Other £m	Total £m
At 1 January 2008	15.1	21.5	22.6	59.2
Exchange differences	2.7	2.9	4.6	10.2
Charged/(credited) to income statement	-	9.1	(8.7)	0.4
Cash paid against provisions	(1.2)	(10.4)	(6.7)	(18.3)
Non-cash utilisation of provisions	-	(3.0)	-	(3.0)
At 31 December 2008	**16.6**	**20.1**	**11.8**	**48.5**

Analysis of total provisions	2008 £m	2007 £m
Current	**7.0**	14.2
Non-current	**41.5**	45.0
	48.5	59.2

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. Other provisions relate primarily to onerous contracts within the acquired Uniqema business. 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.

During 2008, the Group successfully re-negotiated one of the onerous contracts within the acquired Uniqema business, resulting in a credit to the income statement of £9.1m. In addition a further charge to the income statement of £9.1m was made in respect of the continued restructuring of the business following the Uniqema acquisition.

In relation to the environmental and other provisions, the directors consider that the balance will be utilised within 20 years. With regard to the restructuring provision, significant utilisation has occurred in 2008 and the directors' view is that there will be further significant elements, notably in respect of employee costs, that will be utilised in 2009 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. Other provisions introduced following finalisation of the fair value exercise relate to the fair value adjustments in respect of onerous contracts and fixed asset decommissioning. These provisions will be largely utilised by 2011. The Group has considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale, the impact is immaterial.

Non cash utilisation of the restructuring provision relates to the write down of fixed and current assets required as a result of restructuring activity.

22. Ordinary share capital

Ordinary shares of 10p	2008 £m	2007 £m
Authorised at 1 January and 31 December	17.3	17.3
Issued at 1 January and 31 December	14.0	14.0

In 2008 options were granted to employees under the Croda Savings-Related Share Option Scheme 1983 to subscribe for 174,232 ordinary shares at an option price of 509p per share and under the International Sharesave Scheme to subscribe for 285,248 shares at an option price of 509p per share. No options were granted in 2008 under the Senior Executive Share Option Scheme. No-cost options to subscribe for 303,191 ordinary shares were granted under the Long Term Incentive Plan during the year and no-cost options over a further 195,079 shares were granted under the Bonus Co-Investment Plan.

During the year consideration of £0.6m was received on the exercise of options over 266,767 shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 5,673 shares have been transferred from the schemes.

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

	Year option granted	Number of shares	Price	Options exercisable from
Croda Savings-Related Share Option Scheme	2003	7,473	230p	1 November 2008 to 30 April 2009
	2004	160,090	226p	1 November 2009 to 30 April 2010
	2005	143,015	328p	1 November 2010 to 30 April 2011
	2006	143,821	328p	1 November 2009 to 30 April 2010
	2007	284,913	520p	1 November 2010 to 30 April 2011
	2008	170,467	509p	1 November 2011 to 30 April 2012
Croda International Overseas Sharesave Scheme	2004	140,622	226p	1 November 2009 to 30 November 2009
	2005	166,735	328p	1 November 2010 to 30 November 2010
	2006	158,508	384p	1 November 2009 to 30 November 2009
	2007	558,503	520p	1 November 2010 to 30 November 2010
	2008	271,267	509p	1 November 2011 to 30 November 2011
Croda International Senior Executive Share Option Schemes	2000	257,723	256p	22 March 2003 to 21 March 2010
	2001	56,673	258p	7 March 2004 to 6 March 2011
	2002	72,227	261p	13 March 2005 to 12 March 2012
	2003	327,785	230p	5 March 2006 to 4 March 2013
Croda International Long-term Incentive Plan	2006	203,172	Nil	23 February 2009 to 22 February 2010
	2006	24,393	Nil	26 April 2009 to 25 April 2010
	2007	229,901	Nil	22 February 2010 to 21 February 2011
	2008	303,191	Nil	20 February 2011 to 19 February 2012
Croda International Bonus Co-Investment Plan	2006	182,156	Nil	26 April 2009
	2007	84,777	Nil	26 April 2010
	2008	195,079	Nil	1 May 2011

23. Share based payments

The impact of share based payment transactions on the Group's financial position is as follows:	2008 £m	2007 £m
Analysis of amounts recognised in income statement:		
Charged in respect of equity-settled share based payment transactions	1.6	1.2
Charged in respect of cash-settled share based payment transactions	1.4	1.4
	3.0	2.6
Analysis of amounts recognised in balance sheet:		
Liability in respect of cash-settled share based payment transactions	2.3	1.4

23. Share based payments (continued)

The key elements of each scheme along with the assumptions employed to arrive at the charge in the income statement are set out below.

Croda Savings-Related Share Option Scheme ("SAYE")

The SAYE scheme, established in 1983, grants options annually in September to employees of the Group at a fixed exercise price, being the market price of the Company's shares at the grant date discounted by up to 20%. Employees then enter into a savings contract over 3 to 5 years and, subject to continued employment, purchase options at the end of the period based on the amount saved. Options are then exercisable for a 6 month period following completion of the savings contract. As the option is equity settled, under IFRS 2 charges are only made in respect of options granted after 7 November 2002. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

Grant date	**2008**
Share price at grant date	**636p**
Exercise price	**509p**
Number of employees	**365**
Shares under option	**174,232**
Vesting period	**3 years**
Expected volatility	**30%**
Option life	**6 months**
Expected life	**-**
Risk free rate	**4.3%**
Dividend yield	**2.8%**
Possibility of forfeiture	**7.5% pa**
Fair value per option at grant date	**173p**

A reconciliation of option movements over the period is as follows:	Number	2008 Weighted average exercise price (p)	Number	2007 Weighted average exercise price (p)
Outstanding at 1 January	**942,756**	**364**	964,255	250
Granted	**174,232**	**509**	319,241	520
Forfeited	**(40,365)**	**448**	(47,642)	308
Exercised	**(157,146)**	**227**	(293,098)	197
Outstanding at 31 December	**919,477**	**411**	942,756	364
Exercisable at 31 December	**13,146**		18,593	
For options exercised in year, weighted average share price at date of exercise		**521**		616
Weighted average remaining life at 31 December (years)	**2.2**		2.6	

Croda International Overseas Sharesave Scheme ("International")

The International scheme, established in 1999, has the same option pricing model, savings contract and vesting period as the SAYE scheme. At exercise, employees are paid a cash equivalent for each option purchased, being the difference between the exercise price and market price at the exercise date. As the scheme is cash settled, IFRS 2 applies to all options in existence during the year, regardless of grant date. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

Grant date	**2008**
Share price at grant date	**636p**
Exercise price	**509p**
Number of employees	**584**
Shares under option	**285,248**
Vesting period	**3 years**
Expected volatility	**40%**
Option life	**1 month**
Expected life	**-**
Risk free rate	**1.4%**
Dividend yield	**3.3%**
Possibility of forfeiture	**7.5% pa**
Fair value per option at 31 December	**121p**

23. Share based payments (continued)

A reconciliation of option movements over the period is as follows:	2008 Number	2008 Weighted average exercise price (p)	2007 Number	2007 Weighted average exercise price (p)
Outstanding at 1 January	**1,271,052**	**419**	750,887	289
Granted	**285,248**	**509**	680,655	520
Forfeited	**(185,534)**	**448**	(58,330)	311
Exercised	**(67,102)**	**239**	(102,160)	196
Outstanding at 31 December	**1,303,664**	**338**	1,271,052	419
For options exercised in year, weighted average share price at date of exercise		**535**		634
Weighted average remaining life at 31 December (years)	**1.9**		2.5	

Croda International Senior Executive Share Option Schemes ("Executive")

The Group previously granted options to senior employees each year which are subject to satisfaction of performance conditions before they can be exercised. The performance conditions are discussed in detail in the directors' remuneration report (page 27). As with the SAYE scheme, the Executive Scheme is equity settled and as a consequence only the options granted in 2003 fall within the scope of IFRS 2. No further options will be granted under this scheme.

	2008 Number	2008 Weighted average exercise price (p)	2007 Number	2007 Weighted average exercise price (p)
Outstanding at 1 January	**834,061**	**245**	1,544,545	250
Forfeited	**(5,475)**	**256**	(4,724)	256
Exercised	**(109,651)**	**248**	(705,760)	256
Outstanding at 31 December	**718,935**	**245**	834,061	245
Exercisable at 31 December	**602,367**		642,333	
For options exercised in year, weighted average share price at date of exercise		**649**		640
Weighted average remaining life at 31 December (years)	**2.8**		3.8	

Croda International Long-Term Investment Plan ("LTIP")

The LTIP was established in 2005 and grants no cost options to senior employees which vest after 3 years dependent upon an EPS performance related sliding scale (non-market condition) and the Group's total shareholder return (market condition). The LTIP is discussed in detail in the directors' remuneration report (pages 26 to 27). For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

	Market condition	Non-market condition
Grant date	**20 February 2008**	**20 February 2008**
Share price at grant date	**604p**	**604p**
Number of employees	**11**	**11**
Shares under option	**151,595**	**151,596**
Vesting period	**3 years**	**3 years**
Option life	**1 year**	**1 year**
Expected life	**-**	**-**
Dividend yield	**2.6%**	**2.6%**
Possibility of forfeiture	**7.5% pa**	**7.5% pa**
Fair value per option at grant date	**331p**	**560p**

23. Share based payments (continued)

A reconciliation of option movements over the period is as follows:	2008 Number	2008 Weighted average exercise price (p)	2007 Number	2007 Weighted average exercise price (p)
Outstanding at 1 January	710,989	-	481,088	-
Granted	303,191	-	229,901	-
Forfeited	(6,537)	-	-	-
Exercised	(246,986)	-	-	-
Outstanding at 31 December	760,657	-	710,989	-
For options exercised in year, weighted average share price at date of exercise		666		-
Weighted average remaining life at 31 December (years)	2.3		2.3	

Bonus Co-Investment Plan ("BCIP")

The BCIP was established in 2005 and grants no cost options to senior employees which vest after 3 years dependent upon performance related conditions. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

Grant date	1 May 2008
Share price at grant date	696.5p
Number of employees	51
Shares under option	195,079
Vesting period	3 years
Dividend yield	2.2%
Possibility of forfeiture	5%
Fair value per option at grant date	652p

A reconciliation of option movements over the period is as follows:	2008 Number	2008 Weighted average exercise price (p)	2007 Number	2007 Weighted average exercise price (p)
Outstanding at 1 January	266,933	-	186,480	-
Granted	195,079	-	84,777	-
Forfeited	-	-	(4,324)	-
Outstanding at 31 December	462,012	-	266,933	-
Weighted average remaining life at 31 December (years)	1.4		1.7	

Croda International Share Incentive Plan ("SIP")

The SIP was established in 2003 and has similar objectives to the SAYE scheme in terms of increasing employee retention and share ownership. Under the SIP scheme, employees enter into an agreement to purchase shares in the Company each month. For each share purchased by an employee, the Company awards a matching share which passes to the employee after 3 years' service. The matching shares are allocated each month at market value with this fair value charge being recognised in the income statement in full in the year of allocation.

24. Preference share capital

	2008 £000	2007 £000
The authorised, issued and fully paid preference share capital comprises		
5.9% preference shares of £1	616	616
6.6% preference shares of £1	499	499
7.5% preference shares of £1	22	22
	1,137	1,137

The preference shares have no redemption rights and carry no voting rights other than in certain circumstances affecting the rights of the preference shareholders, details of which are set out in the Company's Articles of Association. The three classes of preference shares rank pari passu with each other but ahead of the ordinary shares on winding up. Rights on a winding up are limited to repayment of capital and any arrears of dividends.

25. Shareholders' funds and statement of changes in shareholders' equity

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 January 2007	15.1	93.3	0.9	0.4	14.8	124.5
Total recognised income in the year	-	-	-	6.6	107.9	114.5
Dividends (note 9)	-	-	-	-	(19.8)	(19.8)
Share based payments	-	-	-	-	1.2	1.2
Consideration paid for purchase of own shares (held in trust)	-	-	-	-	(4.8)	(4.8)
Consideration received for sale of own shares (held in trust)	-	-	-	-	2.4	2.4
At 31 December 2007	15.1	93.3	0.9	7.0	101.7	218.0
At 1 January 2008	15.1	93.3	0.9	7.0	101.7	218.0
Total recognised income in the year	-	-	-	26.1	40.0	66.1
Dividends (note 9)	-	-	-	-	(22.9)	(22.9)
Share based payments	-	-	-	-	1.5	1.5
Consideration received for sale of own shares (held in trust)	-	-	-	-	0.6	0.6
At 31 December 2008	**15.1**	**93.3**	**0.9**	**33.1**	**120.9**	**263.3**

Investments in own shares represent the Croda International Plc Qualifying Share Ownership Trust (QUEST), the Croda International Plc Employee Benefit Trust (CIPEBT) and the Croda International Plc AESOP Trust (AESOP), which each hold shares purchased on the open market to satisfy the future issue of shares under the Group's share option schemes. As at 31 December 2008 the QUEST was financed by a repayable on demand loan from the Company of £3.1m (2007: £3.4m) and held 0.5m (2007: 0.7m) shares at a cost of £3.1m (2007: £3.4m) with a market value of £2.6m (2007: £3.8m). As at 31 December 2008 the CIPEBT was financed by a repayable on demand loan from the Company of £5.6m (2007: £5.9m) and held 1.0m (2007: 1.4m) shares at a cost of £5.6m (2007: £5.9m) with a market value of £5.4m (2007: £7.9m).

As at 31 December 2008 the AESOP had issued all its previously held shares, as financed by the Company, and thus had no residual loan balance with the Company. All of the shares held by the QUEST and CIPEBT were under option at 31 December 2008 and, except for a nominal amount, the right to receive dividends has been waived.

26. Minority interests

	2008 £m	2007 £m
At 1 January	**1.7**	1.9
Exchange differences	**0.3**	(0.1)
Profit for the year	**0.2**	0.1
Dividend paid to minority shareholders	**(0.2)**	(0.2)
At 31 December	**2.0**	1.7

27. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £112.2m (2007: £110.6m).

Croda International Plc

Parent company financial statements

Pages 74 to 79 represent the separate financial statements of Croda International Plc as required by the Companies Act 1985 ('the Act').

These financial statements have been prepared in accordance with the Act and UK accounting standards and are thus presented separately to the Group financial statements which have been prepared in accordance with International Accounting Standards.

Company independent auditor's report

Independent auditor's report to the members of Croda International Plc

We have audited the parent company financial statements of Croda International Plc for the year ended 31 December 2008 which comprise the Company balance sheet, the Company accounting policies and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the Group financial statements of Croda International Plc for the year ended 31 December 2008.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the parent company financial statements. The information given in the directors' report includes that specific information presented in the Chairman's statement, Chief Executive's review and financial review that is cross referred from the business review section of the directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the Chairman's statement, the Chief Executive's review, the financial review and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the parent company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
26 February 2009

Company balance sheet

at 31 December 2008

	Note	2008 £m	2007 £m
Fixed assets			
Tangible assets	D	**2.0**	2.1
Investments			
Subsidiary undertakings	E	**518.4**	438.8
Associated undertaking	F	**-**	1.6
Other	F	**0.6**	0.6
		521.0	443.1
Current assets			
Debtors	G	**14.1**	12.4
Cash at bank and in hand		**9.5**	36.4
Financial assets	I	**-**	0.4
		23.6	49.2
Creditors			
Falling due within one year	H	**(102.6)**	(93.2)
Net current liabilities		**(79.0)**	(44.0)
Creditors			
Falling due after one year	H	**(311.1)**	(258.2)
Net assets		**130.9**	140.9
Capital and reserves			
Preference share capital	24	**1.1**	1.1
Ordinary share capital	22	**14.0**	14.0
Called up share capital		**15.1**	15.1
Share premium account	K	**93.3**	93.3
Reserves	K	**22.5**	32.5
Shareholders' funds (including non-equity interests)		**130.9**	140.9

Signed on behalf of the Board who approved the accounts on 16 February 2009

Martin Flower
Chairman

Sean Christie
Group Finance Director

Company accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

Accounting basis

The financial statements are prepared under the historical cost convention, as modified by the previous revaluation of properties, in compliance with the provisions of the Companies Act 1985, the requirements of the Listing Rules of the Financial Services Authority and applicable United Kingdom Accounting Standards. Whilst the consolidated accounts have been prepared under IFRS, as required by European law, the Company's accounts continue to be prepared under UK GAAP as permitted.

Land and buildings

In the past the Company's principal properties have been valued periodically by professional valuers on an open market, existing use basis. Following the Company's adoption of FRS 15 in 2001, no further revaluations will be carried out and previous book values will be retained. Notwithstanding the requirements of FRS 15 all fixed assets are written down to their recoverable amount in the event that any impairment review carried out in accordance with FRS 11 indicates that the recoverable amount is less than the carrying value. The profit or loss on the disposal of land and buildings included in the profit and loss account represents the difference between the net proceeds of sale and the net book amount.

Depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write down the cost of all tangible fixed assets, except freehold land, over their estimated useful lives on a straight line basis. The estimated average life for each major asset category is:

- Freehold buildings 15 to 40 years
- Computers and office equipment 3 to 5 years
- Cars 3 years
- Plant and machinery 10 to 15 years

Leased assets

The cost of operating leases is charged to the profit and loss account as incurred.

Pensions

The defined benefit pension obligations of the Company are financed by contributions to separate funds. As the Company is unable to reliably and consistently measure its share of the underlying assets and liabilities of the funds, the Company accounts as though the funds were defined contribution funds and charges contributions paid directly to the profit and loss account.

Currency translations

Assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the profit and loss account. Other exchange differences arising from non-trading items are dealt with through reserves.

Financial instruments

The Company uses derivative financial instruments to hedge its exposure to interest rates and short-term currency rate fluctuations. Receipts and payments on interest rate instruments are recognised on an accruals basis in the profit and loss account over the life of the instrument.

Instruments accounted for as hedges are designated as a hedge at the inception of the contract. Gains or losses are recognised on maturity of the underlying transaction.

Employee Share Ownership Trusts

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

Share based payments

The fair value of employee share option plans is calculated using the Black-Scholes or binomial model as appropriate. In accordance with FRS 20 'Share-based Payment' the resulting cost is charged to the income statement over the vesting period of the options. The value of the charge is adjusted to reflect expected and actual levels of options vesting as the Company does not use market-based performance criteria.

Dividends

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

Additional accounting policies

The following Group accounting policies, as disclosed on pages 44 to 51, are also relevant to the preparation of the Company financial statements:

- Borrowings
- Taxation
- Trade and other receivables
- Investments
- Financial risk factors

Notes to the Company accounts

A. Profit and loss account

Of the Group's profit for the year £15.6m (2007: £8.4m) is dealt with in the profit and loss account of the Company which was approved by the Board on 16 February 2009 but which is not presented as permitted by s.230(3) Companies Act 1985. Included in the Company profit and loss account is a charge of £0.1m (2007: £0.1m) in respect of the Company's audit fee.

B. Employees

	2008 £m	2007 £m
Company employment costs including directors		
Wages and salaries	**6.8**	3.4
Share based payment charges (note J)	**1.5**	1.1
Social security costs	**1.0**	0.6
Other pension costs	**0.6**	0.8
	9.9	5.9

	Number	Number
Average employee numbers		
Management and administration	**68**	49

C. Retirement benefit obligations

The Company's employees are members of the UK defined benefit schemes, details of which are disclosed in note 12 to the Group accounts. Whilst the Group reports under IFRS, the UK GAAP equivalent figures for the UK schemes would not be significantly different. As the Company is unable to identify its share of the underlying assets and liabilities of the schemes, due mainly to changes in the Group's corporate structure over the years, the Company has accounted as though the schemes were defined contribution schemes and has charged the contributions paid each year to the profit and loss account.

D. Tangible fixed assets

	Land & buildings £m	Plant & equipment £m	Total £m
Cost or valuation			
At 1 January 2008	2.0	1.2	3.2
Additions	0.1	0.2	0.3
Disposals	-	(0.1)	(0.1)
At 31 December 2008	**2.1**	**1.3**	**3.4**
Depreciation			
At 1 January 2008	0.7	0.4	1.1
Charge for year	0.2	0.2	0.4
Disposals	-	(0.1)	(0.1)
At 31 December 2008	**0.9**	**0.5**	**1.4**
Net book amount			
At 31 December 2008	**1.2**	**0.8**	**2.0**
At 31 December 2007	1.3	0.8	2.1

	2008 £m	2007 £m
Net book amount of land and buildings		
Freehold	**1.2**	1.3
Historical cost of land and buildings		
Cost	**0.3**	0.2
1988 valuations	**1.9**	1.9
At 31 December	**2.2**	2.1
Revaluation surpluses	**(1.1)**	(1.1)
Restated to historical cost	**1.1**	1.0
Depreciation	**(0.7)**	(0.6)
Historical net book amount		
At 31 December	**0.4**	0.4

Notes to the Company accounts

E. Subsidiary undertakings

	Shares £m	Loans £m	Total £m
Cost less amounts written off			
At 1 January 2008	259.7	179.1	438.8
Exchange differences	-	40.0	40.0
Additions	2.9	-	2.9
Amounts repaid	-	(81.8)	(81.8)
Amounts invested	-	118.5	118.5
At 31 December 2008	**262.6**	**255.8**	**518.4**

The principal subsidiary undertakings are listed on page 80.

F. Investments

	Associated undertaking £m	Other investments £m	Total £m
Cost or valuation of net equity			
At 1 January 2008	1.6	0.6	2.2
Disposals	(1.6)	-	(1.6)
At 31 December 2008	**-**	**0.6**	**0.6**

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

G. Debtors

	2008 £m	2007 £m
Amounts owed by Group undertakings	**1.1**	2.1
Corporate taxation	**7.1**	4.7
Other debtors	**5.3**	1.3
Prepayments	**0.6**	4.3
	14.1	12.4

H. Creditors

	2008 £m	2007 £m
Amounts falling due within one year		
Borrowings (note I)	**80.7**	72.6
Trade creditors	**0.2**	0.4
Other taxation and social security	**1.1**	1.3
Other creditors	**9.4**	6.3
Accruals and deferred income	**8.8**	6.8
Amounts owed to Group undertakings	**2.4**	5.8
	102.6	93.2
Amounts falling due after one year		
Borrowings (note I)	**275.3**	243.8
Amounts owed to Group undertakings	**35.8**	14.4
	311.1	258.2

I. Financial instruments

The Company's objectives, policies and strategies in respect of financial instruments are outlined in the accounting policies note on page 76 which forms part of the annual report and accounts. Short term debtors and creditors have been excluded from all of the following disclosures.

	2008 £m	2007 £m
Maturity profile of financial liabilities		
Syndicated acquisition funding	**305.3**	273.8
Interest rate swaps	**2.4**	-
Bank loans and overdrafts repayable on demand	**48.3**	42.6
	356.0	316.4
Preference share capital	**1.1**	1.1
	357.1	317.5
Repayments fall due as follows		
Within one year		
Syndicated acquisition funding	**30.0**	30.0
Interest rate swaps	**2.4**	-
Bank loans and overdrafts	**48.3**	42.6
	80.7	72.6
After more than one year		
Loans repayable		
Within one to two years	**30.0**	75.0
Within two to five years	**245.3**	168.8
Preference share capital repayable after five years	**1.1**	1.1
	276.4	244.9

Financial liabilities
The Company holds interest rate swaps to hedge against the Group's US$ fixed rate debt and against the floating rate acquisition funding. Details are given in note 20 of the Group accounts. As required under UK GAAP, the fair value of the swaps has been recognised on the Company balance sheet.

J. Share based payments

The total charge for the year in respect of share based remuneration schemes was £1.5m (2007: £1.1m). In addition, as the Company has issued options over its own shares to employees of its subsidiary companies, the Company has to increase the cost of its investment in the relevant subsidiary by the fair value of the options granted.

The key elements of each scheme are disclosed in note 23 of the Group accounts.

K. Reserves

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit & loss account £m	Total £m
At 1 January 2008	93.3	0.9	2.1	29.5	125.8
Total recognised income in year	-	-	-	10.5	10.5
Dividends	-	-	-	(22.9)	(22.9)
Share based payments	-	-	-	1.8	1.8
Consideration received for sale of own shares (held in trust)	-	-	-	0.6	0.6
At 31 December 2008	**93.3**	**0.9**	**2.1**	**19.5**	**115.8**

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

Principal subsidiary companies

	Incorporated and/or principally operating in	Group beneficial interest %
Principal operating companies		
Croda Europe Ltd	UK	100
John L Seaton & Co Ltd	UK	100
Uniqema UK Ltd*	UK	100
Croda Argentina SA	Argentina	100
Croda Australia	Australia	100
Croda Belgium NV	Belgium	100
Croda do Brasil Ltda	Brazil	100
Croda Canada Ltd	Canada	100
Croda Chile	Chile	100
Croda China Trading Company Ltd	China	100
Croda Trading (Shanghai) Co Ltd	China	100
Croda Colombia	Colombia	100
Croda France SAS	France	100
Crodarom SAS	France	100
Sederma SAS	France	100
Croda Chocques SAS	France	100
Uniqema GmbH & Co KG	Germany	100
Croda GmbH	Germany	100
Croda Hong Kong Company Ltd	Hong Kong	100
Croda Chemicals (India) Pvt Ltd*	India	100
PT Croda Indonesia Ltd	Indonesia	60
Croda Italiana SpA	Italy	100
Uniqema Italia SRL	Italy	100
Croda Japan KK	Japan	100
Croda Specialities Malaysia Sdn Bhd	Malaysia	100
Croda Mexico SA de CV	Mexico	100
Uniqema BV	Netherlands	100
Uniqema Nederland BV	Netherlands	100
Croda Peruana SAC	Peru	100
Croda Poland Sp z o o*	Poland	100
Croda Russia	Russia	100
Croda Singapore Ptd Ltd*	Singapore	100
Croda (SA) Pty Ltd	South Africa	100
Croda Korea	South Korea	100
Croda Woobang Co Ltd	South Korea	60
Croda Ibérica SA	Spain	100
Croda Nordica AB	Sweden	100
Croda (Thailand) Co., Ltd*	Thailand	100
Croda Dubai	UAE	100
Croda Inc	USA	100
Croda Zimbabwe (Pvt) Ltd	Zimbabwe	100
Principal holding companies		
Croda Chemicals International Ltd*	UK	100
Croda Overseas Holdings Ltd*	UK	100
Croda Holdings SAS	France	100
Croda Investments Inc	USA	100

* Companies owned directly by Croda International Plc.
Companies incorporated in the UK are registered in England.

Full details of investments in subsidiary and associated undertakings will be attached to the Company's annual return made to the Registrar of Companies. Those not listed above were either not trading or not material.

Shareholder information

Operating heads

David Barraclough	President - Asia Pacific
Miguel De Bellis	President - Latin America
Bryan Dobson	President - Global Operations
Steve Foots	President - Consumer Care Europe
Kevin Gallagher	President - North America
Keith Layden	President - Actives & Enterprise Technology
Kevin Nutbrown	President - Industrial Specialities Europe

Corporate calendar

2009 Annual General Meeting	29 April 2009
2008 Final ordinary dividend payment	4 June 2009
2009 Half year results announcement	28 July 2009
2009 Interim ordinary dividend payment	8 October 2009
2009 Preference dividend payments	30 June 2009
	31 December 2009
2009 Full year results announcement	February 2010

Analysis of ordinary shareholders as at 20 February 2009	Number of holders	Number of shares	% of issued capital
By size of holding			
1 – 1,000	2,676	1,247,296	0.89
1,001 – 5,000	1,871	4,162,619	2.98
5,001 – 10,000	249	1,775,773	1.27
10,001 – 50,000	242	5,630,108	4.02
50,001 – 100,000	87	6,358,054	4.54
100,001 – 500,000	120	26,173,148	18.70
500,001 – upwards	61	94,602,971	67.60
	5,306	**139,949,969**	**100.00**
By type of holder			
Private holders	3,535	8,379,669	5.99
Institutional and corporate holders	1,767	126,272,665	90.23
Treasury shares	1	3,757,589	2.68
Shares held in Croda trusts	3	1,540,046	1.10
	5,306	**139,949,969**	**100.00**

Investor relations

Shareholders can now get up to date information on Stock Exchange announcements, key dates in the corporate calendar, the Croda share price and brokers' estimates by visiting our corporate web site at www.croda.com and clicking on the section called "Investor".

Shareholders can receive shareholder communications electronically by registering on our corporate website www.croda.com. To register click on Company, Investor followed by "Investor alerts by e-mail". Receiving corporate communications by email has a number of benefits including being more environmentally friendly, reducing unnecessary waste, faster notification of information to shareholders and eventually leading to a reduction in company costs.

Shareholders can check their shareholdings on the Registrars' website, www.capitaregistrars.com. Please note that in order to gain access to this information, shareholders will require their investor reference. This is an 11 digit number starting with either five or six zeros and is printed on each dividend warrant.

Shareholder information

Share price information

As well as being available on our website, the latest ordinary share price is available on the Financial Times Cityline service (0905 817 1690) (calls cost 75 pence per minute from a BT landline and the average duration is 1 minute per stock) or via the BBC's broadcast teletext service.

The middle market values of the listed share capital at 31 December 2008, or last date traded*, were as follows:

Ordinary shares	519.5p
5.9% preference shares	85p*
6.6% preference shares	100p*

Capital gains tax

The market value of the listed share capital at 31 March 1982 were as follows:

Ordinary shares	77.5p
Deferred ordinary shares	40.5p
5.9% preference shares	42.5p
6.6% preference shares	47.5p
7.5% preference shares (estimated)	45.0p

Dividend Reinvestment Plan ("DRIP")

Ordinary shareholders may wish to know about this plan, which allows you to use your dividends to buy further shares in Croda. The DRIP is administered by Capita IRG Trustees Ltd ("CIRGT"). CIRGT will instruct the broker to buy shares on the dividend payment date at the then current market price. Any cash left over which is insufficient to purchase a whole share will be carried forward and held, without interest, in a client money bank account. The DRIP commission charged to the shareholder is 1% of the purchase price of the shares, with a minimum charge of £2.50. This is exclusive of stamp duty reserve tax at 0.5% of the deal value. Should you wish to apply you should request an application pack by telephoning 0871 664 0381 (calls cost 10p per minute plus network extras) or, if calling from overseas, +44 20 8639 3402; alternatively you can email shares@capitaregistrars.com

Overseas Shareholders

Capita has an International Payment Service that allows you to receive your dividend payments in your local currency, sent directly to your local bank account - potentially saving you time and money. Further details are available from Shareholder Administration, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; telephone UK: 0871 664 0386 (Calls cost 10 pence per minute plus network extras) or +44 20 8639 3405 (from outside the UK) or by logging on to www.capitaregistrars.com/international

Share dealing

Share dealing services are available for shareholders to either sell or buy Croda ordinary shares. For further information on these services, please contact:

UK shareholders only - Capita Share Dealing Services
www.capitadeal.com (on-line dealing)
0871 664 0446 (telephone dealing) - calls cost 10p per minute plus network extras

UK & overseas shareholders - Stocktrade
Telephone dealing 0845 601 0995 (non UK +44 131 240 0414) quoting reference Low Co0238
For further information visit www.stocktrade.co.uk/Croda

Relating to beneficial owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly.

Warning to shareholders

In recent years many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority ("FSA") has reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way; many of the victims have been investing successfully for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure that you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register/
- The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation scheme. The FSA can be contacted by completing an on-line form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml
- Inform our Registrar's compliance department on 020 8639 2041 or email compliance@capitaregistrars.com

Details of any share dealing facilities that the Company endorses will be included in Company mailings.
More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk/

Secretary and registered office

A L Scott (Secretary)
Cowick Hall, Snaith, Goole, East Yorkshire DN14 9AA
Tel: +44 (0)1405 860551
Fax:+44 (0)1405 861767
Website: www.croda.com

Registered in England number 206132

Registrars

Capita Registrars
Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA
Tel: 0871 664 0300 (from UK) - calls cost 10p per minute plus network extras
+44 20 8639 3399 (from overseas)
Fax: +44 1484 601512
Website: www.capitaregistrars.com
E-mail: shareholder.services@capitaregistrars.com

Auditors

PricewaterhouseCoopers LLP

Merchant bankers

UBS Limited

Solicitors

Eversheds LLP

Stockbrokers

UBS Limited
Morgan Stanley & Co. International plc

Pension fund managers

UBS Global Asset Management (UK) Limited
Schroder Investment Management Limited
Legal & General Investment Management
Macquarie Capital Funds (Europe) Limited
CB Richard Ellis Collective Investors Limited
Edinburgh Partners Limited
Babcock & Brown Offshore Infrastructure Associates Limited
Innisfree Limited

Consulting actuaries

Watson Wyatt Limited

Five year record

Earnings

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Turnover	**956.4**	804.8	480.1	289.9	265.5
Operating profit	**114.7**	83.0	59.7	51.4	45.1
Profit before tax	**98.4**	60.8	52.5	49.4	43.1
Profit after tax	**66.9**	40.2	35.0	32.2	27.9
Profit attributable to ordinary shareholders *	**60.9**	87.2	7.9	32.6	30.5
	%	**%**	**%**	**%**	**%**
Operating profit as a % of turnover **	**12.0**	10.3	7.5	17.7	17.0
Return on invested capital (ROIC) **	**9.8**	8.1	6.9	12.5	11.4
Effective tax rate	**32.0**	33.9	33.3	34.8	35.3
	pence	**pence**	**pence**	**pence**	**pence**
Earnings per share *	**51.7**	37.1	28.9	25.6	22.2
Dividends per share	**19.75**	15.75	14.30	13.35	12.50
	times	**times**	**times**	**times**	**times**
Net debt/EBITDA **	**2.6**	2.8	3.3	0.4	0.2
EBITDA interest cover **	**9.4**	5.8	4.2	35.1	32.3

* Total Group figures, all other figures are continuing operations only.

** 2006 pro-forma full year Uniqema

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

Summarised balance sheet

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Fixed assets	**608.5**	555.8	551.5	130.3	144.8
Stock	**201.9**	161.4	133.5	53.4	52.0
Debtors	**184.6**	186.4	192.5	55.7	54.9
Creditors	**(183.3)**	(178.8)	(198.4)	(44.6)	(41.9)
Other	**1.1**	1.6	2.0	15.4	-
Capital employed	**812.8**	726.4	681.1	210.2	209.8
Dividends, tax, provisions and other	**(60.9)**	(81.4)	(64.9)	1.7	(0.9)
Pension fund liability	**(88.5)**	(59.3)	(159.9)	(107.1)	(104.1)
	663.4	585.7	456.3	104.8	104.8
Shareholders funds	**263.3**	218.0	124.5	79.7	88.8
Minority interests	**2.0**	1.7	1.9	0.9	0.8
	265.3	219.7	126.4	80.6	89.6
Net debt	**398.1**	366.0	329.9	24.2	15.2
	663.4	585.7	456.3	104.8	104.8
Gearing (%)	**150.1**	166.6	261.0	30.0	17.0

This Annual Report is printed on Satimat Club paper, selected from mixed sources.

Croda International Plc Annual Report & Accounts 2008

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Croda International Plc
Cowick Hall Snaith
Goole East Yorkshire
DN14 9AA England
Tel +44 (0)1405 860551
Fax +44 (0)1405 861767
www.croda.com