Annual Report & Accounts 2009

CRODA

Contents

Financial highlights

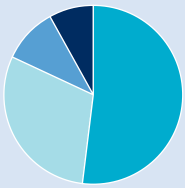
	2009	2008
Revenue - continuing operations	£916.2m	£911.1m
Profit before tax - continuing operations before exceptional items	£106.4m	£96.3m
Profit before tax - total before exceptional items	£101.3m	£103.1m
Profit before tax	£89.2m	£96.3m
Earnings per share - continuing operations before exceptional items	53.0p	48.0p
Earnings per share - total before exceptional items	50.2p	51.7p
Earnings per share - basic	17.6p	45.3p
Dividends per share	21.50p	19.75p

Sales by market 1999

Consumer Care	39%
Industrial Specialities	61%

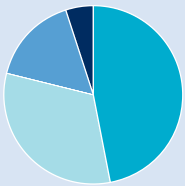
Sales by market 2009 *

Consumer Care	51%
Industrial Specialities	49%



Sales by destination 1999

Europe	52%
Americas	30%
Asia	10%
Rest of World	8%



Sales by destination 2009 *

Europe	47%
Americas	32%
Asia	16%
Rest of World	5%

* Continuing operations

In order to show underlying business performance, throughout the Chairman's statement, Chief Executive's review and the Financial review, sales are stated for continuing operations. Operating profit and pre-tax profit are stated for continuing operations before exceptional site closure costs of £17.2m. In 2008, the exceptional costs related to discontinued operations. Further details of discontinued operations are included in Note 7 of the Notes to the Group accounts.

Martin Flower
Non-executive Chairman

Strong EBITDA was boosted by working capital reductions

Chairman's statement

2009 was another record year for Croda, producing pre-tax profits 10.5% up on 2008 despite one of the deepest global recessions of all time. The constant focus on product innovation, markets and customers, combined with ongoing cost reduction, has enabled us to achieve another year of pre-tax profit growth despite challenging conditions in the global economy.

Full Year Results

Revenue increased by 0.6% for the year to £916.2m (2008: £911.1m). This result was boosted by favourable currency translation (+11.8% versus 2008) that mitigated significant first half volume losses in Industrial Specialities. Falling commodity prices reduced output prices in Industrial Specialities but had little effect on Consumer Care.

Turnover was up 11.8% in Consumer Care and down 9.0% in Industrial Specialities as we continued to focus on quality of business over volume growth. Consumer Care achieved an operating profit increase of 17.2% and in Industrial Specialities profits declined by 35.1%. All the reduction came in the first half, with the lack of the previous year's £8.2m glycerine pricing windfall adding to the effects of market destocking. A return to growth in sales and operating profit occurred in the second half.

Pre-tax profit was up 10.5% to £106.4m (2008: £96.3m). Restructuring and cost savings following the acquisition of Uniqema in 2006 continued throughout 2008 and 2009, boosting return on sales to 13.1% despite the adverse effects of the recession and glycerine pricing. A largely non-cash cost increase of £3.9m relating to share based payments as a result of the strong share price in 2009, and the reduction in the IAS19 pension funding credit of £6.4m were broadly balanced by a currency translation benefit of £11.1m. Falling debt levels and lower global interest rates significantly reduced underlying interest costs. Continuing earnings per share before exceptional items increased 10.4% from 48.0p in 2008 to 53.0p in 2009.

Cash flow was particularly impressive with net debt falling £109.6m to £288.5m (2008: £398.1m). Strong EBITDA was boosted by working capital reductions as we completed the post Uniqema reorganisation of our selling and distribution arrangements. Favourable currency translation accounted for £21.7m of the reduction in net debt. All this meant that our key banking ratio, net debt to EBITDA, fell below two times, significantly below our covenant limit of three times.

Retirement Benefits

The IAS19 pension deficit increased to £203.5m (2008: £88.5m). The market value of investments increased but the discount rates used to calculate the schemes' liabilities fell, despite rising inflation expectations, due to a reduction in corporate bond yields.

Restructuring

During the year we announced the closures of our sites at Bromborough in Merseyside and Wilton in North Yorkshire. Bromborough ceased production in November 2009 and its results are treated as discontinued as we have exited the specific commodity markets supplied by this site. Wilton ceased production in January 2010. Since nearly all products at Wilton are being transferred to other Croda sites worldwide, this business has been treated as continuing in 2009 and 2008.

Dividend

The Board has proposed an increase in the final dividend of 10.7% to 15.00p, taking the full year dividend to 21.50p, up 8.9% on the 19.75p paid last year. In 2008, we stated that in future our dividend increases would be 'more aligned' with earnings growth achieved. This was a change to our previous policy of more modest dividend growth as we improved dividend cover.

Outlook

The strong trading performance during the fourth quarter of 2009 has continued into 2010 and we are confident of achieving significant progress in the current year.

Martin Flower
Chairman

Keravis is a patented hair strengthening biopolymer derivative which acts to strengthen the hair by affecting both the biomechanical properties within the hair cortex and the frictional properties at the cuticle surface. This has resulted in global success in premium hair cleansing, conditioning and styling products.

Mike Humphrey
Group Chief Executive

In 2009, in the worst recession in living memory, Croda delivered a record pre-tax profit

Chief Executive's review

A key feature of the Croda business model is the ability to sell thousands of different products to thousands of different customers all over the world. Our relentless focus on innovation in specialities has given us the ability to get true value for our products.

Over the last decade, in good times and bad times, Croda has achieved pre-tax profit growth every year. In 2009, in the worst recession in living memory, Croda delivered a record pre-tax profit of £106.4m, up 10.5% (2008: £96.3m). This performance followed a significant increase in pre-tax profit in 2008 and is a testament to the rigorous adherence to our strategy and the execution ability of our high quality team around the world. We continued to reshape the business during the year and maintain our strict policy of 'quality of business over volume'. In the first half of the year, demand in some industrial markets was down over 50% but, as a result of our value added strategy, the full year increase in pre-tax profit was delivered.

During the year we closed our loss-making commodity oleochemical factory at Bromborough. We also ceased production at our Wilton site following Dow's decision to close a vital raw material site in the UK. Almost all of Wilton's output has been transferred to other Croda sites around the world. We would like to thank the departing workforces of these sites for their hard work and professionalism during what has been a very difficult time for both them and their families.

In Consumer Care, we increased our margins to 22.4%, increased sales by 11.8% and improved operating profits by 17.2% to £104.9m. In a time of deep global recession, we increased sales to all of our key global accounts in Personal Care.

In Industrial Specialities, sales were down by 9.0% to £448.5m due to the severe downturn in demand in many markets. There were healthy signs of recovery later in 2009 and operating profits were a respectable £15.0m for the full year.

In addition to the outstanding pre-tax profit outcome, we had an impressive cash flow which resulted in debt reduction of £109.6m to £288.5m, including currency translation benefits. This was a notable performance in tough conditions and in a year where we invested £39.8m in new plant and equipment.

Performance and Prospects

Consumer Care

There are three main business areas within the Consumer Care segment: Personal Care, Health Care and Crop Care. In 2009, sales increased by 11.8% to £467.7m (2008: £418.4m) and operating profits increased 17.2% to £104.9m (2008: £89.5m).

The macro trends in Personal Care fit very well with Croda's innovation platform - natural, renewable raw materials, vanity and an ageing, but increasingly affluent, population. Croda is recognised as the world leader in speciality ingredients for Personal Care. The total market for ingredients is over £4.5 billion and is extremely fragmented, with hundreds of suppliers. The market grows at about one and a half to two times global gross domestic product (GDP), with higher growth in the rapidly developing markets such as Asia and Latin America.

Essenskin™ & Dynalift™ are used in Dr. Brandt's time arrest v-zone neck cream to help firm and tighten the neck and décolletage.

Herbs of Gold in Australia use Croda's Incromega oils in their Omega 3 products. The value to human health of Omega 3 supplements is now accepted by the worldwide medical profession.

Chief Executive's review

Normally, we supply a very small percentage of the total raw material in any formulation. It may be a small part, but it is often the vital part that makes the product work and supports the essential marketing claims. The output of new products from our innovation centres across the world continues to increase to meet the ever changing demands of this fast moving, vibrant industry. We remain confident of continued progress in this exciting market. In 2009, strong growth was seen in South America and Asia, boosting more modest uplifts in North America and Europe.

Health Care is one of our fastest growing business areas. Croda's essential fatty acids (EFAs) and excipients are designed to meet the market's growing appetite for natural, self-medication and an ageing population's desire for extended health and well-being. This market continued to grow rapidly in 2009 and we expect high levels of growth to continue. The lipids (EFAs) market is growing at 15 to 25% per year and the excipients market grows at approximately 4% a year. Croda is a world leader in the production of super high purity essential fatty acids such as Omega 3s, which are finding increasing use in the treatment of a number of inflammatory conditions and also in heart disease medication. Excipients are valuable vehicles which carry active ingredients used in topical treatments. Like high purity lanolin in wound treatment creams, they can often have a synergistic and beneficial effect on the efficacy of the active ingredient. Strong growth was seen in this sector in both 2008 and 2009.

Since 2006, Crop Care has also been one of our fastest growing businesses. Our target market is worth over £500m a year. After a strong 2008 and first quarter of 2009, sales in the rest of the year were down compared to 2008. This was due to adverse climatic conditions in a number of geographies, which disrupted the planting cycle and reduced demand for all agrochemicals. The mega trend of a rapidly growing global population and a need for a parallel increase in crop yields, combined with a desire to constantly reduce environmental impact, gives us every confidence that high growth rates will return to this market in 2010 and subsequent years. Croda produces adjuvants, vehicles and seed coating ingredients, which are used by a growing number of companies in many countries.

Industrial Specialities

There are five main business areas in our Industrial Specialities segment: Polymer Additives, Lubricant Additives, Home Care, Coatings and Polymers and Geo Tech. Overall, these markets were severely hit by the recession in the first six months of 2009, with appreciable recovery in the second half. Sales were down by 9.0% to £448.5m (2008: £492.7m) and continuing operating profit fell by 35.1% to £15.0m (2008: £23.1m). In the second half, year on year profits were up 120.3% on a sales increase of 2.5%. Lower commodity prices and the absence of the previous year's £8.2m windfall glycerine profit, combined with the lack of demand in ultimate consumer markets led to the overall decline in profits. Lower overall GDP figures had a much smaller effect. Our focus on growing the speciality portfolio and reducing our dependence on commodity fatty acids and glycerine leads us to be confident of future profit growth in this area.

Chief Executive's review

Atmer 7325, Croda's easy to use additive concentrate containing a synergistic mixture of anti-static agents, is used in plastic shampoo bottles. It reduces static on the surface of the bottles which in turn reduces the amount of dust pick-up, giving more aesthetically pleasing products on store shelves.

In Polymer Additives, Croda is the global market leader in slip additives for polyolefins and is very strong in a number of additives such as anti-static agents for a range of other plastics. In spite of the recession, sales in this sector were at the same level as the previous year.

The Lubricant Additives business area is ultimately exposed to the automotive and engineering sectors, which virtually stopped in the first half of 2009. Sales were well down year on year, but recent months have shown increasing demand for our environmentally benign additives. The desire for less harmful lubricants and reduced fuel consumption are trends that match our innovation programme and we expect that the market will have an increasing demand for greener products.

Sales in Home Care were slightly ahead of 2008, as the market increased its appetite for our more environmentally friendly ingredients.

Progress on transforming our Coatings and Polymers business from one that relies on commodities to a more dynamic, focused speciality portfolio was slowed by the recession. Sales were down and customer development on our exciting new products to reduce Volatile Organic Compounds and mitigate environmental impact also slowed. We are seeing good signs of a turnaround as end market demand returns to a more normal level.

Geo Tech is a new business area, formed to take advantage of our technology advantage in mining chemicals, oil field chemicals and water treatment. These are rapidly growing markets driven by the need to maximise resource extraction and provide clean water for a growing population.

In all our business areas, we have sales of commodity products such as fatty acids and glycerine, where we have no real pricing power. The margins are low compared to our speciality products, though in some cases we sell low value products which are produced as by-products when we make other higher value chemicals. We continue to reduce the impact of commodities on our business. We have sold businesses (Chicago and Klang), restructured (the closure of Bromborough) and walked away from unprofitable product streams. Continuing turnover of commodities in 2009 was £135.8m compared to £165.1m in 2008. We cannot move out of commodity products completely, but we will continue to explore ways of reducing our exposure to them.

Perfad fuel additives, based on renewable sustainable raw materials, are used in Ultra Low Sulphur Diesel across Europe and North America to reduce friction and prolong fuel pump life.

Croda offers an innovative solution for the enhancement of sugar cane production. Atlox Semkote is a polymer range that enables cost-effective seed coating.

Chief Executive's review

Strategy

The core principles of Croda's strategy have remained valid since 1999. We test them every year and every year we have found them to be a solid framework for successful growth. Our aim is to be a leading, independent, global speciality chemical company. We will only invest in businesses, current and future, that can:

- be truly global
- create profitable innovation
- operate in end markets that have long term growth well above global GDP
- realistically sustain high operating margins.

Our focus on markets and market drivers means we are well aligned with the mega trends which will shape the future consumer and industrial markets. Trends like an ageing population, health and well-being, sustainability and the correct use of renewable resources present great challenges and even greater opportunities. Croda's culture of pragmatic innovation in every aspect of the business, not just in product development, means we are well-placed to be a truly leading speciality chemicals company. We have offices and technical facilities in 36 countries and operate 19 state of the art factories across Europe, Asia and the Americas. Through this network we are able to match and, in many instances, exceed our customers' rapid globalisation.

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.

Summary

Croda is a truly global company with less than 7% of its sales in the UK. Our customer focused business model has been the basis of our success for many years. We will continue to increase this focus to create our future success.

Mike Humphrey
Group Chief Executive

Croda is a truly global company

Sean Christie
Group Finance Director

Continuing pre-tax profit before exceptional items was up 10.5% to £106.4m

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 pre-tax profit before exceptional items was up 10.5% to £106.4m (2008: £96.3m). This was after absorbing a largely non-cash cost increase of £3.9m relating to share based payments as a result of our strong share price performance in 2009 and a £6.4m reduction in our IAS19 pension funding interest credit, also a non-cash item. Adverse glycerine pricing of £8.2m versus 2008 was another major profit variance. On the plus side, there was an £11.1m currency translation benefit.

Continuing pre-tax profit after exceptional items was down 7.4% to £89.2m (2008: £96.3m) due to the exceptional costs relating to the closure of Wilton. Profit for the year was £24.0m (2008: £61.2m) with the exceptional costs and pre-closure losses relating to Bromborough added to the Wilton closure costs at this level.

Interest costs were significantly lower, despite the reduced IAS19 credit, as borrowing levels fell and interest rates reduced.

Exceptional Items

The main exceptional items relate to the closures of Bromborough and Wilton. Cash costs such as redundancy, demolition, product transfer costs and security are expected to amount to £21.9m. Non-cash asset write downs were £29.9m. There was a small net credit of £1.4m relating to a previously discontinued business and a tax credit of £6.3m. The majority of the cash cost relating to Bromborough will be spent during 2010. The cash costs relating to Wilton are expected to be incurred over both 2010 and 2011.

Earnings per Share

Continuing earnings per share before exceptional items increased 10.4% to 53.0p (2008: 48.0p) with the pre-tax profit growth enhanced by a marginally lower tax rate but diluted by a small increase in the number of shares in issue.

Dividend

The Board has increased the final dividend by 10.7% to 15.00p (2008: 13.55p). This takes the total dividend payable for 2009 to 21.50p, an increase of 8.9% on the previous year's payout of 19.75p. Dividend cover increases to 2.5 times (2008: 2.4 times).

Debt and Liquidity

Net debt was reduced by £109.6m to £288.5m (2008: £398.1m). Strong EBITDA, allied to working capital reductions as we finalised the main elements of our global sales and distribution restructuring, generated significant cash. Control of capital expenditure and favourable currency translation underpinned the high level of debt reduction. Our key borrowing ratio, net debt to EBITDA, fell to 1.8 times (2008: 2.6 times) against a covenant of less than 3 times.

Interest cover increased to 11.3 times (2008: 9.3 times) against a covenant of greater than 4 times. In January 2010 we took out a $100m, 10 year fixed rate loan at 5.94% as the first step in refinancing our committed facilities, most of which expire in June 2011. We maintain good relationships with our key banks and will be working to refinance our other facilities by the end of 2010. The underlying strength and resilience of the Group's trading, combined with the reducing core debt requirement, leads us to expect adequate market demand for our committed debt requirements.

Retirement Benefits

The gross IAS19 deficit increased to £203.5m (2008: £88.5m) despite the underlying market value of the investments increasing by over 13%. Corporate bond rates fell despite rising inflation expectations and this increased the current value of the liabilities. Post tax, the deficit is £150.0m (2008: £63.4m). We have announced a number of changes to our UK employee contribution rates and benefits effective from September 2010, the main ones being a move to a contribution rate of 8% of salary for the 60ths benefit accrual and limiting the benefit accrual to 80ths for new starters.

Financial KPIs

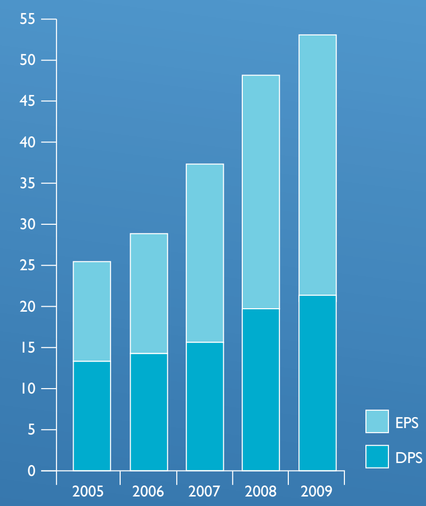
Performance against our five key KPIs (before exceptional items) is shown in the following table:

	Target	2009	2008 As reported
Return on Sales	>15%	**13.1%**	12.0%
EPS Growth	+5-10%	**+10.4%**	+39.4%
Post tax ROIC**	>WACC*	**10.5%**	9.8%
Debt/EBITDA	<3x	**1.8x**	2.6x
EBITDA Interest Cover	>4x	**11.3x**	9.4x

* WACC: Weighted average cost of capital, currently 6.8% (2008: 6.7%)

** ROIC: Return on Invested Capital

All KPIs were ahead of target except Return on Sales where we continue to make significant progress towards our objective of a minimum margin of 15%. 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 reduces its exposure to commodities we will move closer to our target margin in this division.



EPS and dividend

Financial review

Risk Management

Croda co-ordinates its approach to risk management globally through its Risk Management Committee. This Committee is chaired by the Group Finance Director and comprises the heads of each 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 Group's success. We have procedures in place to identify and retain key employees and to 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 medium to long term contracts and manage our raw materials stock levels taking these considerations into account.

Major environmental incident

Violations of safety, health and environmental regulations could limit operations and expose the Group 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.

External Environment

Product liability

Croda sells into a number of highly regulated markets. Non-compliance with quality regulations could expose the Group to liability. Quality management procedures are in place for each site, and all manufacturing sites hold, or are working towards, ISO9001 standards. 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 the provision of pensions and the operation of our pension schemes. 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

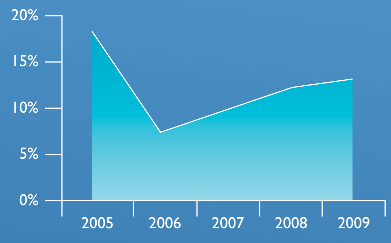
Cash flow generation from the effective management of working capital is required to support the cash outflows arising from servicing of debt, capital programmes and pension fund requirements.

A nominated member of the Risk Management 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.

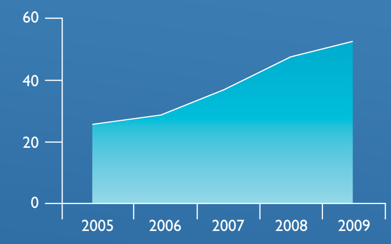
All divisions, sites and certain functions have risk registers relevant to their area which are reviewed by internal audit to assure they are appropriate and the necessary controls are in place.

Sean Christie
Group Finance Director

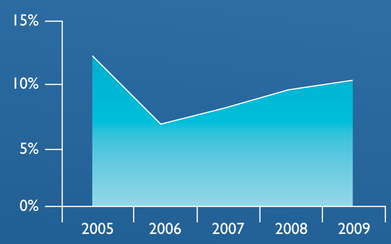
Financial KPIs



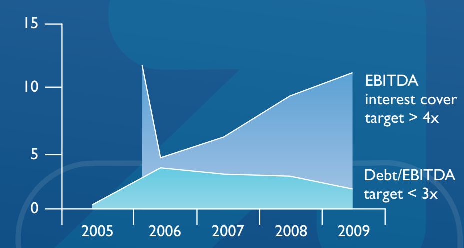
Returns on sales - target 15%



EPS growth - target 5-10% pa



ROIC - target > WACC



Debt ratios

Safety, health and the environment

Croda International Plc is a manufacturer of speciality chemicals 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 Group 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

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's 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 four year continuous improvement targets for the key safety and environmental objectives were issued in 2007 using 2006 as the baseline and running until the end of 2010.

Where necessary the performance against these objectives and targets has been re-based on current manufacturing operations at the end of 2009. For example, in 2009 the site at Bromborough, UK was closed and all data relating to the site has been removed from the statistics.

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 Uniqema manufacturing sites to be certified to BS EN ISO 14001 and BS OHSAS 18001 by the end of 2010.

Six of the former Uniqema sites are already certified to both BS EN ISO 14001 and BS OHSAS 18001 and the remaining four 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 2009, the Group energy efficiency per tonne was worse by 3.7% compared to 2008 and worse by 13.5% since 2006. This is due to much reduced manufacturing volumes.

In absolute figures the energy used in 2009 was lower by 6.2% compared to 2008 and lower by 15.3% compared to 2006.

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. In 2009, we saw the full energy savings effect of the wind turbine at the Hull, UK site and significant improvements in the energy efficiency of the boiler house at the Atlas Point, USA plant after bringing management of the unit in-house at the end of 2007.

Air emissions of volatile organic compounds (VOCs)

Objective:
To minimise the mass of volatile organic compounds (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 2009, there was a 3.9% reduction in the amount of VOCs per tonne released to air compared to 2008 and an overall reduction of 21.2% since 2006.

In absolute figures the amount of VOCs emitted during 2009 was reduced by 13.0% compared to 2008 and reduced by 41.2% 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 2009, waste disposed to landfill per manufactured tonne increased by 4.0% compared to 2008 and has decreased by 36.2% since 2006.

In absolute figures the waste disposed to landfill during 2009 was reduced by 5.8% compared to 2008 and has reduced by 52.4% 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 2009, the compliance with our effluent discharge consents was 96.8% compared to 97.0% in 2008 and the baseline compliance of 91.6% 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 2.5% each year (10% in all) until the end of 2010.

In 2009, the mains water used per manufactured tonne reduced by 9.6% compared to 2008 and increased by 18.5% since 2006.

In absolute figures the mains water used by the Group reduced by 18.2% compared to 2008 and reduced by 11.6% since 2006.

Safety, health and the environment

SHE initiatives 2009

Personal accidents

In 2009 there was a decrease in the reportable accident rate from 0.33 to 0.25 per 100,000 man hours.

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 for 2009: To assess the individual risk of fatality from the site activities and to identify whether this risk meets a recognised criterion.
Target for 2009: To use improved risk assessment techniques to confirm that the individual risk of fatality from site activities meets the Group criterion by the end of 2009.
In 2009, 18 out of 20 manufacturing sites were able to demonstrate that their activities met the Group criterion for process risks. Two sites have yet to complete the assessment work.
Objective for 2010: To ensure that no change is introduced that increases the individual risk of fatality (IRF) from all site processes to an intolerable level.
Target for 2010: All manufacturing sites to demonstrate annual improvements in evaluating process risks for new processes and the management of change for existing processes.

Control of process risks
Objective: To demonstrate and monitor the effectiveness of control for each manufacturing process.
Targets for 2009: 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.
In 2009, all manufacturing sites had clearly and concisely recorded the critical parameters and controls that are in place for the safe operation of all processes by means of a basis of safety document complying with the Group format. The basis of safety document identifies all credible significant manufacturing process deviations. In 2009, there were 14 calls on the last layer of protection and 38 calls on the last layer of prevention. All these incidents were investigated thoroughly with a view to preventing a further occurrence.
Target for 2010: All manufacturing sites to demonstrate annual improvements in the reporting and investigation of significant deviations from safe operating conditions.

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.
In 2009, each manufacturing site developed a programme for the review of process risk assessments at least once every five years. At present, 87% of manufacturing processes have been reviewed in the last five years. The programme will deliver 100% of processes reviewed in the last five years by the end of 2012. In 2009, 19 out of 20 sites met the scheduled review programme for 2009.

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 planned completion rates of all actions.
In 2009, all actions arising from process risk assessments were prioritised. At the end of the year there were no overdue high priority actions. At the end of the year 19 out of 20 sites had an overall planned action completion rate better than the Group internal target.

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.

In 2009, all of the major accident hazard sites have been audited and the remaining lower risk sites will be audited in 2010.

Enforcement action

In 2009, there were no prosecutions against the Group.

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. He was also 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. Early in 2010 he retired as Chairman of Autogrill Holdings UK Plc (formerly 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, where he was Group Finance Director from 1994 to 2004. He is a non-executive director of Cherry Valley Farms Ltd.

Michael Buzzacott* BA, FCCA
Senior 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 of Asia, Chief Executive Polymers and Olefins Division and finally Group Vice President Petrochemicals. He is a non-executive director of Scapa Group plc and Genus plc. During 2009, he retired as a non-executive director of Rexam PLC.

Stanley Musesengwa*
Independent non-executive director

Stanley Musesengwa joined the Tate & Lyle Group 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 took up the position of Chief Operating Officer in May 2003 until his retirement in 2008. He joined the Croda Board in May 2007 and was appointed Chairman of the Remuneration Committee in 2009.

Nigel Turner*
Independent non-executive director

Nigel Turner joined the Croda Board in June 2009. He has over 35 years experience in corporate finance and was the Chairman of Numis Securities Ltd and Deputy Chairman of Numis Corporation plc from December 2005 until his retirement in November 2007. From 2000 until 2005 he was with ABN AMRO following 15 years with Lazard Brothers in London where he was Managing Director and a member of the Supervisory Board. Nigel has been the Senior Independent Director of Genus plc since 2007.

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.

* 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 2009, 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, all of which are incorporated into this directors' report by reference:

- Chairman's statement on pages 2 and 3
- Chief Executive's review on pages 4 to 11
- Financial review on pages 12 to 15
- Safety, health and the environment report on pages 16 to 21
- Principal risks and uncertainties as discussed in the Financial review section on pages 12 to 15.

Further information on Corporate Social Responsibility (CSR) can be found in our CSR report on our website at www.croda.com

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 chemicals group with operations across the globe.

Research and development

Research and development activities are undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Further details can be found in the Chief Executive's review on pages 4 to 11.

Profit and dividends

The results for the year are set out on page 44.

The directors recommend a final dividend of 15.00p per share (2008: 13.55p). If approved by shareholders, total dividends for the year will amount to 21.50p per share (2008: 19.75p per share). Details of dividends are shown in note 9 on page 62.

Disposals

During the year the Group closed its oleochemical site at Bromborough in Merseyside. Prior to closure, the triacetin business carried on at the site was sold to Polynt UK Limited. Further details appear in note 7 on page 60.

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 22 and 23. David Dunn retired on 29 April 2009. Nigel Turner was appointed after the AGM in 2009 and so will stand for election at the AGM in April 2010. Mike Humphrey and Sean Christie are 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 27 to 36.

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 34.

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, the Company's Memorandum and Articles and any directions given by special resolution.

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. The Company has also 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 attached 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 75 and 79
- details of the employee share schemes are set out on pages 75 to 79.

Power to issue shares

At the 2009 AGM, authority was given to the directors to allot unissued shares in the Company up to a maximum amount equivalent to approximately one third of the issued share capital (excluding shares held in treasury) for general purposes, plus up to a further one third of the Company's issued share capital (excluding shares held in treasury), but only in the case of a rights issue. 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 then Companies Act 1985. Both these authorities expire on the date of the 2010 AGM to be held on 28 April 2010 and so the directors propose to renew them for a further year.

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 2010 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 92.

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 in 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.

Employees

We recognise that business success depends on retaining our skilled, motivated workforce who form the Croda global team. We aim to create a fair, diverse and high-quality working environment that allows all employees to demonstrate their abilities without facing discrimination and where individuals are recognised and rewarded for the contribution they make to the continued growth of our business.

Development & training

The focus of our HR practices continues to be the development of the skills, knowledge and abilities of our employees. Through our philosophy of internal promotion, we invest in our employees now to better prepare ourselves for the future. All of our training and development activities focus on ensuring employees are equipped to run our businesses in an ever more complex global environment. During 2009 employees each received an average of 22 hours of training.

Our leadership programmes continue to concentrate on strengthening the quality of leaders at all levels in the organisation. Through offering a number of project based learning opportunities, we enable our employees to continually develop their careers whilst meeting business objectives. During 2009, we adapted our development activities to meet the needs of the individual through an increased focus and investment in initiatives like mentoring and coaching. The ongoing evaluation of our training and development activities has helped us to ensure that time and money is not wasted on misplaced and ineffective training programmes.

HR systems & processes

A planned programme of global implementations and upgrades to current HR operating systems has been completed, resulting in the establishment of a standardised and unified HR management information system. We believe that having a global HR system that offers individual operating units flexibility in terms of data management is essential to ensuring our HR reporting is efficient and effective.

The global implementation of a new Job Evaluation Scheme is nearing completion and it has succeeded in balancing the needs of the Group with the needs of local employees. Once completed it will enable us to better understand our organisational structures across the globe, the type of roles we offer and the talent within them.

Directors' report

Communication

By listening to our employees and establishing dialogue, we try to reflect employee thinking in our business activities. Our global sites held, on average, 16 face to face meetings with employees during the year, focusing on business performance, SHE targets, community projects and other specific projects.

The importance of communication was heightened with the closure of our manufacturing facility at Bromborough in the UK. Through working closely with the unions, the site consultation committees and educating managers on change and personal transitions, we have been able to make this difficult process as less painful for the employees involved.

CSR/Community involvement

Corporate Social Responsibility (CSR) is embedded in the way we run our business. Customers want to buy products from a company they can trust, suppliers want to form business partnerships with a company they can rely on and employees want to work for a company they respect. Our 2009 CSR report details progress we have made against our stretching targets relating to the four Pillars of 'Our Responsibility'.

One of the continuing strengths of our business is the commitment that we have towards the local communities in which we operate. These local communities provide the dedicated and talented resource that makes Croda what it is today. We have a well established history in the area of community involvement. Placing this recognition of community engagement under the CSR umbrella has provided a framework that allows us to monitor our activities and to think more critically about what we do, how we do it and for what purpose.

Within the community, our focus continues to be on education. Ensuring there is future talent for the industry is critical to our business growth. Mentoring, teaching, site visits, presentations, awards, work experience and apprenticeship schemes are just some of the activities we have been involved in across the globe.

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 2009, the Group had an average of 33 days (2008: (restated) 43 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 £38,000 (2008: £57,000). No donations were made for political purposes (2008: £Nil).

Annual General Meeting

The AGM will be held at Carlton Towers, Carlton, Goole, East Yorkshire, DN14 9LZ on Wednesday, 28 April 2010 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 19 February 2010, 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
Standard Life Investments Ltd	6,679,711	4.91%	Direct 1.90%, Indirect 3.01%
Prudential plc	6,923,666	5.08%	Direct
Legal & General Group Plc	5,446,588	3.99%	Direct
Massachusetts Financial Services Company	7,219,521	5.03%	Direct

By order of the Board

Louise Scott
Company Secretary
23 February 2010

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 in April 2010.

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. In so doing it takes due account of pay and conditions in the Group as a whole and receives information on pay proposals for other employees throughout the Group. 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 award of long-term incentives. The Committee has delegated responsibility for setting the remuneration of the Chairman. The full terms of reference of the Committee are published on the Company's website (www.croda.com).

Membership and operation

The Committee comprises all non-executive directors including the Chairman and is chaired by Stanley Musesengwa. The Group Chief Executive is usually invited to attend all meetings but neither he nor the Chairman attend when their individual remuneration is being discussed. The Committee met five 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 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) has been appointed by the Committee to provide independent advice on remuneration policy and practice. During the year, HNBS attended two meetings of the Committee in connection with the remuneration review, details of which appear later in this report.

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 2008 Financial Reporting Council 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. In designing an appropriate incentive structure for the executive directors and senior executive management team, the Committee endeavours to set challenging performance criteria that are aligned with the Group's strategy for the business and the enhancement of shareholder value. In line with the Association of British Insurers' (ABI's) Guidelines on Responsible Investment Disclosure, the Committee ensures that the incentive structure for executive directors and senior executive management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account corporate governance on ESG matters and it takes due account of issues of general operational risk when structuring incentives.

2009 remuneration review

As explained in last year's report, HNBS provided advice on salary levels 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. Increases for 2009 were awarded on the back of the record performance in 2008, which was achieved in spite of the difficult economic environment, and which saw dividends increased for shareholders. Following on from that review, in 2009 the Committee commissioned HNBS to carry out a detailed review of the total remuneration packages of the executive directors and senior executives.

HNBS reaffirmed the Committee's belief that it is difficult to identify a sufficient number of companies who have operations directly comparable with those of the Company. Consequently, the remuneration packages were benchmarked, as had been done previously, against a group of international general manufacturing companies, similar in terms of size (including twelve month average market capitalisation and turnover) and scope of international operations, and a separate group of companies with comparable market capitalisations and international scope to those of Croda Executive and Finance Committee members were also benchmarked against survey data. As an overall comment, pay was found to be within expected market ranges. Consequently it was decided that the broad remuneration package would remain consistent with prior years.

Directors' remuneration report

No amendments will be made in 2010 to the performance measures, or the range of targets, for the long term incentive schemes as the Committee considered them to remain suitably challenging. More particularly, maintaining the current range of performance targets for the purposes of our long-term incentive plans was considered by the Committee to result in tougher targets given that the base year from which future performance will be measured is at record levels and the current economic outlook remains challenging.

During the year, the Committee also resolved that it would be appropriate to accelerate the vesting of the awards made in 2007 under the Croda International Bonus Co-Investment Plan ("BCIP"). The 2007 BCIP awards' performance period ended on 31 December 2009 and, since the extent of vesting is clear, the Committee considers it appropriate to make a minor amendment under the plan rules to accelerate the vesting of these awards to ensure that they are the subject of favourable tax treatment. This amendment will result in early vesting prior to the end of the current tax year on 5 April 2010. However, to ensure that the interests of shareholders are protected, a formal claw-back agreement has been entered into which will operate for the period between early vesting and the normal vesting date.

Whilst not directly relevant to Croda, the Committee has also noted the key conclusions of the Financial Services Authority Code and Walker Review during the year and has concluded that Croda continues to take into account the principles of sound risk management when setting pay.

In order to encourage an open and constructive dialogue with our major investors and the main shareholder protection bodies, the Chairman of the Remuneration Committee wrote to them prior to the New Year to inform them of the Committee's decisions and proposals in relation to remuneration policy for 2010. As part of this dialogue, the Committee discussed the possibility of increasing the BCIP matching ratio for executive directors and members of the Executive and Finance Committees from its current level of one matching share being awarded for each share purchased from net annual cash bonus, to two shares being awarded. This would ensure a consistent approach to BCIP matching awards for all participants. Despite widespread support for this proposal from the Company's institutional investors that were consulted, the Committee decided that it was not an appropriate time to amend the current remuneration policy (full details of the operation of the BCIP are set out on the following page). Due account was also given to the more general feedback obtained and the Committee will ensure that its remuneration policy is kept under review.

Components of executive directors' remuneration

Basic salary

The salaries are paid monthly in cash and are reviewed annually with effect from 1 January. Following the 2009 remuneration review described above, and having taken account of another year of outstanding performance by the Company, its executives and the results of the HNBS benchmarking exercise, the Committee has increased the annual base salaries of executive directors with effect from 1 January 2010:

Executive director	Basic salary at 31 December 2009	Basic salary at 1 January 2010	% increase
M Humphrey	£546,000	£560,000	2.6
M S Christie	£303,000	£309,500	2.1

Performance-related annual bonus

The Company operates bonus schemes for its executive directors and senior executives. Bonus payments are not pensionable. The 2009 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 "2009 Income"), exceeded the income for 2008 calculated on the same basis (the "base income"). Bonuses for 2009 are payable on a graduated scale once the 2009 Income exceeds the base income by inflation (defined as the harmonised index of consumer prices (CPI)), with maximum bonuses due at CPI plus 8%. Income is measured after providing for the cost of any bonuses. The target range set for 2010 is considered equally challenging to that set in prior years given the high base income that was delivered in 2009 and continuing uncertain economic conditions. The maximum bonuses due in 2010 have been set at CPI plus 11.35%. The Committee has the discretion to take safety, health and environmental performance into consideration in determining the overall level of individual bonus payments and can reduce the bonus award if it considers it appropriate to do so.

The maximum amount of bonus payable to the executive directors is 100% of salary with the net element of any bonus in excess of 50% of salary being compulsorily invested in the BCIP. Bonuses earned by each director in respect of 2009 are included in the table of directors' remuneration on page 32 and represent 100% of basic salary, based on achievement 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 2010. The performance targets will require out-performance of the 2009 Income 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 net 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.

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 ("ESOS"). 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 subject to plan limits.

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. 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. The level of awards differ between participants, with executive directors and members of the Executive and Finance Committees receiving one matching share for each share invested whilst other participants receive two matching shares. It is compulsory for members of the former group, whose gross bonus could exceed 50% of their annual salary, to invest the excess over 50%, net of tax, in shares unless they are within three years of anticipated retirement date.

For the first awards which were made in 2006, the vesting of 100% of the award was conditional on Croda's earnings per share before exceptional items exceeding CPI over the three year performance period. This performance condition was met. A revised performance condition adopted in 2007 for awards made after 2006 is structured to require the achievement of a challenging 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 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 2010 and the matching ratio will continue to remain at one matching share being awarded for each share purchased from net annual bonus for executive directors and members of the Group Executive and Finance Committees.

In view of the forthcoming increase to the marginal rate of income tax the Committee has accelerated vesting of the BCIP awards made on 26 April 2007 which would otherwise not vest until 26 April 2010. This will maintain a more beneficial tax treatment prior to the end of the current tax year (5 April 2010) for those executives affected by the tax rate increase. The extent of vesting is already established, as it is based on a three year performance period which ended on 31 December 2009. The rules of the BCIP scheme allow amendments for tax reasons without the requirement to obtain shareholder approval. This proposal formed part of the consultation with shareholders and was supported. However, to ensure that the interests of shareholders are protected, a formal claw-back agreement has been entered into which will operate for the period between early vesting and the normal vesting date.

LTIP

Participation in the LTIP is limited to executive directors and senior executives. Annual awards of shares are made based on varying percentages 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 prior to 2007 was set so that awarded shares would vest if the growth in Croda's EPS exceeded 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 would vest on a straight-line basis. The maximum performance target was met in respect of the 2005 and 2006 awards.

A revised performance condition for awards made from 2007 onwards 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

Directors' remuneration report

The remaining half of the awards 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 to the employee. Awards made in 2010 will remain in line with awards made in 2009 for executive directors in terms of the quantum of awards (expressed as a multiple of salary) and the performance targets. The Committee believes that this is entirely appropriate given the strong trading performance delivered in 2009, Croda's share price growth 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. The only options now outstanding were granted between 2000 and 2003. The options were granted subject to performance conditions which required basic EPS before exceptional items to grow at RPI plus 7% per annum over the performance period for 100% of the options granted to be exercisable. The performance conditions have been satisfied in full. Mike Humphrey is the only director who holds these options and details of his options are shown in the table on page 34.

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, treasury shares 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 79.

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 Group 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 net of tax gain until the target is met or exceeded. The target is expected to be reached within five years. Both executive directors have holdings well in excess of the target shareholdings.

Pension and other benefits

Croda has a number of different pension plans in the 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 broadly similar to that of the executive directors although there are some differences in LTIP participation.

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. For clarification, the Company's policy is that no entitlement to unearned bonus will be taken into account when determining payments on early termination.

The principal contractual benefits provided in addition to salary are the provision of a car, pension, 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 (i.e. any such payments would be phased and subject to mitigation to the extent that any alternative employment was commenced).

The Committee has engaged with its major institutional investors (and shareholder protection bodies) on the issue of the Chief Executive's legacy contract during the year under review. The Committee is aware of the recommendations of the 2008 joint ABI and NAPF statement (and the more recent NAPF policy update) but has not felt it appropriate to seek to renegotiate the terms of this contract at a time when the Chief Executive has presided over a sustained period of very strong performance, over a matter which is a legacy issue. As noted above, the contracts of any future executive director appointments, as a matter of policy, would not include provisions on termination for any unearned bonus and, indeed, the Committee is committed to setting future contracts after having due regard to current and emerging best practice guidelines in this area.

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 and are reviewed by the Board at least every two years.

The Chairman's fees are determined by the Remuneration Committee and since 1 January 2009 these have been £153,000. The fees of the remaining non-executive directors are determined by the Chairman and the executive directors. Since 1 January 2009 the basic annual fee for a non-executive director has been £41,000, with an additional £6,000 for chairing a committee and the Senior Independent Director receiving an additional £3,000.

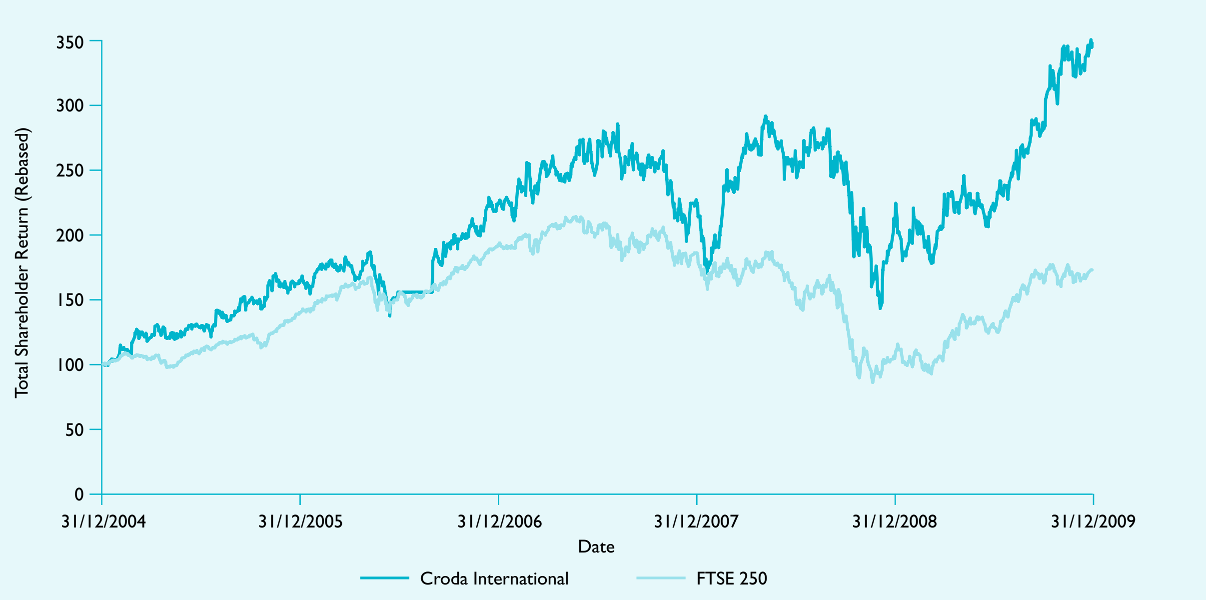
Terms of appointment

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
S Musesengwa	7 May 2007
P N N Turner	1 June 2009

Directors' remuneration report

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

Directors' remuneration

	Basic salary £	Bonus £	Benefits £	Fees £	2009 Total £	2008 Total £
M Humphrey†	546,000	546,000	30,003	–	**1,122,003**	1,068,812
M S Christie	303,000	303,000	18,033	–	**624,033**	582,609
M C Flower	–	–	–	153,504	**153,504**	140,504
M C Buzzacott	–	–	–	49,000	**49,000**	42,500
S Musesengwa	–	–	–	45,000	**45,000**	37,500
P N N Turner (appointed 1 June 2009)	–	–	–	23,919	**23,919**	–
D M Dunn (resigned 29 April 2009)	–	–	–	16,667	**16,667**	45,000
	849,000	849,000	48,036	288,090	**2,034,126**	1,916,925

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 2009.

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 2009, Mike Humphrey was paid £109,200 (2008: £104,004) 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.

Defined benefit schemes

	Accrued pension at 31.12.09[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 31.12.08[4] £000	Transfer value of accrued pension at 31.12.09[4,7] £000	Increase in transfer value over the year[5,7] £000	Transfer value of the increase in the accrued pension[6,7] £000
M Humphrey	281	13	7	5,438	7,443	2,005	184
M S Christie	16	6	5	90	180	72	40

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 2009); and the amount of annual pension benefits which would have been preserved for Sean Christie had he left service on 31 December 2009, based on service to, and pensionable earnings at, that date.

2 The figure represents the difference between the total accrued pension at 31 December 2009 and the corresponding pension at the beginning of the year.

3 The figure represents the difference between the total accrued pension at 31 December 2009 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 in transfer value between 31 December 2008 and 31 December 2009 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 2009 and 31 December 2008, 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 change to the basis for the calculation of cash equivalent transfer values reported last year, the trustee of the CISS amended the basis further with effect from December 2009. In the light of changes in market conditions, and based on actuarial advice, the trustee of the CISS amended the basis by reducing the assumed discount rate by 0.5% p.a. In addition, the mortality assumptions were updated to allow for expected improvements in life expectancy. In the case of Mike Humphrey, the transfer value figure as at 31 December 2009 would have been around 10% lower, reflecting the fact that Mike Humphrey is closer to the age at which his pension is payable on an unreduced basis. In the case of Sean Christie, the transfer value figure as at 31 December 2009 would have been around 30% lower if the basis had not been amended.

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

Directors' remuneration report

Directors' interests

The beneficial interests at 31 December 2009 of the directors of the Company and their families in the shares of the Company are:

	At 31 December 2009						At 1 January 2009					
	Ordinary shares	BCIP† ordinary shares	Executive options	SAYE options	SIP†† ordinary shares	LTIP	Ordinary shares	BCIP† ordinary shares	Executive options	SAYE options	SIP†† ordinary shares	LTIP
M Humphrey	262,075	110,260	150,000	2,681	4,776	290,487	164,623	99,550	259,300	2,973	4,270	271,289
M S Christie	-	120,014	-	1,702	1,340	115,703	-	58,484	-	2,434	834	94,885
M C Flower	22,925	-	-	-	-	-	21,579	-	-	-	-	
M C Buzzacott	10,000	-	-	-	-	-	9,500	-	-	-	-	-
S Musesengwa	15,000	-	-	-	-	-	15,000	-	-	-	-	-
P N N Turner (appointed 1 June 2009)	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.

† The BCIP shares comprise 115,137 shares invested by the directors (2008: 79,017) and 115,137 shares which are the subject of conditional awards (2008: 79,017).

†† The SIP shares comprise 3,058 Partnership shares (2008: 2,552) and 3,058 Matching shares (2008: 2,552).

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.

Senior 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 2009 (10p shares)	Exercised in year	Number at 31 December 2009 (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	**109,300**	**150,000**

None of the terms and conditions of the share options were varied during the year. All performance conditions attaching to the share options have been satisfied.

SAYE share options

Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1 January 2009 (10p shares)	Exercised in year	Granted in year	Number at 31 December 2009 (10p shares)
M Humphrey							
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
15 September 2009	1 November 2012	30 April 2013	533p	-	-	681	681
				2,973	**973**	**681**	**2,681**
M S Christie							
18 September 2006	1 November 2009	30 April 2010	384p	2,434	2,434	-	-
15 September 2009	1 November 2012	30 April 2013	533p	-	-	1,702	1,702
				2,434	**2,434**	**1,702**	**1,702**

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 five years but since that time a three year savings contract has been offered. The option price is the value of ordinary shares at date of grant discounted by 20%. Options are normally exercisable for a six month period following completion of the savings contract.

LTIP

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

Date of grant	Award price* (£)	Earliest vesting date	Market price at date of award	Number at 1 January 2009 (10p shares)	Exercised in year	Granted in year	Number at 31 December 2009 (10p shares)
M Humphrey							
23 February 2006	4.6965	23 February 2009	496p	89,428	89,428	-	-
22 February 2007	5.9273	22 February 2010	663p	78,451	-	-	78,451
20 February 2008	5.0285	20 February 2011	604p	103,410	-	-	103,410
18 February 2009	5.0264	18 February 2012	509p	-	-	108,626	108,626
				271,289	**89,428**	**108,626**	**290,487**
M S Christie							
26 April 2006	4.6965	26 April 2009	495p	24,393	24,393	-	-
22 February 2007	5.9273	22 February 2010	663p	28,731	-	-	28,731
20 February 2008	5.0285	20 February 2011	604p	41,761	-	-	41,761
18 February 2009	5.0264	18 February 2012	509p	-	-	45,211	45,211
				94,885	**24,393**	**45,211**	**115,703**

* Award price is based on the average mid-market price of a Croda ordinary share for the first 30 dealing days of the financial year in which the award is made.

Gains made on exercise of share options and LTIPs

	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain (before tax) £
M Humphrey	30 April 2009	89,428	LTIP	NIL	544p	486,488.32
	30 April 2009	23,012	BCIP	NIL	544p	125,185.28
	2 November 2009	973	SAYE	384p	758p	3,639.02
	2 November 2009	109,300	ESOS	256p	758p	548,686.00
						1,163,998.62
M S Christie	30 April 2009	24,393	LTIP	NIL	544p	132,697.92
	30 November 2009	2,434	SAYE	384p	744.5p	8,774.57
						141,472.49

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 2009 was 800p and the range of market prices during the year was between 456.5p and 805p.

BCIP

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

Date of grant	Earliest vesting date	Market price at date of award	Number at 1 January 2009 (10p shares)	Granted during the year	Released during the year	Number at 31 December 2009 (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
30 April 2009	30 April 2012	544p	-	28,567	-	28,567
			49,755	**28,567**	**23,012**	**55,310**
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
30 April 2009	30 April 2012	544p	-	30,765	-	30,765
			29,242	**30,765**	**-**	**60,007**

Directors' remuneration report

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 253 Partnership shares and were allocated 253 Matching shares. The average purchase price was 606.35p.

Since 31 December 2009 Mike Humphrey and Sean Christie have each purchased 31 Partnership shares and have been awarded a corresponding number of Matching shares under the SIP at an average price of 817p 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 23 February 2010.

On behalf of the Board

S Musesengwa
Chairman of the Remuneration Committee
23 February 2010

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 27 to 36, describes how the relevant principles of governance set out in the 2008 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 22 and 23. The Chairman and the Group Chief Executive have written accountabilities that have been approved by the Board.

The Board has a formal schedule of matters specifically reserved to it and this is posted on the Company's website (www.croda.com). 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 their existing experience, qualifications and skills. In order to build and increase the non-executive directors' familiarity with, and understanding of, the Group's people and businesses and the markets in which it operates, presentations from senior managers are made at Board meetings on a regular basis. The Board also usually holds at least one Board meeting a year at a Croda operating site. This year the Board held one meeting at Ditton in the UK and also one in the USA during a visit to our two manufacturing sites at Atlas Point and Mill Hall and the USA headquarters and technology centre at Edison. These visits allow the non-executives to tour the sites and observe the operations at first hand as well as providing the opportunity to meet the local management and employees and gain their insight into the business. Non-executive directors also undertake site visits on an individual basis.

Attendance at meetings

Details of the attendance by directors at the AGM, 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*	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
M C Flower	9	8	6	6	5	5	-	3†
M C Buzzacott	9	9	6	6	5	5	3	3
D M Dunn (resigned 29 April 2009)	3	3	2	2	2	2	1	1
S Musesengwa	9	9	6	6	5	5	3	3
P N N Turner (appointed 1 June 2009)	5	5	4	4	3	3	2	2
M Humphrey	9	9	6	6	-	5†	-	3†
M S Christie	9	9	-	-	-	-	-	3†

† Attended by invitation

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 2008 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, Nigel Turner will be standing for election for the first time following his appointment in June 2009 and Mike Humphrey and Sean Christie will be retiring under Article 85 and offering themselves for re-election. Further details about the directors are given in the notice of the AGM which is in a separate document issued to shareholders with the annual report.

Corporate governance

Conflicts of interest

The Board has an established process for declaring and monitoring actual and potential conflicts. The Articles of Association of the Company 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.

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, Michael Buzzacott, each of whom has significant commercial experience. Their understanding of the Group's operations is enhanced by regular business presentations and by site visits.

The non-executive Chairman was independent on his appointment in 2005 but, as Chairman, is not classified as independent. The issue of independence in relation to the other non-executive directors was considered specifically when Nigel Turner joined the Board, as both he and Michael Buzzacott are non-executive directors of Genus Plc. The Board did not consider that these roles would affect their judgement in relation to Croda and its business and therefore, it is the Board's opinion that all the non-executive directors who have served during the year are independent in character and judgement with no relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

In order that David Dunn could attend the 2009 AGM and be available to report to shareholders in his capacity as Chairman of the Remuneration Committee he remained in office for approximately one week beyond the end of his nine year term. Otherwise, during 2009 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 22 and 23. 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 (www.croda.com).

Audit Committee

Michael Buzzacott (Chairman)
Stanley Musesengwa
Nigel Turner

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. Following David Dunn's retirement from the Board in April 2009, the Committee temporarily comprised two independent non-executive directors rather than the three recommended by the Code. This situation was rectified with the appointment of Nigel Turner in June 2009. No meetings took place in the intervening period.

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, the Group Risk and Control Manager and representatives from the external and internal 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 Group fraud policy as part of its remit to review the Company's procedures for detecting fraud and monitor internal controls
- revised the internal audit charter which sets out the framework in which the internal audit function provides services to the Group and reports to the Committee.

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, as 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
Stanley Musesengwa (Chairman)
Michael Buzzacott
Martin Flower
Nigel Turner

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. Following David Dunn's retirement from the Board in April 2009, the Committee temporarily comprised two independent non-executive directors rather than the three recommended by the Code. This situation was rectified with the appointment of Nigel Turner in June 2009. No meetings took place in the intervening period.

The terms of reference of the Committee are posted on the Company's website (www.croda.com). Further details of the Committee's activities during the year can be found in the directors' remuneration report set out on pages 27 to 36 . A resolution will be proposed at the AGM to approve the report.

Nomination Committee
Martin Flower (Chairman)
Michael Buzzacott
Mike Humphrey
Stanley Musesengwa
Nigel Turner

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 (www.croda.com).

The Committee concluded the search for a new non-executive director to replace David Dunn on his retirement and Nigel Turner was appointed on 1 June 2009.

During the year the Committee maintained its focus on the development of the senior management team. It also built on the work carried out last year in relation to the layer of management below Board and Group Executive/Finance Committee level by reviewing a succession planning exercise carried out with the aim of identifying employees within the Group with the potential to become senior executives.

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.

Corporate governance

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 the comments separately with individual directors as part of their own appraisals. The senior independent director discussed the Chairman's performance with the other non-executive directors before feeding back comments to the Chairman. The outcome will be a continuing focus during 2010 on succession planning for, and the development of, senior personnel.

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 Group Chief Executive and the Group Finance Director maintain regular contact with major shareholders and they ensure that their views are communicated to the Board as a whole through the reporting of feedback from shareholder meetings and the provision of brokers' reports. The Board invites the Company's brokers and financial public relations advisers 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. The senior independent director and other non-executive directors are available to attend meetings with major shareholders if requested. However, no such meetings were requested during the year.

The AGM provides an opportunity for private shareholders to raise questions with the members of the Board. The directors are also available to answer questions after the meeting in a more informal setting. The annual report and accounts including Notice of AGM are sent to shareholders at least twenty working days before the meeting. There is a separate investor relations section on the Company's website (www.croda.com) which includes, amongst other items, presentations made to analysts.

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 Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's review and the financial position of the Company, its cashflows and liquidity are described in the Financial review.

The financial statements, which appear on pages 44 to 89, 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, apart from the temporary and minor deviations resulting from the gap between the retirement of David Dunn and the appointment of Nigel Turner, the Company has complied fully with the Code throughout 2009.

Corporate governance

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;
- state that the Group financial statements comply with IFRSs as adopted by the European Union, 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business.

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 2006 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 22 to 23 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 11 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
Company Secretary
23 February 2010

Group independent auditors' report

Independent auditors' 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 2009 which comprises the Group income statement, Group statement of comprehensive income and expense, Group balance sheet, Group statement of changes in equity, Group statement of cash flows, Group cash flow notes, the Accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 42, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for, and only for, the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate Governance Statement set out on page 42 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 42, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters

We have reported separately on the parent company financial statements of Croda International Plc for the year ended 31 December 2009 and on the information in the Directors' remuneration report that is described as having been audited.

Steve Denison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
26 February 2010

Group income statement

for the year ended 31 December 2009

	Note	2009 £m Before exceptional items	2009 £m Exceptional items	2009 £m Total	2008 £m Before exceptional items	2008 £m Exceptional items	2008 £m Total
Continuing operations							
Revenue	1	**916.2**	**-**	**916.2**	911.1	-	911.1
Cost of sales		**(680.0)**	**(17.2)**	**(697.2)**	(698.7)	-	(698.7)
Gross profit		**236.2**	**(17.2)**	**219.0**	212.4	-	212.4
Net operating expenses	2, 3	**(116.3)**	**-**	**(116.3)**	(99.8)	-	(99.8)
Operating profit	1	**119.9**	**(17.2)**	**102.7**	112.6	-	112.6
Financial expenses	4	**(15.7)**	**-**	**(15.7)**	(25.5)	-	(25.5)
Financial income	4	**2.2**	**-**	**2.2**	9.2	-	9.2
Profit before tax		**106.4**	**(17.2)**	**89.2**	96.3	-	96.3
Tax	5	**(34.6)**	**2.1**	**(32.5)**	(31.5)	-	(31.5)
Profit after tax from continuing operations		**71.8**	**(15.1)**	**56.7**	64.8	-	64.8
Profit after tax from discontinued operations	7	**(3.7)**	**(29.0)**	**(32.7)**	5.0	(8.6)	(3.6)
Profit for the year	3	**68.1**	**(44.1)**	**24.0**	69.8	(8.6)	61.2
Attributable to:							
Minority interest				**0.2**			0.2
Equity shareholders				**23.8**			61.0
				24.0			61.2

Earnings per 10p share	Note	Pence per share	Pence per share
Basic			
Total	8	**17.6**	45.3
Continuing operations	8	**41.8**	48.0
Diluted			
Total	8	**17.3**	44.6
Continuing operations	8	**41.1**	47.2

Group statement of comprehensive income and expense

for the year ended 31 December 2009

	2009 £m	2008 £m
Profit for the year	**24.0**	61.2
Other comprehensive (expense)/income:		
Currency translation differences	**(7.1)**	26.4
Movement in fair value of cash flow hedges	**2.1**	(2.8)
Actuarial movement on retirement benefit liabilities (note 12)	**(141.8)**	(23.9)
Deferred tax on actuarial movement on retirement benefit liabilities (note 5)	**38.5**	5.7
	(108.3)	5.4
Total comprehensive (expense)/income for the year	**(84.3)**	66.6
Attributable to:		
Minority interest	**-**	0.5
Equity shareholders	**(84.3)**	66.1
	(84.3)	66.6

Group balance sheet
at 31 December 2009

	Note	2009 £m	2008 £m
Assets			
Non-current assets			
Intangible assets	13	**202.0**	203.4
Property, plant and equipment	14	**341.8**	392.4
Investments	16	**12.5**	12.7
Deferred tax assets	6	**73.9**	49.4
		630.2	657.9
Current assets			
Inventories	17	**148.9**	201.9
Trade and other receivables	18	**159.0**	185.8
Cash and cash equivalents		**45.0**	42.3
Assets classified as held for sale		**-**	1.1
		352.9	431.1
Liabilities			
Current liabilities			
Trade and other payables	19	**(179.0)**	(179.8)
Borrowings and other financial liabilities	20	**(48.8)**	(87.2)
Provisions	21	**(30.6)**	(7.0)
Current tax liabilities		**(14.7)**	(10.2)
		(273.1)	(284.2)
Net current assets		**79.8**	146.9
Non-current liabilities			
Borrowings and other financial liabilities	20	**(285.0)**	(355.6)
Other payables		**(3.6)**	(4.7)
Retirement benefit liabilities	12	**(203.5)**	(88.5)
Provisions	21	**(24.5)**	(41.5)
Deferred tax liabilities	6	**(35.2)**	(49.2)
		(551.8)	(539.5)
Net assets		**158.2**	265.3
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		**93.3**	93.3
Reserves		**48.1**	154.9
Total shareholders' equity		**156.5**	263.3
Minority interest in equity	26	**1.7**	2.0
Total equity		**158.2**	265.3

Signed on behalf of the Board who approved the accounts on 23 February 2010

Martin Flower
Chairman

Sean Christie
Group Finance Director

Group statement of changes in equity

for the year ended 31 December 2009

	Share capital £m	Share premium amount £m	Other reserves £m	Retained earnings £m	Minority interests £m	Total £m
At 1 January 2008	15.1	93.3	7.9	101.7	1.7	219.7
Profit for the year attributable to equity shareholders	-	-	-	61.0	-	61.0
Other comprehensive (expense)/income	-	-	26.1	(21.0)	-	5.1
Transactions with owners:						
Dividends on equity shares	-	-	-	(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
Total transactions with owners	-	-	-	(20.8)	-	(20.8)
Transactions with minority interests:						
Share of profit after tax	-	-	-	-	0.2	0.2
Currency translation differences	-	-	-	-	0.3	0.3
Dividends paid to minority shareholders	-	-	-	-	(0.2)	(0.2)
Total transactions with minority interests	-	-	-	-	0.3	0.3
Total equity at 31 December 2008	**15.1**	**93.3**	**34.0**	**120.9**	**2.0**	**265.3**
At 1 January 2009	15.1	93.3	34.0	120.9	2.0	265.3
Profit for the year attributable to equity shareholders	-	-	-	23.8	-	23.8
Other comprehensive (expense)/income	-	-	(6.9)	(101.2)	-	(108.1)
Transactions with owners:						
Dividends on equity shares	-	-	-	(27.1)	-	(27.1)
Share based payments	-	-	-	3.0	-	3.0
Consideration received for sale of own shares held in trust	-	-	-	1.6	-	1.6
Total transactions with owners	-	-	-	(22.5)	-	(22.5)
Transactions with minority interests:						
Share of profit after tax	-	-	-	-	0.2	0.2
Currency translation differences	-	-	-	-	(0.2)	(0.2)
Dividends paid to minority shareholders	-	-	-	-	(0.3)	(0.3)
Total transactions with minority interests	-	-	-	-	(0.3)	(0.3)
Total equity at 31 December 2009	**15.1**	**93.3**	**27.1**	**21.0**	**1.7**	**158.2**

Other reserves include the Capital redemption reserve of £0.9m (2008: £0.9m) and the Translation reserve of £26.2m (2008: £33.1m).

Group statement of cash flows
for the year ended 31 December 2009

	Note	2009 £m	2008 £m
Cash flows from operating activities			
Cash generated by operations	ii	**196.9**	120.8
Interest paid		**(20.5)**	(22.5)
Tax paid		**(21.5)**	(41.3)
Net cash generated by operating activities		**154.9**	57.0
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		**-**	(4.1)
Purchase of property, plant and equipment		**(39.8)**	(51.9)
Purchase of computer software		**-**	(0.1)
Proceeds from sale of property, plant and equipment		**0.7**	0.6
Proceeds from sale of businesses (net of costs)		**2.7**	49.4
Proceeds from sale of other investments		**-**	0.2
Cash paid against non-operating provisions		**(5.1)**	(1.2)
Interest received		**0.6**	1.6
Net cash absorbed by investing activities		**(40.9)**	(5.5)
Cash flows from financing activities			
Additional borrowings		**-**	67.5
Repayment of borrowings		**(66.9)**	(85.4)
Capital element of finance lease repayments		**(0.4)**	(0.3)
Net transactions in own shares	22,25	**1.6**	0.6
Dividends paid to shareholders	9	**(27.1)**	(22.9)
Dividends paid to minority shareholders	9	**(0.3)**	(0.2)
Net cash absorbed by financing activities		**(93.1)**	(40.7)
Net movement in cash and cash equivalents	i,ii	**20.9**	10.8
Cash and cash equivalents brought forward		**17.3**	1.2
Exchange differences		**(1.0)**	5.3
Cash and cash equivalents carried forward		**37.2**	17.3
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		**45.0**	42.3
Bank overdrafts		**(7.8)**	(25.0)
		37.2	17.3

Group cash flow notes
for the year ended 31 December 2009

(i) Reconciliation to net debt	Note	2009 £m	2008 £m
Movement in cash and cash equivalents	iii	**20.9**	10.8
Movement in debt and lease financing	iii	**67.3**	18.2
Change in net debt from cash flows		**88.2**	29.0
New finance lease contracts		**(0.3)**	(0.6)
Exchange differences		**21.7**	(60.5)
		109.6	(32.1)
Net debt brought forward		**(398.1)**	(366.0)
Net debt carried forward	iii	**(288.5)**	(398.1)

(ii) Cash generated by operations	2009 £m	2008 £m
Continuing operations		
Operating profit	**102.7**	112.6
Adjustments for:		
Depreciation and amortisation	**34.7**	31.0
Profit on disposal of fixed assets	**(0.2)**	(0.1)
Exceptional items	**17.2**	-
Other provisions charged	**0.7**	0.4
Share based payments	**4.3**	1.6
Cash paid against operating provisions (note 21)	**(10.4)**	(17.1)
Pension fund contributions in excess of service cost	**(16.6)**	(8.9)
Movement in inventories	**30.7**	(13.9)
Movement in receivables	**18.4**	23.5
Movement in payables	**9.5**	(14.5)
Cash generated by continuing operations	**191.0**	114.6
Discontinued operations	**5.9**	6.2
	196.9	120.8

(iii) Analysis of net debt	2009 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2008 £m
Cash and cash equivalents	**45.0**	4.6	(1.9)	-	42.3
Bank overdrafts	**(7.8)**	16.3	0.9	-	(25.0)
Movement in cash and cash equivalents		20.9			
Borrowings repayable within one year	**(40.4)**	49.9	1.5	(30.0)	(61.8)
Borrowings repayable after one year	**(284.5)**	17.0	21.1	30.0	(352.6)
Finance leases	**(0.8)**	0.4	0.1	(0.3)	(1.0)
Movement in borrowings and other financial liabilities		67.3			
Total net debt	**(288.5)**	88.2	21.7	(0.3)	(398.1)

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 International Financial Reporting Standards (IFRSs), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU) at the time of preparing these statements (February 2010). 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 (note 13) – 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 2009

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) IAS 1 (revised), 'Presentation of financial statements' – The revised standard brings new disclosure requirements regarding 'non-owner changes in equity' and 'owner changes in equity', which are now required to be shown separately. Under this revised guidance the Group has elected to continue to present two performance statements: an income statement and a statement of comprehensive income and expense (previously the 'Statement of Recognised Income and Expense'). These financial statements have been prepared under the revised disclosure requirements.

(ii) 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 adopted IFRS 8 from 1 January 2009. These financial statements have been prepared under the revised disclosure requirements. However, this has not resulted in a change to the reported segments, which remain as Consumer Care and Industrial Specialities.

(iii) IFRS 2 (amendment), 'Share-based payment' – The amendment to the standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. The Group has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's financial statements.

(iv) IFRS 7 'Financial instruments – Disclosures' (amendment) – The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Group has applied IFRS 7 from 1 January 2009 and it does not have a material impact on the Group's financial statements.

(v) IAS 23 (amendment), 'Borrowing costs' – The amendment to the standard 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 applied IAS 23 (amendment) from 1 January 2009, but the standard is currently not applicable to the Group as there are no qualifying assets.

Group accounting policies

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) IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

(ii) 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. This is currently not expected to have a material impact on the Group's financial statements.

(iii) IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). 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.

(iv) IAS 38 (amendment), 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (amendment) from 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has a similar useful economic life. The amendment will not result in a material impact on the Group's financial statements.

(v) 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 April 2009. 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.

(vi) IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

(vii) IFRS 2 (amendment), 'Group cash-settled share-based payment transaction' (effective from 1 January 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

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 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 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.

The Group supplies products to customers from its various manufacturing sites and warehouses and in some limited instances from consignment inventory held on customer sites, under a variety of standard terms and conditions. In each case revenue is recognised when the transfer of legal title, which is defined and generally accepted in the standard terms and conditions, arises between the Group and the customer. This will nearly always be on dispatch or delivery, but never before dispatch. Provisions for sales discounts and rebates to customers are based upon the terms of sales contracts and are recorded in the same period as the related sales as a deduction from revenue. The Group estimates the provision for sales discounts and rebates based on the terms of each agreement at the time the revenue is recognised.

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. Operating segments presented in the financial statements are consistent with the internal reporting provided to the Group's Chief Operating Decision Makers, which have been identified as the Group Finance Committee and the Group Executive Committee.

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 an 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 Group statement of comprehensive 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.

Group accounting policies

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 Group statement of comprehensive 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 the Group 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 profit 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.

All taxation is calculated on the basis of the tax rates and laws enacted or substantively enacted at the balance sheet date.

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 of impairment exists, 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.

Derivative financial instruments

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

Derivative 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.

Group accounting policies

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

(a) 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.

(b) 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.

(c) Dividends

All dividends, including preference 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 at 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.

Held to maturity investments are measured at amortised cost using the effective interest rate method.

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 2009, 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 £8m (2008: £9m) 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 £11m (2008: £13m) 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 2009 over 70% of Group borrowings were at floating rates. At the time of the Uniqema acquisition, the Group was required to fix a proportion of its debt and has had a £100m sterling swap at a fixed interest rate for a period of 3 years. This swap expires on 31 January 2010.

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 (2008: £0.3m) 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 a 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.

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 2009. 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 2009.

Additional information on performance against key performance indicators can be found in the Financial review on page 13.

Notes to the Group accounts

1. Segmental analysis

At 31 December 2009 the Group continued to be organised on a worldwide basis into two main business segments, relating to the manufacture and sale of the Group's products which are destined for either the Consumer Care market or the market for Industrial Specialities. These are the segments for which summary management information is presented to the Group's Finance and Executive Committees, which are deemed to be the Group's Chief Operating Decision Makers. There is no material trade between segments. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and trade and other receivables.

	2009 £m	2008 £m
Income statement		
Revenue - continuing operations		
Consumer Care	**467.7**	418.4
Industrial Specialities	**448.5**	492.7
Total Group revenue	**916.2**	911.1
Operating profit - continuing operations before exceptional items		
Consumer Care	**104.9**	89.5
Industrial Specialities	**15.0**	23.1
Total Group operating profit before exceptional items	**119.9**	112.6
Balance sheet		
Total assets		
Segment total assets:		
Consumer Care	**481.7**	536.7
Industrial Specialities	**370.0**	446.8
Total segment assets	**851.7**	983.5
Assets classified as held for sale	**-**	1.1
Tax assets	**73.9**	49.4
Cash, other financial assets and other investments	**57.5**	55.0
Total Group assets	**983.1**	1,089.0

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, 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. The Group is domiciled in the UK.

The Group's revenue from external customers in the UK is £56.9m (2008: £46.8m), in the US is £184.7m (2008: £182.1m) and the total revenue from external customers from other countries is £674.6m (2008: £682.2m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £52.6m (2008: £77.6m), and the total of these non-current assets located in other countries is £303.6m (2008: £330.7m). Goodwill has not been split by geography as this asset is not attributable to a geographical area.

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

2. Net operating expenses

	2009 £m	2008 £m
Analysis of net operating expenses by function:		
Distribution costs	**45.1**	45.8
Administrative expenses	**71.2**	54.0
	116.3	99.8

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

3. Profit for the year

	2009 £m	2008 £m
The Group profit for the year is stated after charging:		
Depreciation and amortisation (notes 13 & 14)		
Owned assets	**34.7**	33.2
Leased assets	**0.9**	0.8
Staff costs (note 10)	**172.5**	157.9
Redundancy costs		
Non-exceptional	**0.2**	0.1
Exceptional	**15.2**	5.8
Inventories		
Cost recognised as expense in cost of sales	**667.5**	677.2
Net (release)/write down in year	**(4.9)**	10.4
Profit on disposal and write off of fixed assets	**(0.2)**	(0.1)
Research and development	**21.1**	17.6
Hire of plant and machinery	**1.8**	2.1
Other operating lease rentals	**5.1**	2.3
Bad debt exposure (note 18)	**2.7**	2.2

	2009 £m	2008 £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	**0.7**	0.6
Tax services	**0.2**	0.2
	1.0	0.9

Exceptional items

In July 2009 the Group announced the closure of its operations at Wilton in North Yorkshire, United Kingdom. There have been exceptional non-cash asset write downs of £5.1m, a tax credit of £2.1m and exceptional cash closure costs of £12.1m, which are all expected to be incurred during the course of 2010 and 2011.

4. Net financial expenses

	2009 £m	2008 £m
Financial expenses		
Syndicated acquisition funding	**11.5**	22.0
7.37% guaranteed senior loan notes due 2008	**-**	0.3
Other bank loans and overdrafts	**4.2**	3.2
	15.7	25.5
Financial income		
Expected return on pension scheme assets less interest on scheme liabilities (note 12)	**(0.7)**	(7.1)
H.I.G. Capital LLC loan note	**(1.0)**	(0.5)
Bank interest receivable and similar income	**(0.5)**	(1.6)
	(2.2)	(9.2)
Net financial expenses	**13.5**	16.3

Notes to the Group accounts

5. Tax

	2009 £m	2008 £m
(a) Analysis of tax charge for the year		
Continuing operations		
United Kingdom current tax		
Corporation tax	**(0.7)**	7.7
Relief for overseas taxes on dividends remitted to UK	**-**	(7.7)
	(0.7)	-
Overseas current corporate taxes	**27.5**	26.6
Current tax	**26.8**	26.6
Deferred tax	**5.7**	4.9
	32.5	31.5

	2009 £m	2008 £m
(b) Tax on items charged to equity		
Deferred tax on actuarial movement on retirement benefit liabilities	**(38.5)**	(5.7)
Deferred tax on share based payments	**(1.0)**	0.1
	(39.5)	(5.6)

	2009 £m	2008 £m
(c) Factors affecting the tax charge for the year		
Profit before tax from continuing operations	**89.2**	96.3
Tax at the standard rate of corporation tax in the UK, 28.0% (2008: 28.5%).	**25.0**	27.4
Effect of:		
Prior years' over provisions	**(0.5)**	-
Tax cost of remitting overseas income to the UK	**0.5**	0.7
Expenses and write offs not deductible for tax purposes	**3.1**	0.7
Effect of higher overseas tax rates	**4.4**	2.7
	32.5	31.5

6. Deferred tax

	2009 £m	2008 £m
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Retirement benefit obligations	**53.5**	25.1
Restructuring provisions	**2.0**	3.0
Other provisions	**18.4**	21.3
	73.9	49.4
Deferred tax liabilities		
Excess of capital allowances over depreciation	**31.9**	45.9
Revaluation gains	**1.9**	1.9
Other	**1.4**	1.4
	35.2	49.2
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax charged through income statement		
Continuing operations before exceptional items	**(7.8)**	(4.9)
Discontinued operations before exceptional items	**1.4**	-
Exceptional items	**5.7**	10.0
Deferred tax credited directly to equity (note 5(b))	**39.5**	5.6
Exchange differences	**(0.3)**	0.2
	38.5	10.9
Net balance brought forward	**0.2**	(10.7)
Net balance carried forward	**38.7**	0.2
Deferred tax charged through the income statement relates to the following:		
Restructuring provisions	**(0.8)**	(1.6)
Retirement benefit obligations	**(8.4)**	(7.4)
Excess of capital allowances over depreciation	**5.5**	1.9
Exceptional items	**5.7**	10.0
Other	**(2.7)**	2.2
	(0.7)	5.1

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 £2.6m 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.

Notes to the Group accounts

7. Discontinued operations

In April 2009, continuing its strategy to reduce exposure to basic commodity sectors, the Group announced the closure of its operations at Bromborough in Merseyside, United Kingdom. This represents an exit from the commodity oleochemicals sector in the UK. There have been exceptional non-cash asset write downs of £20.6m and exceptional cash closure costs of £9.8m, of which £2.8m was incurred in 2009 and the remainder is expected to be spent during 2010. There was a small net credit of £1.4m relating to previously discontinued businesses.

During 2008, the Group sold its 46.5% stake in its associate, Baxenden Chemicals Limited, to Chemtura Corporation for £13m and its Chicago Oleochemicals business was sold to H.I.G. Capital LLC for £46.8m.

The impact of the operations discontinued in 2009 and 2008 is as follows:

	2009 £m	2008 £m
Revenue	**29.6**	91.5
Net operating expenses	**(34.7)**	(85.1)
Pre-tax operating results from discontinued operations	**(5.1)**	6.4
Income from disposed associate	**-**	0.4
Tax	**1.4**	(1.8)
Post tax operating results from discontinued operations and income from disposed associate	**(3.7)**	5.0
Loss on disposal	**(32.8)**	(9.9)
Tax	**3.8**	1.3
Net exceptional loss on disposal	**(29.0)**	(8.6)
Total loss after tax from discontinued operations	**(32.7)**	(3.6)
Cash flows from discontinued operations		
Net cash flows from operating activities	**5.9**	6.2

8. Earnings per share

	Total 2009 £m	Continuing operations 2009 £m	Discontinued operations 2009 £m	Total 2008 £m	Continuing operations 2008 £m	Discontinued operations 2008 £m
Profit for the year before exceptional items	**68.1**	**71.8**	**(3.7)**	69.8	64.8	5.0
Exceptional items	**(44.1)**	**(15.1)**	**(29.0)**	(8.6)	-	(8.6)
Minority interests and preference dividend	**(0.3)**	**(0.3)**	**-**	(0.3)	(0.3)	-
	23.7	**56.4**	**(32.7)**	60.9	64.5	(3.6)

	Number m	Number m	Number m	Number m	Number m	Number m
Weighted average number of 10p ordinary shares in issue for basic calculation	**135.0**	**135.0**	**135.0**	134.4	134.4	134.4
Deemed issue of potentially dilutive shares	**2.3**	**2.3**	**2.3**	2.3	2.3	2.3
Average number of 10p ordinary shares for diluted calculation	**137.3**	**137.3**	**137.3**	136.7	136.7	136.7

	Pence	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	**17.6**			45.3		
Basic earnings per share before exceptional items	**50.2**			51.7		
Basic earnings per share from continuing operations		**41.8**			48.0	
Basic earnings per share from continuing operations before exceptional items		**53.0**			48.0	
Basic loss per share from discontinued operations			**(24.2)**			(2.7)
Diluted earnings per share	**17.3**			44.6		
Diluted earnings per share before exceptional items	**49.4**			50.8		
Diluted earnings per share from continuing operations		**41.1**			47.2	
Diluted earnings per share from continuing operations before exceptional items		**52.1**			47.2	
Diluted loss per share from discontinued operations			**(23.8)**			(2.6)

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	2009 £m	Pence per share	2008 £m
Ordinary				
Interim				
2008 interim, paid October 2008	-	-	6.20	8.3
2009 interim, paid October 2009	**6.50**	**8.8**	-	-
Final				
2007 final, paid June 2008	-	-	10.80	14.5
2008 final, paid June 2009	**13.55**	**18.2**	-	-
	20.05	**27.0**	17.00	22.8
Preference (paid June and December)		**0.1**		0.1
Dividends paid to minority shareholders		**0.3**		0.2
		27.4		23.1

The directors are proposing a final dividend of 15.00p per share, amounting to a total dividend of £20.3m, in respect of the financial year ending 31 December 2009. It will be paid on 3 June 2010 to shareholders registered on 30 April 2010 and has not been accrued in these financial statements. The total dividend for the year ending 31 December 2009 is 21.50p per share (£29.1m).

10. Employees

	2009 £m	2008 £m
Group employment costs including directors		
Wages and salaries	**133.0**	123.6
Share based payment charges (note 23)	**6.9**	3.0
Social security costs	**20.4**	18.6
Other pension costs (note 12)	**12.2**	12.7
	172.5	157.9

Redundancy costs of £15.4m (2008: £5.9m) are excluded from the above analysis.

	2009 Number	2008 Number
Average employee numbers		
Consumer Care	**1,497**	1,547
Industrial Specialities	**1,939**	1,906
Discontinued operations	**107**	176
	3,543	3,629
Average employee numbers by function		
Production	**2,327**	2,406
Selling and distribution	**769**	774
Administration	**447**	449
	3,543	3,629

As required by the Companies Act 2006, the figures disclosed above are weighted averages based on the number of employees at each month end.

At 31 December 2009, the Group had 3,461 (2008: 3,624) employees in total.

10. Employees (continued)

	2009 £m	2008 £m
Key management compensation including directors		
Wages and salaries	**5.4**	4.9
Share based payment charges	**1.2**	0.8
Social security costs	**0.8**	0.7
Other pension costs	**0.4**	0.4
	7.8	6.8

Key management comprises the members of the main Board, Group Executive Committee and Group 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 32 to 36 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:

	2009 £m	2008 £m
Present value of retirement benefit liabilities		
UK - pension schemes	**(569.7)**	(397.2)
US - pension and medical schemes	**(99.4)**	(102.9)
Rest of World	**(111.4)**	(109.2)
	(780.5)	(609.3)
Fair value of schemes' assets		
UK - pension schemes	**453.2**	399.0
US - pension and medical schemes	**57.8**	59.7
Rest of World	**66.0**	62.1
	577.0	520.8
Net liability	**(203.5)**	(88.5)

The gross and net liability above includes an amount of £54.8m in respect of unfunded schemes (2008: £57.8m).

Notes to the Group accounts

12. Retirement benefit liabilities (continued)

	2009 £m	2008 £m
Movement in present value of retirement benefit liabilities in the year:		
Opening balance	609.3	643.6
Current service cost	8.5	9.4
Past service and settlements on restructuring and disposal of businesses	(0.7)	(0.8)
Interest cost	37.0	37.6
Actuarial loss/(gain)	174.2	(110.7)
Contributions paid in		
Employee	2.3	1.9
Benefits paid	(29.6)	(26.1)
Exchange differences on overseas schemes	(20.5)	54.4
	780.5	609.3
Movement in fair value of schemes' assets in the year:		
Opening balance	520.8	584.3
Expected return	37.7	44.7
Excess/(shortfall) of actual compared to expected return	32.4	(134.6)
Contributions paid in		
Employee	2.3	1.9
Employer	25.1	18.3
Benefits paid out	(29.6)	(26.1)
Exchange differences on overseas schemes	(11.7)	32.3
	577.0	520.8

The actual gain on scheme assets in the year was £70.1m (2008: loss £89.9m).

	2009 £m	2008 £m
Cumulative actuarial losses recognised in equity:		
Opening balance	(7.3)	(25.5)
Net actuarial losses charged in year	103.3	18.2
	96.0	(7.3)

Total employer contributions to the schemes in 2010 are expected to be £23m.

	2009 £m	2008 £m
Analysis of amounts recognised in income statement:		
Charged to operating profit		
Current service cost	8.5	9.4
Credited to net financial expenses		
Interest on scheme liabilities	37.0	37.6
Expected return on assets	(37.7)	(44.7)
	(0.7)	(7.1)
Net charge to income statement before tax	7.8	2.3

Of the amount charged to operating profit, £6.8m (2008: £7.5m) was included in cost of sales and £1.7m (2008: £1.9m) was included in administrative expenses.

12. Retirement benefit liabilities (continued)

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.

UK pension schemes

The financial assumptions used to assess the UK scheme liabilities were:	2009	2008
Valuation method	**Projected unit**	Projected unit
Discount rate	**5.7%**	6.7%
Inflation rate	**3.8%**	2.9%
Rate of increase in salaries	**5.0%**	4.1%
Rate of increase for pensions in payment	**3.8%**	2.9%
Expected return on scheme assets	**8.0%**	7.6%

The assets in the schemes comprised:	2009 % of fair value	2008 % of fair value
Equities	**58.3**	66.1
Bonds	**16.1**	16.2
Property	**8.3**	9.2
Other	**17.3**	8.5
	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:	2009 £m	2008 £m	2007 £m	2006 £m
Present value of retirement benefit liabilities	**(569.7)**	(397.2)	(483.4)	(506.7)
Fair value of scheme assets	**453.2**	399.0	475.9	421.0
Net (liability)/asset	**(116.5)**	1.8	(7.5)	(85.7)
Experience gain/(loss) on assets	**23.6**	(109.9)	(12.1)	9.4
Experience (loss)/gain on liabilities	**(165.9)**	103.7	(8.9)	0.3

US pension and post-retirement medical schemes

The financial assumptions used to assess the US scheme liabilities were:	2009	2008
Valuation method	**Projected unit**	Projected unit
Discount rate	**5.8%**	6.3%
Rate of increase in salaries	**4.0%**	4.0%
Expected return on scheme assets	**8.3%**	8.3%
Medical cost inflation rate	**8.5%**	9.0%

A 1% change in the assumed medical cost inflation rate would alter the charge to the income statement by £0.2m.

Notes to the Group accounts

12. Retirement benefit liabilities (continued)

The assets in the schemes comprised:	2009 % of fair value	2008 % of fair value
Equities	**38.5**	37.9
Government bonds	**41.5**	38.4
Other	**20.0**	23.7
	100.0	100.0

History of US schemes' deficits and experience gains and losses:	2009 £m	2008 £m	2007 £m	2006 £m
Present value of retirement benefit liabilities	**(99.4)**	(102.9)	(76.5)	(71.4)
Fair value of scheme assets	**57.8**	59.7	56.2	45.4
Net liability	**(41.6)**	(43.2)	(20.3)	(26.0)
Experience gain/(loss) on assets	**6.0**	(14.9)	(2.4)	0.2
Experience (loss)/gain on liabilities	**(5.4)**	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 £31.0m (2008: £33.0m), whilst the Dutch scheme is largely funded and has a net obligation of £7.4m (2008: £6.6m) comprising a gross liability of £70.2m and assets of £62.8m.

The financial assumptions used to assess the Dutch and German scheme liabilities were:	2009 Holland	2008 Holland	2009 Germany	2008 Germany
Valuation method	**Projected unit**	Projected unit	**Projected unit**	Projected unit
Discount rate	**5.3%**	5.8%	**5.5%**	5.9%
Inflation rate	**2.3%**	2.3%	**2.0%**	2.0%
Rate of increase in salaries	**3.0%**	3.0%	**2.8%**	2.8%
Rate of increase for pensions in payment	**2.3%**	2.3%	**2.0%**	2.0%
Expected return on scheme assets	**6.1%**	6.1%	**n/a**	n/a

Defined contribution schemes	2009 £m	2008 £m
Contributions paid charged to operating profit	**3.7**	3.3

13. Intangible assets

Goodwill is tested at each year end for impairment with reference to the relevant cash generating unit's (CGUs) recoverable amount compared to the unit's carrying value including goodwill. The relevant CGU when testing the Uniqema goodwill of £193.4m is the Group's Consumer Care operating segment. 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% (2008: 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 7.6% before tax (2008: 7.4%).

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. The directors believe there are no significant changes in assumptions which would give rise to an impairment charge in the year.

	Goodwill £m	Computer software £m	Total £m
Cost			
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**
At 1 January 2009	200.4	4.5	204.9
Exchange differences	-	(0.5)	(0.5)
Disposals and write offs	-	(2.3)	(2.3)
At 31 December 2009	**200.4**	**1.7**	**202.1**
Amortisation and impairment losses			
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**
At 1 January 2009	0.1	1.4	1.5
Exchange differences	-	(0.1)	(0.1)
Charge for the year	0.1	0.8	0.9
Disposals and write offs	-	(2.2)	(2.2)
At 31 December 2009	**0.2**	**(0.1)**	**0.1**
Net carrying amount			
At 31 December 2009	**200.2**	**1.8**	**202.0**
At 31 December 2008	200.3	3.1	203.4

Notes to the Group accounts

14. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
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 and closures	(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**
At 1 January 2009	146.6	502.4	649.0
Exchange differences	(11.8)	(43.6)	(55.4)
Additions	9.4	30.7	40.1
Business disposals and closures	(15.7)	(56.9)	(72.6)
Other disposals and write offs	(0.7)	(8.9)	(9.6)
At 31 December 2009	**127.8**	**423.7**	**551.5**
Depreciation and impairment losses			
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 and closures	(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**
At 1 January 2009	45.1	211.5	256.6
Exchange differences	(5.5)	(24.7)	(30.2)
Charge for the year	4.5	30.2	34.7
Business disposals and closures	(5.0)	(37.3)	(42.3)
Other disposals and write offs	(0.6)	(8.5)	(9.1)
At 31 December 2009	**38.5**	**171.2**	**209.7**
Net book amount			
At 31 December 2009	**89.3**	**252.5**	**341.8**
At 31 December 2008	101.5	290.9	392.4

The net book value of assets held by the Group under finance leases at 31 December 2009 was £0.9m (2008: £1.0m). The leased equipment serves the lease obligations in note 20.

15. Future commitments

	2009 £m	2008 £m
Group capital projects		
At 31 December 2009 the directors had authorised the following expenditure on capital projects:		
Contracted but not provided for	**10.0**	7.5
Authorised but not contracted for	**18.8**	24.9
	28.8	32.4
Operating leases - minimum lease payments		
At 31 December 2009 the Group's future minimum lease commitments were due as follows:		
Within one year	**3.6**	5.1
From one to five years	**6.8**	11.6
After five years	**2.7**	5.2
	13.1	21.9

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

	2009 £m	2008 £m
H.I.G. Capital LLC loan note	**11.7**	11.9
Other investments	**0.8**	0.8
	12.5	12.7

Loan note
The Group received a US $ denominated loan note as part of the consideration for the disposal of its Chicago Oleochemical business (note 7). The note is held directly by one of our US entities. It 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. The US $ balance is translated to Sterling at the prevailing year end exchange rate.

Other investments
Other investments of £0.8m (2008: £0.8m) 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

	2009 £m	2008 £m
Raw materials	**27.7**	37.3
Work in progress	**8.9**	8.6
Finished goods	**112.3**	156.0
	148.9	201.9

The Group consumed £667.5m (2008: £677.2m) of inventories during the period.

Notes to the Group accounts

18. Trade and other receivables

	2009 £m	2008 £m
Amounts falling due within one year		
Trade receivables	131.4	157.0
Less: provision for impairment of receivables	(5.2)	(3.5)
Trade receivables - net	126.2	153.5
Other receivables	23.4	22.4
Prepayments	9.4	9.9
	159.0	185.8

The ageing of the Group's year end overdue receivables is as follows:	2009 £m	2008 £m
Impaired		
Less than 3 months	3.6	1.3
3 to 6 months	0.1	0.6
Over 6 months	1.5	1.6
	5.2	3.5
Not impaired		
Less than 3 months	12.1	32.1
3 to 6 months	1.1	1.7
Over 6 months	0.4	2.3
	13.6	36.1

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:	2009 £m	2008 £m
Sterling	27.3	31.2
US Dollar	34.9	67.6
Euro	66.0	53.7
Other	30.8	33.3
	159.0	185.8

Movements on the Group's provision for impairment of trade receivables are as follows:	2009 £m	2008 £m
At 1 January	3.5	1.9
Exchange differences	(0.4)	0.7
Charged to income statement	2.7	2.2
Net write off of uncollectible receivables	(0.6)	(1.3)
At 31 December	5.2	3.5

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

	2009 £m	2008 £m
Amounts falling due within one year		
Trade payables	**59.1**	77.9
Other taxation and social security	**7.9**	6.2
Other payables	**24.7**	20.0
Accruals and deferred income	**87.3**	75.7
	179.0	179.8

20. Borrowings, other financial liabilities and other financial assets

This note should be read in conjunction with the further liquidity disclosures in our accounting policies note and the Financial review.

	2009 £m	2008 £m
Current		
Assets		
Trade and other receivables	**149.6**	175.9
Liabilities		
Trade and other payables	**91.7**	104.1
Interest rate swaps	**0.3**	-
Syndicated acquisition funding	**30.0**	30.0
Other unsecured bank loans and overdrafts due within one year or on demand	**18.2**	56.8
Obligations under finance leases	**0.3**	0.4
	140.5	191.3
Non-current		
Liabilities		
Interest rate swaps	**-**	2.4
Syndicated acquisition funding	**235.5**	261.2
€136m term facility	**33.8**	90.5
Other unsecured bank loans	**15.2**	0.9
Obligations under finance leases	**0.5**	0.6
	285.0	355.6

Elements of the syndicated acquisition funding facility 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.

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

	2009 £m	2008 £m
Maturity profile of financial liabilities		
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	**48.2**	86.8
Interest rate swap	**0.3**	-
Obligations under finance leases	**0.3**	0.4
	48.8	87.2
After more than one year		
Loans repayable		
Within one to two years	**284.5**	30.8
Within two to five years	**-**	321.8
Interest rate swap	**-**	2.4
Obligations under finance leases payable between years two and five	**0.5**	0.6
	285.0	355.6
The minimum lease payments under finance leases fall due as follows:		
Within one year	**0.3**	0.4
Within two to five years	**0.6**	0.7
	0.9	1.1
Future finance charges on finance leases	**(0.1)**	(0.1)
Present value of finance lease liabilities	**0.8**	1.0
Undiscounted maturity analysis of financial liabilities		
Within one year		
Bank loans and overdrafts	**48.8**	88.7
Obligations under finance leases	**0.3**	0.4
	49.1	89.1
After more than one year		
Loans repayable		
Within one to two years	**290.1**	32.1
Within two to five years	**-**	350.9
Obligations under finance leases	**0.6**	0.7
	290.7	383.7

The analysis above includes estimated interest payable to maturity on the underlying loans. For the loans due after more than one year £3.8m (2008: £12.4m) of the interest falls due within one year of the balance sheet date, £1.8m (2008: £10.6m) within one to two years and £Nil (2008: £5.0m) within two to five years.

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

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	147.4	100.0	47.4	5.19	0.1
US Dollar	62.4	-	62.4	-	-
Euro	123.5	-	123.5	-	-
Other	0.5	-	0.5	-	-
At 31 December 2009	**333.8**	**100.0**	**233.8**	**5.19**	**0.1**
Sterling	176.8	100.0	76.8	5.99	1.1
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	1.1

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. There is no intention at the current time to enter into any further interest rate swaps following the issuing of a ten year fixed rate $100m loan note in January 2010.

As at 31 December 2009, aside from the elements of the Group's debt 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 2009, the Group's fixed rate debt was at a weighted average rate of 5.19% (2008: 5.99%). The Group's floating rate liabilities are predominantly based on LIBOR and its overseas equivalents.

Fair values

The table below 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.

	Book value 2009 £m	Fair value 2009 £m	Book value 2008 £m	Fair value 2008 £m
Cash deposits	**45.0**	**45.0**	42.3	42.3
Other investments	**12.5**	**12.5**	12.7	12.7
Syndicated acquisition funding	**(265.5)**	**(265.5)**	(291.2)	(291.2)
€136m term facility	**(33.8)**	**(33.8)**	(90.5)	(90.5)
Other bank borrowings	**(33.4)**	**(33.4)**	(57.7)	(57.7)
Obligations under finance leases	**(0.8)**	**(0.8)**	(1.0)	(1.0)
Interest rate swaps	**(0.3)**	**(0.3)**	(2.4)	(2.4)

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 55, 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 2009 was £0.4m (2008: £0.1m).

Notes to the Group accounts

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

Financial instruments
Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All of the Group's financial instruments are classified as level 1.

Borrowing facilities
As at 31 December 2009, the Group had undrawn committed facilities of £Nil (2008: £53.1m) expiring in more than two years, £96.1m (2008: £Nil) expiring between one and two years and £31.8m (2008: £7.6m) expiring within one year. In addition the Group had other undrawn facilities of £37.2m (2008: £39.8m) available.

In January 2010 the Group issued a $100m loan note. This is repayable in 2020 and carries a fixed rate of 5.94%.

21. Provisions

	Environmental £m	Restructuring £m	Discontinued £m	Other £m	Total £m
At 1 January 2009	16.6	20.1	-	11.8	48.5
Exchange differences	(0.9)	(0.6)	-	(0.7)	(2.2)
Charged to income statement	-	12.1	9.8	0.7	22.6
Cash paid against provisions	(2.3)	(6.7)	(2.8)	(3.7)	(15.5)
Non-cash movement in provisions	-	-	-	1.7	1.7
At 31 December 2009	**13.4**	**24.9**	**7.0**	**9.8**	**55.1**

Analysis of total provisions	2009 £m	2008 £m
Current	**30.6**	7.0
Non-current	**24.5**	41.5
	55.1	48.5

The environmental provision relates to soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas. Restructuring provisions relate to the ongoing plans to integrate the acquired Uniqema business with the existing Croda businesses and costs associated with the closure of the Wilton site. Other provisions relate primarily to onerous contracts within the acquired Uniqema business.

In relation to the environmental provision, the directors consider that the balance will be utilised within 20 years. With regard to the restructuring provision, whilst utilisation has occurred in 2009, the closure of the Wilton site resulted in a further charge in the year. The directors' view is that there will be significant elements, notably in respect of employee costs, that will be utilised in 2010 and that the balance will be largely utilised by 2011. Based on information currently available and on the detailed plans established for the restructuring of the Group, this level of provision is considered appropriate by the directors. The discontinued provision was established in 2009 on the closure of the Bromborough facility and the discontinuance of its associated business. The directors expect the provision to be fully utilised during 2010. Other provisions largely relate to the finalisation of the fair value exercise related to the fair value adjustments in respect of onerous contracts and fixed asset decommissioning following the Uniqema acquisition in 2006. These provisions will be largely utilised during 2010. 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.

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.

22. Ordinary share capital

Ordinary shares of 10p	2009 £m	2008 £m
Authorised at 1 January and 31 December	23.1	17.3
Issued at 1 January and at 31 December	14.0	14.0

During 2009 a resolution was passed to increase the ordinary share capital by the creation of 58,111,250 ordinary shares of 10p each (total value £5,811,125).

In 2009, options were granted to employees under the Croda Savings-Related Share Option Scheme to subscribe for 169,368 ordinary shares at an option price of 533p per share and under the International Sharesave Scheme to subscribe for 317,222 shares at an option price of 533p per share. No options were granted in 2009 under the Senior Executive Share Option Scheme. No-cost options to subscribe for 329,519 ordinary shares were granted under the Long-Term Incentive Plan during the year and no-cost options over a further 347,753 shares were granted under the Bonus Co-Investment Plan.

During the year consideration of £1.6m was received on the exercise of options over 568,631 shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 51,082 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	2004	4,917	226p	1 November 2009 to 30 April 2010
	2005	141,706	328p	1 November 2010 to 30 April 2011
	2006	4,865	384p	1 November 2009 to 30 April 2010
	2007	247,189	520p	1 November 2010 to 30 April 2011
	2008	156,593	509p	1 November 2011 to 30 April 2012
	2009	166,135	533p	1 November 2012 to 30 April 2013
Croda International Overseas				
Sharesave Scheme	2005	153,451	328p	1 November 2010 to 30 November 2010
	2007	503,737	520p	1 November 2010 to 30 November 2010
	2008	244,904	509p	1 November 2011 to 30 November 2011
	2009	309,986	533p	1 November 2012 to 30 November 2012
Croda International Senior				
Executive Share Option Schemes	2000	44,537	256p	22 March 2003 to 21 March 2010
	2001	33,065	258p	7 March 2004 to 6 March 2011
	2002	37,927	261p	13 March 2005 to 12 March 2012
	2003	324,985	230p	5 March 2006 to 4 March 2013
Croda International Long-Term				
Incentive Plan	2007	199,196	Nil	22 February 2010 to 21 February 2011
	2008	303,191	Nil	20 February 2011 to 19 February 2012
	2009	329,519	Nil	18 February 2012 to 17 February 2013
Croda International Bonus				
Co-Investment Plan	2007	84,777	Nil	26 April 2010
	2008	195,079	Nil	1 May 2011
	2009	347,753	Nil	30 April 2012

Notes to the Group accounts

23. Share based payments

The impact of share based payment transactions on the Group's financial position is as follows:	2009 £m	2008 £m
Analysis of amounts recognised in income statement:		
Charged in respect of equity-settled share based payment transactions	**2.0**	1.6
Charged in respect of cash-settled share based payment transactions	**4.9**	1.4
	6.9	3.0
Analysis of amounts recognised in balance sheet:		
Liability in respect of cash-settled share based payment transactions	**4.6**	2.3

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, are entitled to exercise options at the end of the period based on the amount saved. Options are 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	**2009**
Share price at grant date	**666p**
Exercise price	**533p**
Number of employees	**325**
Shares under option	**169,368**
Vesting period	**3 years**
Expected volatility	**35%**
Option life	**6 months**
Expected life	**-**
Risk free rate	**2.1%**
Dividend yield	**3.0%**
Possibility of forfeiture	**7.5% p.a.**
Fair value per option at grant date	**198p**

A reconciliation of option movements over the period is as follows:	2009 Number	2009 Weighted average exercise price (p)	2008 Number	2008 Weighted average exercise price (p)
Outstanding at 1 January	**919,477**	**411**	942,756	364
Granted	**169,368**	**533**	174,232	509
Forfeited	**(50,988)**	**511**	(40,365)	448
Exercised	**(304,051)**	**302**	(157,146)	227
Outstanding at 31 December	**733,806**	**478**	919,477	411
Exercisable at 31 December	**16,390**		13,146	
For options exercised in year, weighted average share price at date of exercise		**747**		521
Weighted average remaining life at 31 December (years)	**2.0**		2.2	

23. Share based payments (continued)

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	**2009**
Share price at grant date	**666p**
Exercise price	**533p**
Number of employees	**604**
Shares under option	**317,222**
Vesting period	**3 years**
Expected volatility	**35%**
Option life	**1 month**
Expected life	**-**
Risk free rate	**1.3%**
Dividend yield	**2.5%**
Possibility of forfeiture	**7.5% p.a.**
Fair value per option at 31 December	**295p**

A reconciliation of option movements over the period is as follows:	Number	2009 Weighted average exercise price (p)	Number	2008 Weighted average exercise price (p)
Outstanding at 1 January	**1,303,664**	**338**	1,271,052	419
Granted	**317,222**	**533**	285,248	509
Forfeited	**(109,463)**	**474**	(185,534)	448
Exercised	**(296,304)**	**312**	(67,102)	239
Outstanding at 31 December	**1,215,119**	**257**	1,303,664	338
For options exercised in year, weighted average share price at date of exercise		**756**		535
Weighted average remaining life at 31 December (years)	**1.6**		1.9	

Croda International Senior Executive Share Option Scheme ("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 the directors' remuneration report (page 30). 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.

A reconciliation of option movements over the period is as follows:	Number	2009 Weighted average exercise price (p)	Number	2008 Weighted average exercise price (p)
Outstanding at 1 January	**718,935**	**245**	834,061	245
Forfeited	**(2,299)**	**256**	(5,475)	256
Exercised	**(264,823)**	**257**	(109,651)	248
Outstanding at 31 December	**451,813**	**238**	718,935	245
Exercisable at 31 December	**451,813**		602,367	
For options exercised in year, weighted average share price at date of exercise		**678**		649
Weighted average remaining life at 31 December (years)	**2.6**		2.8	

23. Share based payments (continued)

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 29 to 30). 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	18 February 2009	18 February 2009
Share price at grant date	509p	509p
Number of employees	11	11
Shares under option	164,759	164,760
Vesting period	3 years	3 years
Option life	1 year	1 year
Expected life	-	-
Dividend yield	3.9%	3.9%
Possibility of forfeiture	3.5%	3.5%
Fair value per option at grant date	282p	454p

A reconciliation of option movements over the period is as follows:	Number	2009 Weighted average exercise price (p)	Number	2008 Weighted average exercise price (p)
Outstanding at 1 January	760,657	-	710,989	-
Granted	329,519	-	303,191	-
Forfeited	-	-	(6,537)	-
Exercised	(227,565)	-	(246,986)	-
Outstanding at 31 December	862,611	-	760,657	-
For options exercised in year, weighted average share price at date of exercise		527		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 a performance related condition. 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	30 April 2009
Share price at grant date	544p
Number of employees	54
Shares under option	347,753
Vesting period	3 years
Dividend yield	3.6%
Possibility of forfeiture	5.0%
Fair value per option at grant date	489p

23. Share based payments (continued)

A reconciliation of option movements over the period is as follows:

	2009 Number	2009 Weighted average exercise price (p)	2008 Number	2008 Weighted average exercise price (p)
Outstanding at 1 January	**462,012**	**-**	266,933	-
Granted	**347,753**	**-**	195,079	-
Forfeited	**(111)**	**-**	-	-
Exercised	**(182,045)**	**-**	-	-
Outstanding at 31 December	**627,609**	**-**	462,012	-
Weighted average remaining life at 31 December (years)	**1.8**		1.4	

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

	2009 £000	2008 £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

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 2009 the QUEST was financed by a repayable on demand loan from the Company of £2.2m (2008: £3.1m) and held 0.2m (2008: 0.5m) shares at a cost of £2.2m (2008: £3.1m) with a market value of £1.6m (2008: £2.6m). As at 31 December 2009 the CIPEBT was financed by a repayable on demand loan from the Company of £5.0m (2008: £5.6m) and held 0.4m (2008: 1.0m) shares at a cost of £5.0m (2008: £5.6m) with a market value of £3.6m (2008: £5.4m).

As at 31 December 2009 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 2009 and, except for a nominal amount, the right to receive dividends has been waived.

Notes to the Group accounts

26. Minority interests

	2009 £m	2008 £m
At 1 January	**2.0**	1.7
Exchange differences	**(0.2)**	0.3
Profit for the year	**0.2**	0.2
Dividend paid to minority shareholders	**(0.3)**	(0.2)
At 31 December	**1.7**	2.0

27. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £54.1m (2008: £112.2m).

Croda International Plc

Parent company financial statements

Pages 82 to 89 represent the separate financial statements of Croda International Plc as required by the Companies Act 2006 ('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 the International Accounting Standards.

Company independent auditors' report

Independent auditors' 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 2009 which comprise the Company balance sheet, the Company accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 42, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for, and only for, the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the Group financial statements of Croda International Plc for the year ended 31 December 2009.

Steve Denison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
26 February 2010

Company balance sheet
at 31 December 2009

	Note	2009 £m	2008 £m
Fixed assets			
Tangible assets	D	**2.5**	2.0
Investments			
Subsidiary undertakings	E	**481.0**	518.4
Other	F	**0.6**	0.6
		484.1	521.0
Current assets			
Debtors	G	**15.1**	14.1
Cash at bank and in hand		**6.2**	9.5
		21.3	23.6
Creditors			
Falling due within one year	H	**(124.3)**	(102.6)
Net current liabilities		**(103.0)**	(79.0)
Creditors			
Falling due after one year	H	**(245.4)**	(311.1)
Net assets		**135.7**	130.9
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	**27.3**	22.5
Shareholders' funds		**135.7**	130.9

Signed on behalf of the Board who approved the accounts on 23 February 2010

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 2006, 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

All dividends, including preference 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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and other 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. All taxation is calculated on the basis of the tax rates and laws enacted or substantively enacted at the balance sheet date.

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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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.

Investments

Shares in subsidiary undertakings

Shares in subsidiary undertakings are initially stated at cost. Provision is made where, in the opinion of the Directors, a permanent diminution in value has occurred.

Unquoted securities

Investments in unquoted securities are carried at fair value unless such value cannot be reliably measured, in which case the investments are carried at cost.

Financial risk factors

The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 54 and 55.

Notes to the Company accounts

A. Profit and loss account

Of the Group's profit for the year £28.7m (2008: £17.5m) is dealt with in the profit and loss account of the Company which was approved by the Board on 23 February 2010 but which is not presented as permitted by s.408 Companies Act 2006. Included in the Company profit and loss account is a charge of £0.1m (2008: £0.1m) in respect of the Company's audit fee.

B. Employees

	2009 £m	2008 £m
Company employment costs including directors		
Wages and salaries	**4.6**	6.8
Share based payments (note J)	**2.0**	1.5
Social security costs	**0.9**	1.0
Other pension costs	**4.2**	0.6
	11.7	9.9

	Number	Number
Average employee numbers		
Management and administration	**74**	68

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 and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2009	2.1	1.3	3.4
Additions	0.8	0.1	0.9
Disposals	-	(0.1)	(0.1)
At 31 December 2009	**2.9**	**1.3**	**4.2**
Depreciation			
At 1 January 2009	0.9	0.5	1.4
Charge for year	0.2	0.2	0.4
Disposals	-	(0.1)	(0.1)
At 31 December 2009	**1.1**	**0.6**	**1.7**
Net book amount			
At 31 December 2009	**1.8**	**0.7**	**2.5**
At 31 December 2008	1.2	0.8	2.0

D. Tangible fixed assets (continued)

	2009 £m	2008 £m
Net book amount of land and buildings		
Freehold	**1.8**	1.2
Historical cost of land and buildings		
Cost	**0.3**	0.3
1988 valuations	**1.9**	1.9
At 31 December	**2.2**	2.2
Revaluation surpluses	**(1.1)**	(1.1)
Restated to historical cost	**1.1**	1.1
Depreciation	**(0.7)**	(0.7)
Historical net book amount		
At 31 December	**0.4**	0.4

E. Subsidiary undertakings

	Shares £m	Loans £m	Total £m
Cost less amounts written off			
At 1 January 2009	262.6	255.8	518.4
Exchange differences	-	(15.5)	(15.5)
Additions	0.3	-	0.3
Amounts repaid	(4.1)	(109.0)	(113.1)
Amounts invested	-	90.9	90.9
At 31 December 2009	**258.8**	**222.2**	**481.0**

The principal subsidiary undertakings are listed on page 90.

F. Investments

	Other investments £m	Total £m
Cost or valuation of net equity		
At 1 January 2009 **and 31 December 2009**	**0.6**	**0.6**

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

G. Debtors

	2009 £m	2008 £m
Amounts owed by Group undertakings	**4.1**	1.1
Corporate taxation	**7.1**	7.1
Other debtors	**3.3**	5.3
Prepayments	**0.6**	0.6
	15.1	14.1

Notes to the Company accounts

H. Creditors

	2009 £m	2008 £m
Amounts falling due within one year		
Borrowings (note I)	**109.2**	80.7
Trade creditors	**0.3**	0.2
Other taxation and social security	**1.2**	1.1
Other creditors	**5.9**	9.4
Accruals and deferred income	**5.5**	8.8
Amounts owed to Group undertakings	**2.2**	2.4
	124.3	102.6
Amounts falling due after one year		
Borrowings (note I)	**225.9**	275.3
Amounts owed to Group undertakings	**19.5**	35.8
	245.4	311.1

I. Financial instruments

The Company's objectives, policies and strategies in respect of financial instruments are outlined in the accounting policies note on page 84 which forms part of the annual report and accounts. Short term debtors and creditors have been excluded from all of the following disclosures.

	2009 £m	2008 £m
Maturity profile of financial liabilities		
Syndicated acquisition funding	**255.9**	305.3
Interest rate swaps	**0.3**	2.4
Bank loans and overdrafts repayable on demand	**78.9**	48.3
	335.1	356.0
Repayments fall due as follows:		
Within one year		
Syndicated acquisition funding	**30.0**	30.0
Interest rate swaps	**0.3**	2.4
Bank loans and overdrafts	**78.9**	48.3
	109.2	80.7
After more than one year		
Loans repayable		
Within one to two years	**225.9**	30.0
Within two to five years	**-**	245.3
	225.9	275.3

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 £2.0m (2008: £1.5m). 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 and loss account £m	Total £m
At 1 January 2009	93.3	0.9	2.1	19.5	115.8
Total recognised income in year	-	-	-	28.0	28.0
Dividends	-	-	-	(27.1)	(27.1)
Share based payments	-	-	-	2.3	2.3
Consideration received for sale of own shares (held in trust)	-	-	-	1.6	1.6
At 31 December 2009	**93.3**	**0.9**	**2.1**	**24.3**	**120.6**

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

L. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £54.1m (2008: £112.2m).

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 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

2010 Annual General Meeting	28 April 2010
2009 Final ordinary dividend payment	3 June 2010
2010 Half year results announcement	27 July 2010
2010 Interim ordinary dividend payment	7 October 2010
2010 Preference dividend payments	30 June 2010
	31 December 2010
2010 Full year results announcement	February 2011

Analysis of ordinary shareholders as at 23 February 2010

	Number of holders	Number of shares	% of issued capital
By size of holding			
1 – 1,000	1,607	374,768	0.26
1,001 – 5,000	2,143	2,378,339	1.70
5,001 – 10,000	786	2,471,674	1.77
10,001 – 50,000	248	1,746,633	1.25
50,001 – 100,000	229	5,726,573	4.09
100,001 – 500,000	83	6,042,177	4.32
500,001 – upwards	174	121,209,805	86.61
	5,270	**139,949,969**	**100.00**
By type of holder			
Private holders	3,480	8,355,716	5.98
Institutional and corporate holders	1,786	127,275,238	90.94
Treasury shares	1	3,757,589	2.68
Shares held in Croda trusts	3	561,426	0.40
	5,270	**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 the Registrars' website, www.capitashareportal.com and following the instructions. To register, shareholders will require their investor code (IVC). This is an 11 digit number starting with either five or six zeros and can be found on your dividend tax voucher or your share certificate. 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 who register on the above website can also check their shareholding, view their dividend history, elect for the dividend reinvestment plan and register changes of address and dividend mandate instructions.

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 2009, or last date traded*, were as follows:

Ordinary shares	800p
5.9% preference shares	75p*
6.6% preference shares	100p*

Capital gains tax

The market values 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 (from outside the 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. These operations are commonly known as "boiler rooms". These "brokers" 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 by visiting www.fsa.gov.uk/Pages/register
- Report the matter to the FSA either by calling 0300 500 5000 or visiting www.moneymadeclear.fsa.gov.uk
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml

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

Company Secretary and registered office

A L Scott (Company 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: 01484 601512(from UK)
+ 44 1484 601512 (from overseas)
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
Rockspring Hanover Real Estate Investment Management Limited
SteelRiver Offshore Infrastructure Associates Limited
Innisfree Limited

Consulting actuaries

Towers Watson

Five year record

Earnings

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Turnover	**916.2**	911.1	804.8	480.1	289.9
Operating profit	**119.9**	112.6	83.0	59.7	51.4
Profit before tax	**106.4**	96.3	60.8	52.5	49.4
Profit after tax	**71.8**	64.8	40.2	35.0	32.2
Profit attributable to ordinary shareholders *	**23.7**	60.9	87.2	7.9	32.6

	%	%	%	%	%
Operating profit as a % of turnover **	**13.1**	12.0	10.3	7.5	17.7
Return on invested capital (ROIC) **	**10.5**	9.8	8.1	6.9	12.5
Effective tax rate	**32.5**	32.0	33.9	33.3	34.8

	pence	pence	pence	pence	pence
Earnings per share (before exceptional items) *	**50.2**	51.7	37.1	28.9	25.6
Dividends per share	**21.50**	19.75	15.75	14.30	13.35

	times	times	times	times	times
Net debt/EBITDA **	**1.8**	2.6	2.8	3.3	0.4
EBITDA interest cover **	**11.1**	9.4	5.8	4.2	35.1

* 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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fixed assets	**556.3**	608.5	555.8	551.5	130.3
Stock	**148.9**	201.9	161.4	133.5	53.4
Debtors	**159.0**	185.8	186.4	192.5	55.7
Creditors	**(182.6)**	(184.5)	(178.8)	(198.4)	(44.6)
Other	**-**	1.1	1.6	2.0	15.4
Capital employed	**681.6**	812.8	726.4	681.1	210.2
Dividends, tax, provisions and other	**(31.1)**	(60.9)	(81.4)	(64.9)	1.7
Pension fund liability	**(203.5)**	(88.5)	(59.3)	(159.9)	(107.1)
	447.0	663.4	585.7	456.3	104.8
Shareholders funds	**156.5**	263.3	218.0	124.5	79.7
Minority interests	**1.7**	2.0	1.7	1.9	0.9
	158.2	265.3	219.7	126.4	80.6
Net debt	**288.5**	398.1	366.0	329.9	24.2
	446.7	663.4	585.7	456.3	104.8
Gearing (%)	**182.4**	150.1	166.6	261.0	30.0

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